FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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FILER

CASINO RESOURCE CORP

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SECURITIES AND EXCHANGE: COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(Mark One)

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended September 30, 1996

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934 (NO FEE REQUIRED)]

Commission file number 0-22242

CASINO RESOURCE CORPORATION
(Name of the small business issuer in its charter)

MINNESOTA	41-0950482
(State or jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1719 Beach Boulevard, Suite 306
Biloxi, Mississippi 39531
(Address of principal executive offices)

Issuer's telephone number (601) 435-1976

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

Name of each exchange on which registered: N/A

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock and Class A Warrants

Check whether the company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .
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Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of Registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

The Company's revenues for the fiscal year ended September 30,1996 were $12,906,000.

As of December 13, 1996, 10,043,364 shares of Common Stock were outstanding, and the aggregate market value of such Common Stock (based upon the last reported sale price on the Nasdaq National Market), excluding outstanding shares beneficially owned by affiliates was approximately $17,575,887.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Form 10-K Into Which Incorporated
Casino Resource Corporation's Definitive Proxy Statement for the 1997 Annual Meeting (to be filed)	Part III

PART I

ITEM 1. BUSINESS

GENERAL

The Company was organized in 1969. In 1987, the Company merged into an inactive public corporation, and in 1993, it changed its name to Casino Resource Corporation. Prior to 1987, the Company engaged in various business activities unrelated to its current or proposed businesses. Between 1987 and 1991, the Company's primary business was owning and managing recreational vehicle resorts, and providing related direct marketing services. The Company sold its capital-intensive camp resort properties during 1988 through 1991 and began offering its direct marketing services to the recreational real estate industry, primarily focusing on time share and camp resort developments and, eventually, to the casino industry. The Company sold its time-share and camp resort direct marketing business in May 1994, and directed its focus to the hospitality and entertainment industry in both gaming and high-tourist areas, and to the emerging gaming industry.

The Company entered the hospitality and entertainment industries by acquiring or developing four businesses, one of which has been sold. In March 1994, the Company purchased a musical production company which stages an award-winning show at the Aladdin Hotel in Las Vegas, Nevada. Also in March 1994, the Company purchased its "Country Tonite Theatre" in Branson, Missouri, which was reopened for business in May 1994. In May 1994, the Company completed construction of and opened its 154-room hotel, the "Grand Hinckley Inn," on 7.5 acres of leased land in northern Minnesota adjacent to the Grand Casino Hinckley, an Indian gaming facility operated by Grand Casinos, Inc. ("Grand Casinos"). Also, in May 1994, the Company completed construction of the 1,872-seat "Biloxi Star Theatre" adjacent to the Grand Casino Biloxi on the Gulf Coast of Mississippi. This facility was subsequently sold to Grand Casinos in September 1994. In March 1997, a third venue for the Country Tonite Show is scheduled to open in Pigeon Forge, Tennessee. The Country Tonite Theatre, LLC, a joint venture between CRC of Tennessee, Inc., a wholly owned subsidiary and Burkhardt Ventures, LLC, will present the show in a 1,500-seat, state-of-the-art theatre in Pigeon Forge, Tennessee, currently the home of country star T.G. Shepard. CRC of Tennessee will be the manager and will own 60% of the joint venture. In April 1997, the Branson theatre is scheduled to add a second show, "The Golden Girls", in a joint venture with Greg Thompson Productions. The Company plans to increase its hospitality and entertainment businesses as opportunities arise.

Although the company does not presently own, operate, or manage any gaming facilities, significant steps were taken in 1996 toward establishing the company as a casino operator in fiscal 1997.

On September 23, 1996, the Company, along with its joint venture partners Robert and Lawana Low, submitted a contract to purchase assets of the Palace Casino located in Biloxi, Mississippi, for

$14.25 million, consisting of $11.5 million cash and the balance in notes. On October 15, 1996, the purchase of the Palace Casino assets was approved by the United States Bankruptcy Court for the Southern District of Mississippi. Subject to regulatory approval, the closing is scheduled for the second quarter of fiscal 1997. The Lows will initially own 80% of the joint venture, New Palace Casino, LLC, and Casino Resource Corporation will own 20%, with the Company having an option to purchase an additional 29% within a two year period.

In addition, the Company, through a wholly owned subsidiary, CRC of Tunisia, Inc., will lease and operate a casino and theatre in Sousse, Tunisia. The facility is currently under construction and is scheduled to open in June 1997.

The Company had previously entered into a Technical Assistance and Consulting Agreement with Harrah's Entertainment, Inc. ("Harrah's") who is to develop and manage one or more casinos to be funded by Harrah's for the Pokagon Band of Potawatomi Indians in northern Indiana and southwestern Michigan. The Company will, upon commencement of operations, receive 21.6% of Harrah's

management fee, but is not required to provide any development capital.

EXISTING OPERATIONS

GRAND HINCKLEY INN (HINCKLEY, MN)

In May 1994, the Company opened its Grand Hinckley Inn on 7.5 acres of leased land located adjacent to the Grand Casino Hinckley, a 46,000 square-foot casino owned by the Mille Lacs Band of Ojibwe Indians and operated by Grand Casinos near Hinckley, Minnesota. The casino attracts approximately four million patrons per year. The 154-room hotel is largely occupied by casino patrons.

The hotel is located approximately 90 miles north of Minneapolis near the intersection of Interstate 35 and State Highway 48. The intersection contains approximately 250 hotel or motel rooms plus an additional 285 rooms under construction, together with food and retail establishments. Grand Casinos is the lessor of the Grand Hinckley Inn site.

The hotel is a luxury facility featuring 138 standard rooms and 16 suites. Amenities include a swimming pool, a whirlpool and sauna, a video arcade, cable television with video programming and games, and surface parking for 189 vehicles. The hotel features a spacious lobby and library, vaulted fireplace sitting areas, a conference room, and guest laundry facilities. The hotel provides complimentary continental breakfasts to all guests and free 24-hour shuttle service to and from the casino seven days a week.

The hotel has achieved an average occupancy rate of approximately 86% for the fiscal year ended September 30, 1996, and generally reaches full capacity on weekends. For the fiscal year ended September 30, 1996, the hotel had an average room rate of $54.85.

The Company has entered into several beneficial arrangements with Grand Casinos and the tribe regarding the hotel: the Company leases the land on which the hotel is situated from Grand Casinos at the rate of $1 per annum; the casino arranges room reservations at the hotel for its preferred customers; and each business highlights the other in its marketing efforts. In addition, under a Marketing Enhancement Agreement, the Company receives a $20 fee per night per occupied room from the "Enterprise," (a combination of Grand Casinos and the Mille Lacs Band of Ojibwe). In return for the marketing enhancement fee, the hotel has entered into a revenue sharing plan with the Enterprise which requires that 50% of all room revenues above a defined cumulative threshold be paid to the Enterprise up to the amount of the marketing enhancement fees received by the hotel. During the fiscal year ended September 30, 1995, hotel revenues exceeded the cumulative threshold and the Company was required to pay approximately $361,000 back to the Enterprise. Payments due to the Enterprise under this "windfall profit sharing arrangement" for fiscal 1996 totaled $786,000. Payments in the future will vary based on revenues and increases, if any, in the hotel's annual operating cost threshold.

The Company and the Tribal Commission of the Mille Lacs Band have entered into an agreement regarding future ownership of the hotel. The Tribal Commission has the unilateral right to purchase the hotel on the anniversary dates of its initial occupancy (May 1994) in each of years 2001 through 2006 at a cost equivalent to the original development cost of the hotel plus the depreciated cost of personal property and all inventories. Conversely, in the event that the Tribal Commission allows the construction of more than 500 hotel or equivalent rooms on property owned by the Tribal Commission or Grand Casinos, the Company has the right to require the Tribal Commission to purchase the hotel at the cost stated above.

The Company obtained mortgage financing in the amount of $3.3 million for the development of the hotel in 1994. This debt is collateralized by the hotel, as well as by certain stock pledged by Grand Casinos. The mortgage note matures on May 1, 2004 and bears interest at an annual rate equal to the prime rate plus 2%, up to a maximum of 11%. The note is payable in monthly installments of principal and interest of $43,942. Approximately $2.8 million in principal amount was outstanding at September 30, 1996. In addition to the mortgage, the Company secured $900,000 of equipment financing collateralized by the hotel's furniture, fixtures and equipment and guaranteed by Grand Casinos. This debt was repaid in full in August 1996. Finally, a $1,289,000 line of credit extended by Grand Casinos to the Company for working capital purposes is secured by a second mortgage on the hotel. Principal repayments of $600,000 were made through July 31, 1996. Starting in August 1996 the credit line which bears a 10% interest rate is being amortized at the rate of $50,000 per month plus interest. At September 30, 1996, $589,000 of the credit line remains outstanding.

COUNTRY TONITE THEATRE (BRANSON, MO)

The Company purchased the former Ray Stevens Theatre, now the Country Tonite Theatre (the "Theatre"), in Branson, Missouri in March 1994. In May 1994, the 2,000-seat theatre began running

two shows daily, featuring dancers, singers, comics and other variety acts. The show is produced by the Company's Las Vegas-based subsidiary, Country Tonite Enterprises, Inc. ("CTE"). The Theatre includes 38,000 square feet on two floors with an auditorium, a stage area, control booths, dressing rooms, upstairs offices, a lounge, a gift shop which offers a wide variety of souvenirs with the Country Tonite theme, and a concession stand. In addition, the Theatre parking lot accommodates 600 cars and 30 buses.

The Country Tonite show has been voted "Best Live Country Music Show in America" by the Country Music Associations of America for three consecutive years through 1995. In November 1995, the show was voted "Show of the Year" by the 1995 Branson Entertainment Awards. Theatre revenues increased 54% for fiscal 1996 compared to fiscal 1995, due in part to an increased marketing effort, an increase in group ticket sales, and product recognition attributable to the show's quality and longevity. The Theatre has achieved 40% of capacity during the fiscal year ended September 1996, with an average ticket price of $15.57, which is competitive with the average ticket price at other theatres in Branson.

In April, 1997 the Company plans to offer a morning show, "Golden Girls", in the Branson theatre. The show will be a joint venture with Greg Thompson Productions. The Company plans to present two shows a day, six days a week.

Branson, Missouri is a popular resort destination for country music lovers from across the nation. Branson is located at the intersection of U. S. Highway 76 and Interstate Highway 65, which connects Branson and Springfield, Missouri. With a population of approximately 3,000, Branson is home to over 30 theatres featuring music stars such as Wayne Newton, Charley Pride and the Osmond family. In addition to roughly 20,000 hotel rooms, Branson offers diverse eating, shopping and recreational activities to its approximately 6 million annual visitors, most of whom visit between the months of March and December. Typical visitors to Branson are senior citizens participating in bus tours through Missouri. Families also comprise a large part of Branson's visitors and they are drawn to Branson not only by the country music, but by the additional activities offered in the summer months by the many lakes in the Branson area and the Arkansas Ozarks, another popular tourist destination area only 50 miles from Branson.

The Company purchased the Theatre for $2 million in cash and a promissory note collateralized by the Theatre for $8 million in principal amount. The note, with a principal balance of $7.6 million at September 30, 1996, bears interest at the prime rate plus 1%, with a floor of 7% and a ceiling of 10%, and matures on April 1, 1999. The note is payable in monthly installments of principal and interest of $73,035, with a final payment due at maturity of $7,077,978.

COUNTRY TONITE PRODUCTION SHOW (LAS VEGAS, NV)

CTE, the Company's musical production subsidiary based in Las Vegas, Nevada, was acquired in March 1994. The production show involves a country and western theme, and has played at the

Aladdin Hotel and Casino(Aladdin) in Las Vegas since 1992. The show is under contract at the Aladdin through December 31, 1996. The Aladdin has verbally agreed to extend the contract through December 31, 1997. In addition to the CMAA award mentioned above, other awards received by the show include "Best Television Program in Nevada", "Electronic Media Award 1994", "Recording of the Year -- Karen Nelson Bell/Country Tonite Live!", and a host of individual awards. A second cast of the Country Tonite show performs at the Country Tonite Theatre in Branson, Missouri.

The Company purchased all the shares of CTE (then known as "Ping Corp.") for 91,305 shares of the Company's common stock valued then at $525,000 and $500,000 in cash. The Company guaranteed a share price of $5.75 until September 30, 1994, for 34,783 of such shares. In connection with the reduction in the value of the Company's stock as of September 30, 1994, and in connection with the guaranteed share price, the Company amended the original purchase agreement

to provide for additional cash payments aggregating $134,781, together with issuing 10,000 additional shares.

The Company will add a third venue for the Country Tonite Show in Pigeon Forge, Tennessee, which is scheduled to begin in March 1997. The Company is exploring other venues for its popular Country Tonite Show.

DEVELOPMENT ACTIVITIES

COUNTRY TONITE THEATRE - PIGEON FORGE

CRC of Tennessee, Inc. ("CRCT"), a wholly owned subsidiary of the Company and Burkhart Ventures, LLC have formed a joint venture, Country Tonite Theater, LLC to present the Country Tonite Show in a 1,500-seat state-of-the-art theatre located in the heart of Pigeon Forge, Tennessee which is scheduled to begin in March, 1997. CRCT will own 60% of the joint venture and manage the theater.

There are currently 8 comparable theaters operating in the Pigeon Forge area. Pigeon Forge is considered an emerging area for theater based entertainment.

Pigeon Forge, located at the base of the Smoky Mountains, enjoys twice as many visitors each year as Branson, Missouri, drawing over 12 million tourists annually in contrast to the Branson marketplace which hosts approximately 6 million visitors per year. Country Tonite Enterprises will produce and perform its Country Tonite Show in the Pigeon Forge theater.

POKAGON CONSULTING AGREEMENT

In January 1995, the Company and Monarch Casinos, Inc. ("Monarch") executed a Memorandum of Understanding (which was modified in December 1995) whereby the Company acquired Monarch's rights to potential Indian gaming contracts in exchange for shares of the Company's Common Stock, certain financial assistance and a consulting agreement, all as described below. In

addition to the Hoh Indian gaming contract, which was executed by the Company and subsequently abandoned during the fiscal year ended September 30, 1995, the Company assumed Monarch's rights with respect to the potential award of a gaming management contract by the Pokagon Band of Potawatomi Indians, domiciled in northern Indiana and southwestern Michigan.

Also in January 1995, the Company executed a Memorandum of Understanding with the Promus Companies Incorporated (now Harrah's Entertainment, Inc.), whereby Harrah's would act on behalf of itself, and the Company in seeking the Pokagon award. A Management and Development Agreement was awarded by the Pokagon band to a subsidiary of Harrah's in September 1995, and final agreements between Harrah's and the Pokagon band were entered into in November and December 1995. The agreements call for Harrah's to provide or cause to be provided one or more loans to finance the construction of one or more casinos in the Pokagon band's service area of northern Indiana and southwestern Michigan. The band will then be responsible for repaying the loans and paying to Harrah's a management fee, as defined for each Pokagon casino.

Under the Technical Assistance and Consulting Agreement with Harrah's, the Company will receive 21.6% of Harrah's management fee as consulting fees over the five-year term of Harrah's management contract (and any extensions thereof) with the Pokagon band. The Company has, in turn, agreed to pay to two consultants to the Company who assisted in the acquisition of rights from Monarch (including Kevin M. Kean, a principal stockholder of the Company), an aggregate of 10% of its consulting fee income less the Company's related direct operating costs, subject to certain limits in the case of Mr. Kean. (Similar fees may also be payable to Mr. Kean out of revenues if any, received by the Company from other Indian businesses, including gaming.)

The Company will have no obligation to provide Harrah's or the Pokagon band with any funding. However, to the extent not recouped by Harrah's from the Pokagon band, the Company will reimburse Harrah's for the Company's share (21.6%) of specified development and licensing costs incurred by Harrah's. The Management and Development Agreement and related agreements between Harrah's and the Pokagon band cannot take effect until approved by the National Indian Gaming Commission ("NIGC"). The Company's obligation to reimburse Harrah's will be payable in equal installments over 24 months without interest, and will be subject to reduction for payments due the Company from Harrah's. Under the Technical Assistance and Consulting Agreement, Harrah's has agreed to pay to the Company a one-time fee of $250,000 (recorded in fiscal 1995) in connection with the signing of the Management and Development Agreement with the Pokagon Band, and a one-time fee of $600,000 as consideration for the relinquishment of any

rights or claims to any other business venture of Harrah's and its affiliates, which is payable over five years, commencing with the opening of the first Pokagon casino. In turn, the Company has agreed to pay to Harrah's, $5,000 per month for a period of 40 months for the administration of the Pokagon contract, commencing with the opening of the first Pokagon casino.

In consideration for the rights acquired from Monarch, the Company issued to Monarch 100,000 shares of the Company's common stock in May 1995, and has agreed to issue to Monarch an additional 400,000 shares of common stock upon the ground breaking for the first Pokagon casino

and 1,500,000 shares of common stock upon commencement of operations of the first Pokagon casino. Additionally, the Company has agreed to assume up to $179,000 of Monarch's accounts payable, to make certain cash advances to Monarch or its principals and to reimburse Monarch's executives for travel and business development costs related to certain gaming opportunities. The Company has also executed a Consulting Agreement with Monarch, which was subsequently assigned by Monarch to Willard E. Smith, requiring the Company to (i) pay monthly fees commencing (retroactively) January 1995 at various rates of from $3,000 to $14,250 per month; (ii) loan an aggregate of $250,000 (all of which has been advanced as of September 30, 1996), which may be forgiven in part or in whole upon the occurrence of certain events; (iii) reimburse travel expenses, and (iv) lease to Mr. Smith the Company's Ocean Springs, Mississippi residence at a below-market lease rate. The Consulting Agreement extends for the duration of the Harrah's Management and Development Agreement with the Pokagon Band, unless canceled earlier based on certain nonperformance provisions.

PALACE CASINO

New Palace Casino, L.L.C., a joint venture, 20% owned by the Company, is scheduled to close the purchase of the Palace Casino assets in the second quarter of 1997, subject to regulatory approvals.

The Palace Casino, which opened in April 1994, is a three-story floating facility situated on a State of Mississippi tidelands lease, with approximately twenty acres of adjacent and non-contiguous leased real estate used primarily for surface parking. In addition, the facility is at the east boundary of Biloxi, two blocks north of U.S. Highway 90. The facility encompasses a total of 78,000 square feet of interior space. While it currently offers approximately 750 slot machines and 40 table games, the facility could accommodate up to 1,500 gaming machines. Casino amenities include a 400-seat buffet, a 60-seat seafood bar, a 125-seat dinner restaurant, a 500-seat show theatre and a bar and lounge. The parking facilities currently accommodate up to 850 vehicles.

TUNISIA CASINO

The Company, through its wholly owned subsidiary, CRC of Tunisia, has signed a definitive agreement in July 1996 with the Samara Casino Company to lease and operate a casino, video arcade and 500-seat theatre in Sousse, Tunisia. The 42,000 square foot casino resort will have over 10,000 square feet of gaming space with present plans to include up to 350 slot machines and 25 table games., and is scheduled to open in June 1997, subject to regulatory approval. Capital expenditures to open the Tunisia Casino will total approximately $6,000,000.

The entertainment complex/casino will be constructed as a free-standing building which will be located on a triangular piece of property in front of the Hotel Samara. The site is located on the main street through Sousse in the heart of the tourist center and directly off the beach. The site is approximately 1.5 acres in size.

Samara Casino Company will operate a gourmet restaurant, gift shop and additional food and bar service on the property. The casino is going to be situated in front of the 425-room Hotel Samara, one of three hotels that Samara controls. The two other hotels have 125 and 275 rooms respectively.

The Republic of Tunisia is a small country in the northern most part of North Africa and is bordered on the north and east by the Mediterranean, on the southeast by Libya, and on the west by Algeria. It is approximately 62,608 square miles in size or relatively the same size as Illinois.

There are 143 million people within a 250-mile radius of Tunisia. A large

percentage of this population lives overseas and must arrive by airplane.

The total number of annual tourists visiting Tunisia is estimated to be 4.5 million. The average length of stay for tourists is approximately 6 days. There are approximately 20,000 hotel rooms to rent in the city of Sousse with many more in the outlying areas. The tourist season is May 15 through October. During this time the hotel rooms are historically, on average, 80% occupied. The average occupancy rate year-round is 53%. The closest airport to Sousse is approximately 30 minutes away. Tourists take a bus from the airport to Sousse.

MARKETING AND COMPETITION

The entertainment and hospitality businesses of the Company rely on the attraction of the Grand Casino Hinckley, in the case of the Grand Hinckley Inn; the national reputation of Las Vegas, Nevada, in the case of the Company's stage show at the Aladdin Hotel in Las Vegas; and the tourist attraction of Branson, Missouri, in the case of the Country Tonite Theatre.

HINCKLEY, MINNESOTA MARKET

The Grand Hinckley Inn is located near the intersection of Interstate Highway 35 and Minnesota State Highway 48, adjacent to Hinckley, Minnesota. Hinckley is within ninety miles of Hayward, Wisconsin, and the Minnesota cities of Minneapolis/St. Paul, Duluth, St. Cloud and Brainerd. Interstate Highway 35 links Minneapolis/St. Paul and Duluth, which are Minnesota's two largest population centers, and the Highway 48 intersection is a traditional rest stop for travelers. The intersection contains approximately 250 hotel or motel rooms plus a number of restaurants and retail outlets. In addition, Grand Casinos owns or has developed approximately 400 acres of land adjacent to Grand Casino Hinckley. The Grand Hinckley Inn depends substantially on patronage by visitors to the neighboring Grand Casino Hinckley, as well as on enhancement payments by Grand Casinos.

Although the Grand Hinckley Inn has maintained occupancy levels exceeding 82% since opening in May 1994, there is no assurance that the adjacent casino will continue to attract its historically high levels of patronage. The Enterprise has begun construction of a 285 room hotel adjacent to the Grand Casino which is anticipated to open in the fall of 1997. This hotel will directly compete with

the Grand Hinckley Inn and could adversely impact both the occupancy and room rates. A decrease in casino business or an additional increase in the number of guest rooms could also adversely impact present occupancy and room rate levels. The hotel's success has, to a large part, been attributable to co-marketing activities conducted by both the Company and Grand Casinos, as operator of the adjacent casino. The hotel has benefited from referral reservations from the casino; from the purchase by the casino of rooms to satisfy its obligations under frequent-player programs; joint advertising themes and programs; and the marketing enhancement fee paid by the casino for each daily occupied room. Should any of these factors change in a material manner, the Company's success at the hotel could be adversely impacted.

BRANSON, MISSOURI MARKET

Branson, Missouri is a nationally known destination for country music lovers. Approximately 6 million tourists visit Branson, Missouri each year, lured by its attractive geography and climate, as well as by its substantial number of family-oriented musical and show theatres. The area contains approximately 33 theatres providing a wide range of family entertainment for all ages.

The Company attracts "walk up" patrons (approximately 85% of total sales), both through local media advertising and "word-of-mouth", and markets to pre-arranged bus tours (approximately 15% of total sales). Although monthly revenues in fiscal 1996 have increased significantly over comparable periods in fiscal 1995, the number of competing theatres and number of shows could at some point attract ticket buyers away from the Company's theatre. Also, other area tourist attractions could limit the growth or even decrease ticket sales. In addition, other geographic areas such as Myrtle Beach, South Carolina and Gatlinburg, Tennessee are currently actively seeking to increase their tourist bases, which could, at some point, negatively impact the number of annual visitors to Branson. The Country Tonite Show playing at the Company's theatre, while having won major awards could be duplicated by a competing theatre with possible adverse consequences to the Company. Finally, there is no assurance that the planned morning show, "Golden Girls", will be successful.

LAS VEGAS, NEVADA MARKET

The Company's Country Tonite stage show plays at the Aladdin Hotel, a casino with 1,100 hotel rooms located on the Las Vegas "Strip". The Company believes that the show competes effectively in its highly competitive environment with other similar entertainment in Las Vegas on the basis of its quality and the popularity of its country theme. To some extent, the level of show patronage depends on business levels at the Aladdin.

Numerous individual and group acts and production casts operate in Las Vegas, competing for tourist expenditures. Although the Country Tonite Show has successfully attracted strong patronage, there is no assurance that such patronage will continue or that the show will be contracted beyond December 31, 1997, the date of expiration of its current engagement.

PIGEON FORGE, TENNESSEE MARKET

The Company's Country Tonite Show will add a venue in Pigeon Forge, Tennessee, scheduled to begin in March 1997. This is a new market for the Company's award winning Country Tonite Show. Currently, 8 family oriented musical and show theatres are operating in the Pigeon Forge area. It is likely that additional theatres will open in the future. Although the Pigeon Forge area draws approximately twice the number of tourists (approximately 12 million annually) as the Branson, Missouri area, there are no assurances that the Pigeon Forge show will duplicate the success of the Las Vegas and Branson shows. The theatre will compete for the tourist dollar against other theatre venues and other forms of family entertainment in the Pigeon Forge area.

POKAGON TRIBAL AREA MARKET

The Pokagon Indian tribe does not have a designated reservation but has been assigned certain service areas in northern Indiana and southwestern Michigan within which one or more casinos may be constructed subject to the approval of various regulatory authorities. In May 1996, the Pokagon Band announced the selection of a site in the New Buffalo township for its proposed Michigan service area. Although the Governor of Michigan signed a compact with the Pokagon Tribe in September 1995, the Michigan legislature failed to approve the compact in May 1996. The compact is expected to be resubmitted for legislative approval in January 1997. The Company expects eventual approval of the compact as Michigan already has Class III gaming with seven other tribes. Although 13 million people reside within 150 miles of the service areas, the planned casino(s) could encounter significant competition from existing riverboat casinos now operating in Illinois and Indiana. Likewise, there is a possibility that other native American land-based casinos could be developed, and which could provide substantial competition to the Pokagon casino(s). In either event, while the Company will have only a minimal capital investment and related risk in the Pokagon venture, significant competition could severely reduce the Company's anticipated future management fee income.

BILOXI GAMING MARKET

Mississippi law does not limit the number of gaming licenses that may be granted. Currently thirteen gaming facilities (including the Palace) with floor space in excess of 600,000 square feet are located or under construction in the Misisssippi Gulf Coast area. All thirteen facilities are located in a 30 mile area, stretching from Biloxi to Bay St. Louis, Mississippi, with nine in Biloxi, three in Gulfport and one facility in Bay St. Louis, Mississippi.

Several of the Palace's competitors have hotel facilities and other amenities which the Palace does not currently offer. In addition, it is likely that the Palace's competitors will add to or enhance their existing facilities and that new competitors will enter the Mississippi Gulf Coast market. Certain existing and future competitors have more extensive financial resources than the New Palace Casino joint venture partners. Intense competition on the Mississippi Gulf Coast has led to the closing and/or filing of bankruptcy proceedings (include the Palace) of several facilities.

The success of gaming facilities in the New Orleans, Louisiana area or the legalization of casino gaming in Alabama could adversely impact the operations of the New Palace Casino joint venture.

EMPLOYEES

At September 30, 1996, the Company employed 14 employees at its

headquarters in Biloxi, Mississippi; 69 employees at the Grand Hinckley Inn; 114 employees at the Country Tonite Theatre; and 40 employees at the Country Tonite production show in Las Vegas. None of the Company's employees are represented by a union, and management considers its labor relations to be good.

REGULATION AND LICENSING OF GAMING ACTIVITY

The Company is not actively engaged in gaming and is not currently subject to gaming regulations and licensing. However, the Company has the right to receive fees based on the casino management fees paid to Harrah's by the Pokagon Band, and has under contract the potential acquisition and operation of the Palace Casino in Biloxi, Mississippi, and a wholly owned subsidiary, CRC of Tunisia, Inc., has signed an agreement to lease and operate a casino in Sousse, Tunisia. The Company will be required to apply for and obtain gaming licensing applications with the National Indian Gaming Commission ("NIGC") in connection with the Pokagon project and the Mississippi Gaming Commission in connection with the Palace Casino acquisition. To date, preliminary background information has been submitted to the NIGC and the Company's Mississippi gaming license application is in progress. The Company's proposed operation in Tunisia is also subject to governmental regulation. The planned Tunisia Casino is also subject to governmental regulation.

INDIAN GAMING REGULATION

INDIAN GAMING REGULATORY ACT AND TRIBAL/STATE COMPACTS. Gaming on Indian lands within the United States is authorized by the Indian Gaming Regulatory Act (the "IGRA"), a federal statute enacted in 1988. The IGRA provides for three classes of gaming. Class I gaming consists of non-commercial social games played solely for prizes of minimal value or traditional forms of Indian gaming, and is subject to the exclusive jurisdiction of the applicable Indian tribe. Class II gaming includes bingo, pulltabs and non-banking card games that are already permitted in a state, and is subject to the concurrent jurisdiction of and the applicable Indian tribe. Class III gaming is a residual category composed of all forms of gaming that are not Class I or Class II gaming, including casino style gaming.

The IGRA provides that before tribes can engage in Class III gaming in a particular state, the tribe must negotiate a "tribal/state compact" with that state to regulate such gaming. Under the IGRA, the scope of Class III gaming in which tribes can engage in a particular state depends on the state's "public policy" towards such gaming. The courts have developed a shorthand test to determine a state's public policy, which is expressly incorporated in the IGRA. If a state permits Class III gaming by any person, organization or entity in the state, whether or not such gaming is subject to restrictive regulations, then the state's "public policy" toward such gaming is deemed permissive and the state must negotiate a compact with an Indian tribe in good faith at the request of the tribe. If it does not, the tribe would have the right to file a "bad faith lawsuit" and ultimately, if the court found that the state had refused to negotiate in good faith and a compact still could not be negotiated, the Secretary of the Interior could authorize procedures to conduct Class III gaming in that state without a state-negotiated compact.

The terms of the tribal/state compacts negotiated pursuant to the IGRA vary from state to state, and may vary from tribe to tribe within a state. At least 23 states (Arizona, California, Colorado, Connecticut, Idaho, Iowa, Kansas, Louisiana, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Dakota,

Washington and Wisconsin) have signed tribal/state compacts with Indian tribes that permit certain types of Class III gaming on Indian land. (A compact has been reached by the Pokagon Band with the Governor of Michigan, but such compact has not received the necessary ratification of the State's legislature.) Changes in state gaming laws may limit the types of gaming that are eligible for tribal/state compacts. Certain states have resisted entering into or renegotiating existing tribal/state compacts, and tribal/state compacts have been the subject of litigation in several states, including Alabama, California, Florida, Kansas, Louisiana, Michigan, Minnesota, Mississippi, New York, North Carolina, Rhode Island, Texas, Washington and Wisconsin. The Eleventh Circuit Court of Appeals and several federal courts have held that the Eleventh Amendment to the United States Constitution immunizes states from suit by Indian tribes in federal court

without the state's consent. Therefore, in these jurisdictions, Indian tribes may not have a forum to compel a state to negotiate a tribal/state compact. Several other Circuit Courts have, however, held otherwise. The United States Supreme Court has agreed to review the decision of the Eleventh Circuit Court of Appeals and will likely render a decision in 1997. The outcome of such decision, and its effect on the Company, is uncertain.

In addition, because portions of the IGRA have been the subject of controversy between the Indian tribes and governors in a number of states, the Senate Committee of Native American Affairs proposed amendments to the IGRA in 1994. Those amendments, however, were rejected by tribal leaders and others. In response, the Senate Committee proposed new amendments to the IGRA in March 1995. In addition, several bills to amend the IGRA have been introduced in the House. It is unknown whether or when these proposed amendments will be proposed or enacted and, if enacted, their effects on such activities. Even where tribes and states have negotiated a compact, any changes in the IGRA may have a material effect on how gaming on tribal lands will be conducted.

MANAGEMENT CONTRACTS. The NIGC has adopted regulations pursuant to the IGRA that govern the submission requirements for and content of management contracts with Indian tribes. A management contract has no legal effect until it is approved by the Chairman of the NIGC. The NIGC regulations provide detailed requirements as to certain provisions which must be included in management contracts, including a term not to exceed five years, except that upon request of a tribe, a term of seven years may be allowed by the NIGC Chairman if the Chairman is satisfied that the capital investment and income projections for the gaming facility require the additional time. Further, the fee received by the manager of a gaming facility may not exceed 30% of the net revenues, except that a fee in excess of 30% and up to of 40% of net revenues may be approved if the NIGC Chairman is satisfied that the capital investment and income projections for the gaming facility require the additional fee. The NIGC has the power to require contract modifications under certain circumstances or to void a contract if the management company fails to comply with applicable laws and regulations.

In addition to ensuring that a management contract contains certain terms, the Chairman of the NIGC may disapprove a management contract if it is determined that the management contractor's prior activities, criminal record, if any, or reputation, habits and associations pose a threat to the public interest or create a danger of illegal practices, or that such contractor has interfered with or unduly influenced the tribal governmental decision-making process. The NIGC also requires that

certain information pertaining to persons and entities with a financial interest in, or having management responsibility for, a management contract be disclosed for purposes of a suitability review. This is expected to include the Company by virtue of its percentage consulting fee. The NIGC regulations provide that each of the 10 persons who have the greatest direct or indirect financial interest in the management contract must be found suitable in order for the management contract to be approved by the NIGC. The NIGC regulations provide that any entity with a financial interest in a contract must be found suitable, as must the directors and 10 largest shareholders (or owners of 5% or more of issued and outstanding stock) of such entities in the case of a corporate entity, or the 10 largest holders of interest in the case of a trust or partnership. The Chairman of the NIGC may reduce the scope of information to be provided by institutional investors. Specifically, the Company, its directors, persons with management responsibilities and certain of the Company's owners, must provide background information and be investigated by the NIGC and be found suitable to be affiliated with a gaming operation in order for the management contract to be approved by the NIGC. At any time, the NIGC has the power to investigate and require the finding of suitability of any person with a direct or indirect interest in a management contract, as determined by the NIGC. The Company must pay all fees associated with background investigations by the NIGC. The NIGC is responsible for conducting the requisite background investigation on the foregoing individuals and entities in the case of Class II gaming operations; the applicable state gaming agency and tribe are responsible for conducting the background investigation with respect to Class III gaming operations and then providing its findings to the NIGC. Generally, the applicable tribal/state compact will delineate responsibilities and issues relating to background checks for Class III operations.

The NIGC regulations require that background information as described above must be submitted for approval within 10 days of any proposed change in financial interest in a management contract. The NIGC regulations do not address any specialized procedures for investigations and suitability findings in the context of publicly held corporations. If, subsequent to the approval of a management contract, the NIGC determines that any of its requirements pertaining to the management contract have been violated, it may require the management

contract to be modified or voided, subject to rights of appeal. In addition, any amendments to the management contract must be approved by the NIGC.

The NIGC regulations provide that the management contract must be disapproved if the NIGC determines that: (a) any person with a direct or indirect financial interest in, or having management responsibility for, a management contract (i) has been convicted of a felony or any misdemeanor gaming offense; (ii) if the person's prior activities make them unsuitable to be connected with gaming; (iii) is an elected member of the governing body of a tribe that is party to the management contract; or (iv) has knowingly provided materially false statements to the NIGC or a tribe or has refused to respond to questions from the NIGC; (b) the management contractor has attempted to unduly interfere with or influence tribal decisions relating to the gaming operation or has deliberately or substantially failed to follow the management contract and applicable tribal ordinances; or (c) a trustee would not approve the management contract.

In addition to requirements governing management contracts and submissions, the regulations require each tribe to enact an ordinance authorizing and setting out standards for the conduct of gaming on its lands, which must be approved by the NIGC. The ordinance must mandate the tribe to conduct background investigations and issue licenses to key employees and primary management officials employed by the gaming enterprise, submit annual independent audits to the NIGC, and pay a variable user fee to the NIGC. The NIGC also has extensive access, investigatory, monitoring, compliance and enforcement powers to ensure that the management contractor, the tribe and the gaming enterprise comply with its regulations.

The NIGC has only recently been provided the regulatory authority to approve management contracts. It is not yet clear how this authority interacts with the statutory rights of approval of the Bureau of Indian Affairs (the "BIA") for contracts between Indian tribes and non-Indians. Pursuant to BIA regulations, contracts between non-Indians and Indian tribes which do not adhere to certain statutory requirements are void. At present, it is unclear as to whether and how the BIA intends to assert jurisdiction to approve collateral agreements related to management contracts (such as promissory notes) or whether the NIGC will have approval authority over such collateral agreements. Pursuant to current procedures, all such documents are to be submitted to the NIGC, which will then determine whether review and approval resides with the NIGC or the BIA.

MISSISSIPPI GAMING REGULATION

The ownership and operation of a gaming business in Mississippi is subject to extensive laws and regulations, including the Mississippi Gaming Control Act (the "Mississippi Act") and the regulations (the "Mississippi Regulations") promulgated thereunder by the Mississippi Gaming Commission (the "Mississippi Commission") and the Mississippi State Tax Commission Regulations for Gaming Establishments ("Mississippi Tax Regulations") promulgated by the Mississippi State Tax Commission ("Mississippi Tax Commission"). The Mississippi Commission and Mississippi Tax Commission (together the "Mississippi Gaming Authorities") are empowered to oversee and enforce the Mississippi Act. Gaming in Mississippi can be legally conducted only on floating vessels of a certain minimum size in navigable waters of the Mississippi River or in waters of the State of Mississippi (so called dockside gambling) which lie adjacent and to the south (principally in the Gulf of Mexico) of the counties of Hancock, Harrison and Jackson, and only in counties in Mississippi in which the registered voters have not voted to prohibit such activities. The voters in Jackson County, the southeastern most county of Mississippi, have voted to prohibit gaming in that county. However, gaming could be approved in Jackson County in any subsequently held referendum.

The underlying policy of the Mississippi Act is to ensure that gaming operations in Mississippi are conducted (i) honestly and competitively, (ii) free of criminal and corruptive influences, and (iii) in a manner which protects the rights of the creditors of gaming operations. The laws, regulations and supervisory procedures of the Mississippi Act seek to (i) establish and maintain responsible accounting practices and procedures; (ii) maintain effective control over the financial practices of licensees, including establishing minimum procedures for internal fiscal affairs and safeguarding assets

and revenues, providing reliable record keeping, and making periodic reports to the Mississippi Gaming Authorities; and (iii) provide a source of state and

local revenues through taxation and licensing fees. Changes in such laws, regulations and procedures could have an adverse effect on the Company.

The Mississippi Act requires that a person (including any corporation or other entity) must be licensed to conduct gaming activities in Mississippi. A license will be issued only for a specified location which has been approved as a gaming site by the Mississippi Commission prior to issuing such license. Gaming licenses are issued for an initial two-year period and are renewable every two years thereafter. The Mississippi Act also requires that each officer or director of a gaming licensee, or other person who exercises a material degree of control over the licensee, either directly or indirectly, must be found suitable by the Mississippi Commission. The Mississippi Commission will not issue a license or make a finding of suitability unless it is satisfied, only after an extensive investigation paid for by the applicant, that the persons associated with the gaming licensee or applicant for a license are of good character, honesty and integrity, with no relevant or material criminal record. In addition, the Mississippi Commission will not issue a license unless it is satisfied that the licensee is adequately financed or has a reasonable plan to finance its proposed operations from acceptable sources, and that persons associated with the applicant have sufficient business probity, competence and experience to engage in the proposed gaming enterprise. Other parties, including the Partnership's or the Company's lenders, holders of evidences of indebtedness, underwriters and employees, may be required to be licensed, and such applications for licensing, if any, may be denied for any cause deemed reasonable by the Mississippi Commission. The Mississippi Commission may refuse to issue a work permit to a gaming employee (i) if the employee has committed larceny, embezzlement or any crime of moral turpitude, or knowingly violated the Mississippi Act or Mississippi Regulations, or (ii) for any other reasonable cause.

In October 1994, the Mississippi Gaming Commission adopted a regulation requiring, as a condition of licensure or license renewal, that a gaming establishment's site development plan include certain infrastructure facilities in close proximity to the casino complex which will amount to at least 25% of the cost of the casino facility. Parking facilities, roads, sewage and water systems or facilities normally provided by governmental entities do not meet the infrastructure requirement.

The Mississippi Commission has the power to deny, limit, condition, revoke and suspend any license, finding of suitability or registration, or fine any person, as it deems reasonable and in the public interest, subject to an opportunity for a hearing. The Mississippi Commission may fine any licensee or persons who was found suitable up to $100,000 for each violation of the Mississippi Act or the Mississippi Regulations, which is the subject of an initial complaint, and up to $250,000 for each such violation which is the subject of any subsequent complaint. The Mississippi Act provides for judicial review of any final decision of the Mississippi Commission by petition to a Mississippi Circuit Court, but the filing of such petition does not necessarily stay any action taken by the Mississippi Commission pending a decision by the Circuit Court.

Owners of a casino in Mississippi must submit detailed financial and operating reports to the Mississippi Gaming Authorities. Substantially all loans, leases, sales of securities and other financing transactions entered into by the owner or operator must be reported to, and, in some cases, approved by, the Mississippi Gaming Authorities.

Under the Mississippi Regulations, a gaming license may not be held by a publicly traded company, although an affiliate corporation, such as the Company, may be publicly held so long as the Company receives the approval of the Mississippi Commission. In addition, approval of any public offering of the securities of the Company must be obtained from the Mississippi Commission if any part of the proceeds from that offering are intended to be used to construct, acquire or finance the operation of gaming facilities in Mississippi or to retire or extend obligations incurred for any such purpose.

Under the Mississippi Regulations, a person is prohibited from acquiring control of the Company without prior approval of the Mississippi Commission. The Company is also prohibited from consummating a plan of recapitalization proposed by management in opposition to an attempted acquisition of control of the Company and which involves the issuance of a significant dividend to Common Stockholders, where such dividend is financed by borrowing from financial institutions or the issuance of debt securities. In addition, the Company is prohibited from repurchasing any of its voting securities under circumstances (subject to certain exemptions) where the repurchase involves more than one percent of the Company's outstanding Common Stock at a price in excess of 110% of the then market value of the Company's Common Stock from a person who owns and has for less than one year owned more than three percent of the Company's

outstanding Common Stock, unless the repurchase has been approved by a majority of the Company's shareholders voting on the issue (excluding the person from whom the repurchase is being made) or the offer is made to all other shareholders for the Company.

Any person who, directly or indirectly, or in association with others, acquires beneficial ownership of more than five percent of the Common Stock of the Company must notify the Mississippi Commission of this acquisition and may be required to be found suitable by the Mississippi Commission. Any person who becomes a beneficial owner of more than 10% of the Company's Common Stock must apply for a finding of suitability by the Mississippi Commission. Furthermore, regardless of the amount of securities purchased, any person who acquires any beneficial ownership in the Common Stock of the Company may be required to be found suitable if the Mississippi Commission has reason to believe that the acquisition and ownership would be inconsistent with the declared policy of Mississippi. Any person who is required to be found suitable must apply for a finding of suitability from the Mississippi Commission within 30 days after being requested to do so, and must deposit with the State Tax Commission a sum of money which is adequate to pay the anticipated investigatory costs associated with such finding. Any person who is found not to be suitable by the Mississippi Commission shall not be permitted to have any direct or indirect ownership in the Company's Common Stock. Any person who is required to apply for a finding of suitability and fails to do so or who fails to dispose of his or her interest in the Company's Common Stock if found unsuitable, is guilty of a misdemeanor. If a finding of suitability with respect to any person is

not applied for where required, or if it is denied or revoked by the Mississippi Commission, the Company is not permitted to pay such person for services rendered, or to employ or enter into any contract with such person.

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

Neither the Company nor any controlled affiliate may engage in gaming activities in Mississippi and outside of Mississippi without approval of the Mississippi Commission. The Mississippi Commission may require, among other things, that there be adequate governmental regulation of gaming in the out-of-state location and that there is a means of the Mississippi Commission to have access to information concerning the out-of-state gaming operations and persons associated with them.

TUNISIA GAMING REGULATION

The Company's proposed casino venture in Tunisia is subject to laws and regulations affecting the ownership and operation of casinos in that country. As is inherent in international operations, the Company's proposed venture is subject to the risks of unpredictable and inconsistent regulatory requirements, politicial and economic changes and disruptions, tariffs or other restrictions on trade, transportation and communication delays, currency fluctuations and staffing difficulties.

ITEM 2. PROPERTIES

The Company's owned or leased properties include principally the Grand Hinckley Inn, the Country Tonite Theatre, the Company's executive offices and a residential property. The Grand Hinckley Inn is a 154-room, upscale hotel owned by the Company adjacent to the Grand Casino Hinckley near Hinckley, Minnesota. It is situated on 7.5 acres of real estate leased at a cost of $1 per annum from Grand Casinos. The 2,000-seat Country Tonite Theatre in Branson, Missouri is owned by the Company, including underlying real estate of 10.7 acres. The

Company leases pursuant to a

one-year lease approximately 3,585 square feet of executive office space in Biloxi, Mississippi at a rate of $40,800 per annum. The Company owns a residence in Ocean Springs, Mississippi which is leased to a principal of Monarch at a below-market rate, and is under negotiations to be sold to such individual.

In addition, the Company owns several small lots and real estate parcels in Wisconsin which it will attempt to sell or dispose of in fiscal 1997. These lots and parcels were derived from the Company's former resort development activities. Also, several small storage rooms are rented at various locations on a month-to-month lease basis. Annual rent amounts are nominal.

ITEM 3. LEGAL PROCEEDINGS

The Company commenced an arbitration action in November 1994 with the Arbitration Association in Minneapolis, Minnesota, against Cunningham Hamilton Quiter, P.A. (CHQ), the architect it retained in connection with the construction of the Biloxi theatre. In this action, the Company seeks to recover the damages it believes it incurred as a result of the architectural design work on the Biloxi theatre relating to cost overruns in the construction of the Biloxi theatre. The arbitration demand seeks damages in an amount in excess of $1,000,000. On December 30, 1994, the architectural firm commenced a suit in a Mississippi state court seeking, among other things, to foreclose on a mechanics' lien it filed on the Biloxi theatre project in the amount of approximately $321,000. The architectural firm has also asserted claims for breach of contract, tortuous interference with economic advantage and punitive damages. The Company previously placed $321,000 in escrow to cover such mechanics' lien claim. The Company and the architectural firm have agreed to, among other things, resolve all disputes between them with respect to the Biloxi theatre project in the Minneapolis arbitration action and stay the lawsuit in Mississippi. The arbitration action was heard by a panel of arbitrators in November. On December 26, 1996, the Arbitrators for the CHQ arbitration case announced their decision. The Company's recovery was limited to a reduction of previously escrowed fees of approximately $321,000, on deposit with a Mississippi state court, to approximately $142,000. The decision, which is subject to appeal, would result in a gain to the Company of approximately $139,000.

In 1995, a suit was brought against the Company in the Federal District Court of New Jersey in connection with the Company's former ownership of the Biloxi theatre. Venue was subsequently transferred to Mississippi. The plaintiff asserts it had a contract with the company for the promotion of eight professional boxing events at the Company's former Biloxi theatre. Total claims are for $500,000 in compensatory damages, punitive damages and attorneys' fees, interest and costs, and other relief the court may deem just and proper. The Company intends to vigorously defend itself against this action and believes it has meritorious defenses to the claims.

In May 1995, the Company was advised by written correspondence that a Minnesota company claims an interest in certain assets of Monarch, principally Monarch's interest in Indian gaming ventures. No specific amount was claimed. On November 13, 1995 the Minnesota company commenced an action in a Minnesota state court against Monarch and the Company alleging breach of contract against Monarch and tortuous interference with a contractual or business relationship against the Company. Management of the Company and Monarch each believe that the claims are without merit and plan to vigorously defend themselves against the claims.

Two former officers of a subsidiary of the Company, have brought suit against the Company in connection with their employment termination in June 1995. No specific amount of damages have been claimed, however, prior to the filing of the suit, the plaintiffs offered to settle the matter for $500,000. The Company believes that damages, if warranted, are well below such amount and, accordingly, intends to vigorously defend this matter.

The Company is also party to other items of litigation, none of which, either individually or collectively, are material.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended September 30, 1996.

PART II

ITEM 5. MARKET PRICE FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

The Company's common stock (symbol "CSNR") and its Class A warrants (symbol "CSNRW") are traded on the Nasdaq National Market. The following table sets forth, for the fiscal periods indicated, high and low sales prices of the common stock and Class A warrants as reported by Nasdaq:

	Common Stock		Warrants	
	High	Low	High	Low
FISCAL YEAR ENDED SEPTEMBER 30, 1995				
First Quarter	$2.50	$1.50	$ .61	$ .25
Second Quarter	$4.25	$1.69	$ .94	$ .25
Third Quarter	$5.63	$2.88	$ .91	$ .41
Fourth Quarter	$6.25	$4.19	$ 1.56	$ .25
FISCAL YEAR ENDED SEPTEMBER 30, 1996				
First Quarter	$4.81	$2.38	$ .98	$ .31
Second Quarter	$3.38	$1.75	$ .50	$ .20
Third Quarter	$3.94	$1.63	$ .81	$ .31
Fourth Quarter	$2.75	$1.50	$ .56	$ .25

Each warrant entitles the holder to purchase one share of the Company's common stock at a price of $6.75, subject to adjustment. The warrants expire September 15, 1997, and are subject to redemption by the Company for $.05 per warrant if the closing price of the common stock exceeds $8.50 per share for 20 consecutive trading days, subject to adjustment.

HOLDERS

On November 14, 1996 there were 320 record holders of the common stock, and 84 record holders of the warrants. In addition, the Company estimates there are an additional 2,700 shareholders and 400 warrant holders who own shares or warrants, respectively, in nominee or street name, at that date.

REGISTRATION RIGHTS

Pursuant to agreements with certain shareholders, holders of certain options, and holders of warrants other than the Class A warrants, the Company has granted demand and piggyback registration rights to 2,091,230 currently issued shares and 70,000 shares which may be issued upon exercise of related options or warrants.

DIVIDENDS

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

The Company opened the Country Tonite Theatre in Branson, Missouri; the Grand Hinckley Inn in Hinckley, Minnesota in May 1994. The Company had previously purchased the Country Tonite production show in March 1994.

RESULTS OF OPERATIONS

The following financial data presented below has been derived from the Company's Consolidated Financial Statements for the fiscal years ended September 30, 1996 and 1995.

Year Ended September 30

	1996	1995
	(in thousands)	
INCOME FROM CONTINUING OPERATIONS		
Entertainment revenues	$8,938	$ 6,750
Hospitality revenues	3,968	3,658
Operating expense - entertainment	6,215	5,743
Operating expense - hospitality	2,660	2,032
General and administrative expense	2,190	2,006
Interest expense	1,278	1,193
Other income (expense)	(540)	(443)
INCOME (LOSS) FROM CONTINUING OPERATIONS	23	(123)
DISCONTINUED OPERATIONS		
Income from discontinued operations	-	162
NET INCOME	$ 23	$ 39

Following is management's discussion and analysis of significant factors which have affected the Company's financial position and operating results during the periods reflected in the accompanying consolidated financial statements.

FISCAL 1996 COMPARED TO FISCAL 1995

CONSOLIDATED

The Company's revenues from continuing operations were $12,905,949, an increase of $2,498,076, or 24%, from the $10,407,873 recorded in fiscal 1995. Of the increase $2,188,241, or 88%, was provided by the entertainment segment with the hospitality segment accounting for the remaining increase of $309,835.

ENTERTAINMENT

COUNTRY TONITE PRODUCTION SHOW

Country Tonite Production show revenues totaled $2,192,360 in fiscal 1996, a decline of $173,762, or 7.3%, from fiscal 1995 revenues of $2,366,122. The decline was due principally to a lower contractual rate with the Aladdin Hotel in calendar 1996. Despite the decline in revenues, operating income increased $205,300, or 85%, to $446,271 in fiscal 1996 from $240,971 in fiscal 1995. Management successfully reduced operating costs (including project, general and administrative costs and depreciation) from $2,125,152 in fiscal 1995 to $1,746,089 in fiscal 1996, a savings of $379,063, or 18%, principally through a concerted effort to reduce general and administrative expenses.

COUNTRY TONITE THEATRE

With paid attendance at the Branson Theatre reaching 40% of capacity in fiscal 1996, up from 29% in fiscal 1995, and average ticket prices increasing from $14.87 in fiscal 1995 to $15.57 in fiscal 1996, revenues increased $2,362,003, or 54%, from the fiscal 1995 total of $4,383,934 to $6,745,937 in fiscal 1996. Operating expenses (including project, general and administrative costs and depreciation) rose at a lower pace by $850,376, or 24%, to $4,468,470 in fiscal 1996 from $3,618,094 in fiscal 1995. The economies of scale evident at the 40% paid occupancy level provided an increase in operating income of $1,511,627 or 197% to $2,277,467 in fiscal 1996 from $765,840 in fiscal 1995. The marketing efforts at the Country Tonite Theatre and its acceptance in the market have resulted in significant year to year increases in attendance and revenues from the initial 1994 period.

HOSPITALITY

GRAND HINCKLEY INN

In fiscal 1996, the Grand Hinckley Inn continued its historical high occupancy rates, achieving an average occupancy of 86% and average daily rate of $54.85 compared to an average occupancy rate of 82% and an average daily rate of $56.63 in fiscal 1995. Revenues

for fiscal 1996 increased $309,835, or 8%, to $3,967,652 in fiscal 1996 from $3,657,817 in fiscal 1995. Operating income fell $318,199, or 20%, from $1,625,585 in fiscal 1995 to $1,307,386 in fiscal 1996. Operating expenses (including project, general and administrative costs and depreciation) rose $628,034, or 31%, to $2,660,266 in fiscal 1996 from $2,032,232 in fiscal 1995. The increase in operating expenses and resulting decrease in operating income were principally the result of higher property taxes and profit sharing expenses. Profit sharing with the Enterprise totaled $786,000 in fiscal 1996 compared to $361,000 in fiscal 1995, as hotel revenues exceeded the cumulative threshold during fiscal 1995.

GENERAL AND ADMINISTRATIVE

The Company's general and administrative expenses aggregated $2,190,154 in fiscal 1996 compared to $2,006,272 for fiscal 1995. The increase resulted primarily from higher legal and professional fees.

GAMING

Loss on gaming projects of $742,000 for fiscal 1996 consists principally of the loss on abandonment of the Palace Casino acquisition in January 1996 of $727,000. Although the Company reached an agreement as part of a joint venture to again acquire the Palace Casino in September 1996, generally accepted accounting principles do not allow reversal of the abandonment loss.

Loss on gaming projects for fiscal 1995 consists of $250,000 of fee income received upon signing of a gaming contract, $600,000 of fee income in exchange for the relinquishment of rights to gaming contracts, offset by $944,248 of abandonment costs related principally to the Hoh, Cherokee and Louisiana gaming projects.

OTHER

Other income for 1995 includes $403,000 from the reversal of excess reserves principally related to the closing of the Biloxi Star Theatre.

During fiscal 1994, management elected to discontinue its recreational property marketing efforts, and revenue and expenses from those activities were categorized as discontinued operations. A gain of $162,217 from discontinued operations during fiscal 1995 resulted from final revenues being received, and from the reversal of excess reserves related to closing the Company's Wisconsin offices.

Interest expense totaled $1,278,052 for fiscal 1996 compared to $1,193,403 for fiscal 1995.

The FASB has issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets

Being Disposed of," which provides guidance on how and when impairment losses are recognized on long-lived assets. This statement, when adopted, is not expected to have a material impact on the Company.

The FASB has issued SFAS No. 123, "Accounting for Stock-Based Compensation," which establishes a fair value based method of accounting for stock-based compensation plans. This statement provides a choice to either adopt the fair value based method of accounting or continue to apply APB Opinion No. 25, which would require only disclosure of the pro forma net income and earnings per share, determined as if the fair value based method had been applied. The Company plans to continue to apply APB Opinion No. 25 when adopting this statement, and accordingly, this statement is not expected to have a material impact on the Company.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased $503,469 to $1,546,422 at September 30, 1996 from $1,042,953 at September 30, 1995. In addition to funds provided by operations, the Company's principal source of funds in fiscal 1996 consisted of a placement of convertible subordinated debentures of $1,493,000 and warrant exercises which provided $918,000. The Company's principal use of funds in fiscal 1996 consisted of additions to deferred development costs of $2,039,165 payments of notes payable and long-term debt totaling $1,389,322 and capital expenditures of $278,722.

At September 30, 1996, the Company has approximately $100,000 available under a line of credit with a bank.

The Company expects that available cash and cash from future operations will be sufficient to meet the capital expenditures, debt service and working capital requirements of its existing businesses. The Company will need to raise approximately $7,000,000 to meet the near term capital requirements of its new businesses (Tunisia Casino and Pigeon Forge Theatre) and proposed acquisition (Palace Casino). The sources of such funding have not yet been identified and cannot be assured.

Notes receivable totaling $1,232,000 related to the warrant exercise originally due in January and December 1996 are in the process of being restructured. Collection of monies due is not anticipated in the 1997 fiscal year.

CAPITAL EXPENDITURES

Capital expenditures by the Company were $278,722 for the year ended September 30, 1996 compared to $85,836 for the 1995 fiscal year. Capital expenditures for 1996 consisted principally of additional equipment purchases for the entertainment segment.

FUTURE OPERATIONS

The Company is currently evaluating new venues for its Country Tonite production in such high-tourist areas as Myrtle Beach, South Carolina; Reno, Nevada; and Laughlin, Nevada.

Potential new hospitality opportunities continue to be explored as well.

The Grand Hinckley Inn has been profitable since inception and management is presently exploring potential new hospitality endeavors.

The Country Tonite production, playing at the Aladdin Hotel and Casino in Las Vegas, is contracted through December 31, 1997.

In September 1995 the Company abandoned its efforts as to the Cherokee, Louisiana and Hoh gaming projects, but concluded negotiations with Harrah's Entertainment, Inc. ("Harrah's") whereby the Company will act as a consultant in the development and management of one or more casinos to be funded by Harrah's for the Pokagon Band of Potawatomi Indians in northern Indiana and in southwestern Michigan. The Company will, upon commencement of operations, receive 21.6% of Harrah's management fee, without being required to provide any of the capital necessary for development.

In March 1997, the Company, through a 60% owned joint venture, will operate a theatre in Pigeon Forge, Tennessee, as a new venue for the Country Tonite Show.

Under terms of the prospective transaction to purchase the Palace Casino as part of a joint venture, the Company is scheduled to close the transaction in January 1997, assuming all regulatory clearances have been obtained.

The Company continues to pursue other opportunities to own and manage additional non-gaming and gaming facilities either singularly or in conjunction with other gaming industry participants.

SEASONALITY

The Company expects its hotel operations will be affected by seasonal factors, including holidays, weather and travel conditions. The theatre operation in Branson, Missouri will also be affected by seasonal factors and in addition will be closed annually from mid-December through mid-March, a period when theatres normally close in Branson.

IMPACT OF INFLATION

Management of the Company does not believe that inflation has had any significant adverse impact on the Company's financial condition or results of operations for the periods presented. However, an increase in the rate of inflation could adversely affect the Company's future operations and expansion plans.

FOREIGN CURRENCY TRANSACTIONS

The Company's transactions with respect to the proposed casino venture in

Tunisia will be in dinars. As such, there are all the risks pertaining to fluctuations in foreign exchange rates and potential restrictions or costs associated with the transfer of funds to the United States.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

All statements contained herein that are not historical facts are based on current expectations. These statements are forward looking in nature and involve a number of risks and uncertainties. Actual results may differ materially. Among the factors that could cause actual results to differ materially are the following: the availability of sufficient capital to finance the Company's business plan on terms satisfactory to the Company; competitive factors, such as the introduction of new hotels or renovation of existing hotels in the same markets; changes in travel patterns which could affect demand for the Company's hotels; changes in development and operating costs, including labor, construction, land, equipment, and capital costs; general business and economic conditions; and other risk factors described from time to time in the Company's reports filed with the Securities and Exchange Commission. The Company wishes to caution readers not to place undue reliance on any such forward looking statements, which statements are made pursuant to the Private Securities Litigation Reform Act of 1995, and as such, speak only as to the date made.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Index to Financial Statements appears at page F-1 hereof, the Report of Registrant's Independent Accountants appears at page F-2 hereof, and the Consolidated Financial Statements and Notes to Consolidated Financial Statements of the Registrant appear beginning at page F-3 hereof.

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

Not Applicable.

PART III

ITEM 9. DIRECTOR'S AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement relating to its annual meeting expected to be held in April 1996, upon such definitive Proxy Statement being filed with the Securities and Exchange Commission.

ITEM 10. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to the Company's definitive Proxy Statement relating to its annual meeting expected to be held in April 1996, upon such definitive Proxy Statement being filed with the Securities and Exchange Commission.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement relating to its annual meeting expected to be held in April 1996, upon such definitive Proxy Statement being filed with the Securities and Exchange Commission.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement relating to its annual meeting expected to be held in April 1996, upon such definitive Proxy Statement being filed with the Securities and Exchange Commission.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

The Exhibits to this Report are listed on page E-1 hereof:

(b) Reports on Form 8-K

(i) A report on Form 8-K was filed on July 1, 1996 announcing an agreement by a wholly owned subsidiary of the Company to lease and operate a casino in Tunisia.

(ii) A report on Form 8-K was filed on July 2, 1996 announcing new venues in Mississippi and Tennessee for the Country Tonite Show.

(iii) A report on Form 8-K was filed on September 23, 1996. The Company announced the proposed acquisition of the Palace Casino as part of a joint venture.

SIGNATURES

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

CASINO RESOURCE CORPORATION

Date: December 30, 1996 By: /s/ JOHN J. PILGER

John J. Pilger,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 30, 1996 by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature and Title
/s/ JOHN J. PILGER John J. Pilger, Chief Executive Officer, President and Chairman of the Board of Directors
/s/ MAURICE GAUDET Maurice Gaudet, Chief Financial Officer
/s/ NOREEN POLLMAN Noreen Pollman, Vice President - Operations and Director
/s/ ROBERT J. ALLEN Robert J. Allen, Vice President - Entertainment and Director

CASINO RESOURCE CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Casino Resource Corporation
and Subsidiaries

Biloxi, Mississippi

We have audited the accompanying consolidated balance sheets of Casino Resource Corporation and Subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of operations, 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 consolidated 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Casino Resource Corporation and Subsidiaries at September 30, 1996 and 1995, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

BDO SEIDMAN, LLP

Chicago, Illinois
November 5, 1996, except for Note 14
as to which the date is
December 26, 1996

CASINO RESOURCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

September 30,	1996	1995
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$1,546,422	$1,042,953
Restricted cash	338,602	327,261
Accounts receivable - trade and other, net of allowance for uncollectibles of $3,043 in 1996 and $3,000 in 1995	307,204	525,885
Prepaid expenses	438,042	413,897
TOTAL CURRENT ASSETS	2,630,270	2,309,996

PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	15,082,906	15,860,940
OTHER ASSETS		
Cost in excess of fair value of assets acquired, less accumulated amortization of $124,645 in 1996 and $76,395 in 1995	599,097	647,347
Deferred development costs	2,201,211	895,358
Notes and advances receivable - related parties	556,895	443,931
Deferred charges, less accumulated amortization of $244,047 in 1996 and $231,825 in 1995	40,781	102,526
Deposits and other	673,384	691,350
TOTAL OTHER ASSETS	4,071,368	2,780,512
	$21,784,544	$20,951,448

</TABLE>

CASINO RESOURCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

September 30,	1996	1995
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$1,173,449	$1,657,878
Notes and accounts payable to related parties	-	103,243
Note payable - Grand Casinos, Inc.	589,410	1,289,410
Current maturities of long-term debt	547,755	677,801
Accrued expenses and other liabilities	917,370	600,237
Provision for contingencies	29,647	101,000
TOTAL CURRENT LIABILITIES	3,257,631	4,429,569
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	9,952,366	10,487,701
Subordinated Convertible Debentures	350,000	-
Total long-Term Liabilities	10,302,366	10,487,701
TOTAL LIABILITIES	13,559,997	14,917,270
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, 8% cumulative; $.01 par value; authorized 5,000,000 shares; none issued	-	-
Common stock, $.01 par value; authorized 30,000,000 shares; 9,761,803 and 7,746,007 shares issued and outstanding in 1996 and 1995, respectively	97,618	77,460
Additional paid-in capital	22,121,175	18,741,575
Notes receivable - common stock	(1,232,000)	-
Deficit	(12,762,246)	(12,784,857)
TOTAL STOCKHOLDERS' EQUITY	8,224,547	6,034,178
	$21,784,544	$20,951,448

</TABLE>

See accompanying notes to consolidated financial statements.

CASINO RESOURCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

YEAR ENDED SEPTEMBER 30,	1996	1995
REVENUE		
Revenue - entertainment	$8,938,297	$6,750,056
Revenue - hospitality	3,967,652	3,657,817
Total revenue	12,905,949	10,407,873
COSTS AND EXPENSES		
Operating costs - entertainment	6,214,560	5,743,246
Operating costs - hospitality	2,660,266	2,032,232
General and administrative	2,190,154	2,006,272
Other (income) expense - principally adjustments of provisions of contingencies in 1995	(65,893)	(503,071)
Interest expense - net of interest income of $136,019 and $34,959 in 1996 and 1995	1,142,033	1,158,444
Loss on abandonment of gaming projects - net	742,218	94,248
Total costs and expenses	12,883,338	10,531,371
Income(loss) from continuing operations	22,611	(123,498)
INCOME FROM DISPOSAL OF DISCONTINUED OPERATIONS	-	162,217
Income from discontinued operations	-	162,217
NET INCOME	$22,611	$38,719
INCOME (LOSS) PER COMMON SHARE		
Loss from continuing operations	$0.00	($0.01)
Income from disposal of discontinued operations		0.02
NET INCOME PER COMMON SHARE	$0.00	$0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	8,980,105	7,609,076

See accompanying notes to consolidated financial statements.

CASINO RESOURCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Notes Receivable Common Stock	Deficit	Total
BALANCE, SEPTEMBER 30, 1994	7,390,007	$73,900	$17,561,810	$ -	($12,823,576)	$4,812,134
Issuance of common stock - purchase of gaming contract	100,000	1,000	330,250		-	331,250
Issuance of common stock - acquisition	10,000	100	20,212		-	20,312
Issuance of common stock - employee stock						

options	29,000	290	3,980		-	4,270
Issuance of common stock - settlement of advances and expenses	92,000	920	183,973		-	184,893
Issuance of common stock - exercise of warrants	125,000	1,250	530,000		-	531,250
Other	-	-	111,350		-	111,350
Net income	-	-	-		38,719	38,719
BALANCE, SEPTEMBER 30, 1995	7,746,007	77,460	18,741,575	-	(12,784,857)	6,034,178
Issuance of common stock - conversion of debenture	839,852	8,399	1,218,390		-	1,226,789
Issuance of common stock - acquisition	17,500	175	35,919		-	36,094
Issuance of common stock - settlement of litigation	15,000	150	31,725		-	31,875
Issuance of common stock - exercise of warrants	1,143,444	11,434	2,138,566	(1,232,000)	-	918,000
Cancellation of previously issued warrants	-	-	(45,000)		-	(45,000)
Net income	-	-	-		22,611	22,611
BALANCE, SEPTEMBER 30, 1996	9,761,803	$97,618	$22,121,175	($1,232,000)	($12,762,246)	$8,224,547

</TABLE>

See accompanying notes to consolidated financial statements.

CASINO RESOURCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

Year ended September 30,	1996	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income(loss) from continuing operations	$22,611	($123,498)
Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities		
Depreciation and amortization	1,203,049	1,349,909
Abandonment cost - gaming ventures	742,218	255,255
Provision for doubtful accounts	43	(33,458)
Expenses paid through issuance of common stock	57,297	84,893
Loss on sale/abandonment of property and equipment	-	104,986
Changes in assets and liabilities		
Accounts receivable - trade and other	218,638	71,448
Prepaid expenses	22,141	(97,733)
Other assets	17,966	103,087
Accounts payable - trade	(484,429)	(1,216,295)
Accrued expenses and other liabilities	317,133	(192,093)
NET CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES	2,116,667	306,501
Income from discontinued operations	-	162,217
Change in provision for contingencies	(71,353)	(189,565)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,045,314	279,153
Cash Flows From Investing Activities		
Decrease (increase) in restricted cash	(11,341)	692,793
Increase in deferred development costs	(2,039,165)	(759,220)
Purchase of property and equipment	(278,722)	(85,536)
Increase in due to/from related parties	(26,207)	(91,670)
Increase in deferred charges and other	(272,584)	(106,492)
NET CASH USED IN INVESTING ACTIVITIES	(2,628,019)	(350,125)

</TABLE>

CASINO RESOURCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

Year ended September 30,	1996	1995
<S>	<C>	<C>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock and other equity transactions	801,555	586,869
Proceeds from (payments on) line-of-credit borrowings	(700,000)	1,289,410
Proceeds from long-term debt	1,673,941	
Payments on long-term debt	(689,322)	(902,292)
Net cash provided by financing activities	1,086,174	973,987
Net Increase (Decrease) in Cash and Cash Equivalents	503,469	903,015
Cash and Cash Equivalents, at beginning of year	1,042,953	139,938
Cash and Cash Equivalents, at end of year	$1,546,422	$1,042,953
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	$1,296,763	$1,166,139
Income taxes	68,603	21,223
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of common stock as payment for deferred development costs	$36,084	$491,250
Conversion of subordinated convertible debentures	1,300,000	-
Deferred cost write-offs	(49,670)	-

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

Casino Resource Corporation and Subsidiaries (the "Company") is primarily engaged in the hospitality and entertainment businesses. The Company owns and operates a hotel in Hinckley, Minnesota (the Grand Hinckley Inn), a production theatre in Branson, Missouri (the Country Tonite Theatre) and a production company in Las Vegas, Nevada (Country Tonite Enterprises) and has formed a joint venture, Country Tonite Theatre, L.L.C., to lease and operate a theatre in Pigeon Forge, Tennessee beginning in March 1997.

The Company is in the process of entering the gaming industry as a result of its participation with Harrah's Entertainment, Inc. in a major Indian gaming award in Indiana and Michigan, its pending contract as part of a joint venture to purchase an existing casino in Biloxi, Mississippi, and its agreement to lease and operate a casino in Tunisia.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Casino Resource Corporation and its majority and wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

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 and

disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, cash equivalents consist of short-term investments having an original maturity of three months or less. Carrying amounts approximate fair value because of the short-term maturity of the investments.

RESTRICTED CASH

The Company has restricted cash being held by a Mississippi state court in conjunction with litigation involving the construction and subsequent sale of the Biloxi Star Theatre.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash instruments and accounts receivables. The Company maintains cash, cash equivalents with various financial institutions. The Company provides credit in the normal course of business. The Company performs ongoing credit evaluation of its customers and maintains allowances for potential credit loses, if necessary.

ADVERTISING

Advertising expenditures are generally charged to operations in the year incurred and totaled $289,906 in 1996 and $271,186 in 1995. The company has advertising commitments for fiscal 1997 totaling $24,960 at September 30, 1996, which consist primarily of outdoor sign contracts.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. For financial reporting purposes depreciation and amortization is computed over the estimated useful lives of the assets (or the lease term, if shorter) by the straight-line method over the following lives:

Land improvements	20 - 25 years
Buildings	35 - 40 years
Leasehold improvements	10 - 15 years
Office equipment	5 - 6 years
Transportation equipment	5 - 7 years
Other	5 years

COST IN EXCESS OF FAIR VALUE OF ASSETS ACQUIRED

Cost in excess of fair value of assets acquired is amortized using the straight-line method over fifteen years.

DEFERRED DEVELOPMENT COSTS

Deferred development costs consist of external costs incurred in the evaluation of potential ventures. The costs are expensed if a determination is made to abandon the project.

DEFERRED CHARGES

Deferred charges consist of pre-opening expenses at the Country Tonite Theatre, loan and convertible debt origination fees and organization expenses. Amortization is on the straight-line method over estimated useful lives ranging from one to five years.

DISCONTINUED OPERATIONS

Until the third quarter of 1994, the Company was in the resort marketing business. The operations of this business segment have been accounted for as a discontinued operation. A gain of $162,217 from discontinued operations in 1995 results from reversing a portion of the provision for contingencies established in 1994 and from additional revenues being received during 1995 whereas related operating expenses were previously

recognized.

NET INCOME (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE

Net income (loss) per share data are computed using the weighted average number of common stock outstanding during each period. Common equivalent shares from stock options and warrants have been included in the computation using the treasury stock method only when their effect would be dilutive. Fully dilutive net income per share has not been presented as the difference is not significant.

RECLASSIFICATIONS

Certain reclassifications have been made to the previously reported 1995 financial statements to conform with the 1996 presentation.

RECENT ACCOUNTING PRONOUNCEMENTS

Effective for fiscal years beginning after December 15, 1995, Statement of Financial Accounting Standards Number 121; "Accounting for the Impairment of Long-Lived Assets to be Disposed of" ("Statement 121") was adopted by the Financial Accounting Standards Board ("FASB"). The adoption by the Company of Statement 121 is not expected to have a materially adverse effect on the Company's financial condition or results of operations.

In December 1995, FASB issued Statement of Financial Standards Number 123, "Accounting for Stock-Based Compensation." This standard encourages a new method of recognizing stock-based compensation expense using an option pricing model measurement of estimated fair value of employee stock options. Alternatively, companies may choose to retain the current approach set forth in Accounting Principles Board Opinion Number 25, "Accounting for Stock Issued to Employees," and provide expanded footnote disclosure as to what the

effects of utilizing the option pricing model measurement would have been. Statement 123 is effective for fiscal years beginning in 1996. The Company does not plan to use the option pricing model measurement of Statement 123 and will provide the required footnote disclosure.

2. RELATED PARTIES

The related party receivables and payables of the Company consist primarily of funds loaned to and from the Company by and to shareholders and related entities.

As described in Note 8, the Company has leased various equipment and facilities from related parties.

Notes and advances receivable includes notes and related interest due from officers and stockholders totaling $806,895 and $443,931 at September 30, 1996 and 1995, respectively, at interest rates ranging from 7% to 9.5%. The notes mature from December 31, 1996 to October 15, 1998. Interest income from these notes was $88,448 and $30,840 in 1996 and 1995, respectively.

Notes and accounts payable at September 30, 1995 consist of reimbursements due officers and accrued and unpaid compensation to an officer of the Company who is a significant shareholder and director. The debt was due on demand and carried a 7% interest rate. Related party interest expense was $1,065 and $17,277 in 1996 and 1995, respectively.

In October 1996, the Company extended a $100,000 promissary note to an officer with interest at the prime rate. The note matures on April 13, 1997 with interest payable quarterly.

Subsequent to year end, the Company extended a $135,000 line of credit to an officer of the Company. The loan accrues interest at the prime rate and is due on May 11, 1997. This line is secured by common stock.

3. PROPERTY AND EQUIPMENT

SEPTEMBER 30,	1996	1995
Land and improvements	$ 2,226,724	$ 2,226,724
Buildings	11,327,492	11,309,549
Leasehold improvements	404,364	404,364
Furniture, fixtures and equipment	3,711,359	3,450,580

	17,669,939	17,391,217
Less accumulated depreciation and amortization	(2,587,033)	(1,530,277)
Net property and equipment	$15,082,906	$15,860,940

4. DEFERRED DEVELOPMENT COSTS

Deferred development costs consist of the following:

SEPTEMBER 30,	1996	1995
Pokagon Indian Gaming Project (A)	$ 1,052,378	$ 645,287
Tunisia Casino Project (B)	682,435	-
Palace Casino Project (C)	466,398	250,071
	$ 2,201,211	$ 895,358

(A) Monarch Casinos, Inc. sold its rights to the Pokagon Indian gaming contract to the Company in fiscal 1995 for consideration consisting of the Company's assumption of certain trade payables of the seller; the Company's obligation to reimburse certain of the seller's principals for travel and other new business development costs; the Company's obligation to loan the seller limited amounts of funding; the execution of an agreement with the seller for the payment of future new business development fees; and the issuance of 100,000 of the Company's common shares plus the contingent issuance of an additional 1.9 million common shares (to be earned as the Pokagon gaming contract achieves certain governmental approval levels and upon commencement of operations of the initial casino).

Also, included in this amount is a $250,000 advance to an officer of Monarch Casinos, Inc. This advance was made in accordance with the contract described above. This advance accrues interest at 7% and is due on demand after June 6, 1995, or will be canceled upon the second anniversary date of the opening of the first Pokagon casino.

All external costs and costs assigned to the issuance of the Company's common shares will be capitalized and expensed over five years commencing with the receipt of initial management fees from the Pokagon gaming venture.

The Company in turn entered into an agreement with Harrah's Entertainment, Inc. ("Harrah's") whereby the Company's rights to the Pokagon gaming contract were assigned to Harrah's in return for a share of Harrah's future management fee from operations of planned Pokagon tribal casinos. Harrah's is primarily responsible to fund all costs attributable to development and operation of the casinos, receiving in return a management fee, as defined. The Company, while not primarily responsible to fund any such development or operational costs might, in certain circumstances, be required to provide reimbursements to Harrah's. The Company will receive 21.6% of Harrah's fees earned. The Company has agreed to pay a percentage of the fees it earns from Indian gaming contracts to certain consultants.

In addition to the agreement above, Harrah's agreed to reimburse the Company for all the costs associated with the venture related to the Eastern Band of Cherokee Indians in exchange for the Company renouncing any rights or claims to any other business ventures of

Harrah's and its affiliates. The amount to be reimbursed is $600,000 which is recorded as an other asset. Harrah's will pay CRC $120,000 per year commencing on the opening of the first Pokagon casino and each year after for four years. These payments will be reduced by $5,000 each month for a period of 40 months to cover Harrah's costs for administering the contract. Harrah's is in the process of obtaining the

necessary regulatory approvals for the project.

B) The Company entered into a lease agreement with Samara Casino Company in June 1996 for the casino and its surroundings. The annual rent is $460,000 with a ten percent increase each year plus a variable percentage of the casino's gross income as defined per the agreement.

In 1996, the Company paid $682,435 for costs related to the lease agreement. The principal portion of these costs, $480,000, are rent prepayments for the casino's first year of operation. The casino has a June 1, 1997 tentative opening date and this amount will be written off over twelve months of the casino's opening.

The remaining costs incurred of $202,435 are costs associated with obtaining the agreement including architect and legal fees. These costs will be amortized overt the initial lease term of three years. The lease agreement can be renewed for two successive periods of three years.

C) In 1995, the Company attempted to purchase certain assets of the Palace Casino. In February 1996, the Company did not consummate the planned purchase and expensed costs totaling approximately $727,000 of which $250,071 were deferred at September 30, 1995.

In 1996, the Company entered into an operating agreement with two individuals acting as joint tenants to purchase certain assets of the Palace Casino. The Company has a 20% interest in the joint venture with an option to purchase up to 49%.

The Company incurred $466,398 of costs relating to the project. The costs consist principally of the Company's initial investment of $400,000 and $46,094 for stock issued and other payments for land rights. The acquisition is expected to close in the second quarter of fiscal 1997.

5. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

SEPTEMBER 30,	1996	1995
Payroll and payroll taxes	$204,888	$142,487
Sales tax	44,612	61,270
Interest	95,136	113,699
Real estate taxes	128,714	82,244
Other	444,020	200,537
	$917,370	$600,237

6. SUBORDINATED CONVERTIBLE DEBENTURES

In February 1996, the Company completed a private placement of $1,650,000, 8% subordinated convertible debentures (with net proceeds of $1,493,000). The debentures have a one year maturity with conversion into shares of common stock on or prior to the anniversary date at a price equal to 75% of market value based on the then current trading prices. The debentures were not registered under the Securities Act of 1933. Through September 30, 1996, $1,300,000 of principal amount of the debentures have been converted into 839,851 common shares.

7. LONG-TERM DEBT

Long-term debt consists of the following:

SEPTEMBER 30,	1996	1995
Mortgage payable, prime plus 1% (9.25% at September 30, 1996)(7% floor and 10% ceiling), collateralized by real estate, payable in monthly installments of $73,035 including interest through March 1999, with a final payment of $7,077,978 due in April 1999	$7,600,142	$7,756,403

Mortgage payable, prime plus 2% (10.25% at September 30, 1996)(11% ceiling), guaranteed by Grand Casinos, Inc. (see Note 11), collateralized by real estate, payable in monthly installments of $43,942 including interest through May 2004	2,771,952	3,000,151

Other notes payable, interest at rates ranging from 8.5% to 10%, collateralized by real estate, other assets and the personal guarantee by a certain officer, payable in monthly installments of $3,002 through October, 2000.	128,027	126,628
Notes payable, 10.75%, repaid during 1996	0	282,320
	10,500,121	11,165,502
Less current maturities	(547,755)	(677,801)
	$ 9,952,366	$10,487,701

Maturities of long-term debt are as follows:

YEAR ENDING SEPTEMBER 30,	
1998	$ 485,436
1999	7,538,639
2000	352,005
2001	383,969
Thereafter	1,192,317
	$9,952,366

8. LEASE COMMITMENTS

The Company leases various equipment and facilities from related and unrelated parties. These leases require that the Company pay maintenance, utilities, insurance and taxes.

Based upon the terms of the leases, they have been classified in the accompanying consolidated financial statements as operating leases.

Total rent expense under operating leases was $106,272 and $224,527 for the years ended September 30, 1996 and 1995, respectively. Related-party rent expense was $45,905 and $60,909 in 1996 and 1995, respectively.

Minimum annual rental commitments of noncancellable operating leases covering facilities and equipment at September 30, 1996 are approximately:

YEAR ENDING SEPTEMBER 30,	RELATED PARTY	OTHER	TOTAL
1997	$24,000	$641,979	$665,979
1998	0	880,303	880,303
1999	0	865,319	865,319
2000	-	799,543	799,543
2001	-	672,001	672,001
Thereafter	-	280,002	280,002
	$24,000	$4,139,147	$4,163,147

9. TAXES ON INCOME

The provision or income taxes include federal and state income taxes currently payable and those deferred because of temporary differences

between financial statement and the tax bases of assets and liabilities and the utilization of net operating loss carryforward.

The Company's provision for income taxes ($0) differs from the federal statutory rate due to the utilization of net operating loss carryforward.

Deferred income taxes consist of the following:

SEPTEMBER 30,	1996	1995
Total deferred tax assets, relating principally to net operating loss carryforward	$ 4,500,000	$ 4,600,000
Deferred tax liabilities	-	(20,000)
	4,500,000	4,580,000
Less Valuation allowance	(4,500,000)	(4,580,000)
Total net deferred tax assets	$ -	$ -

Due to the uncertainty of realizing the deferred tax asset in the future, the Company has recorded a valuation allowance equaling the deferred tax asset. At September 30, 1996, the Company has federal net operating loss carryforwards available to offset future taxable income of approximately $11,000,000, which expire in various years through 2010.

10. CAPITAL STOCK

In 1995, a consultant to the Company received 50,000 common shares for services rendered, and 100,000 shares were issued to Monarch Casinos, Inc., as consideration for introducing the Company to potential gaming ventures, including the Pokagon Tribal award (see Note 4).

During fiscal 1995, 71,000 common shares were issued to current and former employees under the exercise of employee incentive options and severance agreements.

In September 1995 an investor exercised warrants to acquire 125,000 common shares. (See Warrants)

In November 1995 the Company's former Chairman of the Board exercised warrants to acquire 1,143,444 shares of common stock for $2,150,000 or $1.88 per share, by the payment of $650,000 cash and execution of promissory notes due January 31, 1996 ($500,000) and December 31, 1996 ($1.0 million). At September 30, 1996, $1,232,000 is outstanding.

During 1996, 15,000 shares of stock were issued in settlement of litigation with a former officer of the Company.

In 1996, 17,500 shares of common stock were issued in connection with the acquisition of leasehold rights for the proposed Palace Casino acquisition.

Through September 30, 1996, 839,581 shares were issued upon conversion of subordinated convertible debentures (see Note 6).

WARRANTS

As part of the public offering in September and October 1993 the Company issued Class A Warrants (the IPO Warrants), expiring, after a one year extension, on September 15, 1997, for the purchase of 2,760,000 common shares at $6.75 per share. None of these warrants have been exercised to date.

In connection with the sale of the Biloxi Star Theater in September 1994, the Company issued warrants for the purchase of 1,018,444 common shares to Grand Casinos, Inc. ("Grand"). These warrants, originally priced to exercise at $2.00 per share, were transferred by Grand to the Company's former Chairman of the Board in exchange for services provided to Grand. The warrants were exercised in November 1995 at a price of $1.88 per share.

Options to acquire 35,000 common shares issued to the former owners of Country Tonite Enterprises expired in March 1996.

In April 1994 the Company issued warrants to Grand for the purchase of 250,000 common shares at $4.50 per share, as partial consideration for Grand's guarantee of Company debt. During 1995 these warrants were transferred by Grand to an investor and to the Company's former Chairman of the Board in exchange for services provided to Grand. In September 1995, 125,000 shares were issued to the investor pursuant to a partial exercise of these warrants for $531,250. The Company escrowed $50,000 of such funds and paid to the investor his interest and transaction costs equal to such escrow. The remaining 125,000 warrants were exercised in November 1995 at $1.88 per share.

The managing underwriter of the public offering received warrants to acquire 240,000 shares at $8.25 per share (expiring on September 18, 1998) and options to acquire 240,000 IPO warrants at $.41 per warrant (expired on September 18, 1996). The warrants are exercisable at $6.75 per share. None of these warrants have been exercised to date.

Warrants for the purchase of 200,000 common shares issued in May 1995 to an investment advisor were cancelled in 1996.

OPTIONS AND AWARDS

Certain financial consultants to the Company received options in December 1992 and in January 1993 to acquire 87,500 shares of common stock as consideration for services rendered. These options are fully vested and are exercisable at $2.375 per share (17,500 shares) and at $.75 per share (70,000 shares). None of these options have been exercised to date.

A former Company executive was granted options in September 1995, as part of an employment termination arrangement, to acquire 50,000 shares of common stock at $2.50 each (as to 25,000 shares) and $6.80 each (as to 25,000 shares). The aggregate options expire in September 2003 and none of the options have been exercised to date.

STOCK INCENTIVE PLAN

In fiscal 1995 the Company's 1993 Long-Term Incentive and Stock Option Plan was amended (now the Amended and Restated 1993 Long-Term Incentive and Stock Option Plan) to provide for the issuance of an aggregate 500,000 options/awards of shares. Likewise, all previously outstanding options or awards were canceled and replacement awards issued at fair market value.

<TABLE>
<CAPTION>

	Shares	Exercise Price Per Share
<S>	<C>	<C>
Outstanding, October 1, 1994	188,000	$3.75 - $5.00
Granted	310,000	$1.70 - $4.14
Exercised	(29,000)	$2.13 - $3.88
Canceled and Expired	(188,000)	$3.75 - $5.00
Outstanding, September 30, 1995	281,000	$1.70 - $4.14
Granted	154,000	$1.94 - $3.13
Exercised	-	-
Canceled and Expired	53,600	$2.00 - $4.14
Outstanding, September 30, 1996	381,400	$1.60 - $4.14
Options exercisable at September 30, 1996	227,500	$1.60 - $4.14
Options available for future grant	89,600	

</TABLE>

11. TRANSACTIONS WITH GRAND CASINOS, INC.

On September 23, 1994 the Company entered into a term loan agreement with Grand Casinos, Inc. (Grand). Under the agreement the Company obtained advances aggregating $1,289,410 through September 30, 1995.

Advances under this agreement bear interest at 10% per annum. Through July 31, 1996, $600,000 was repaid. Beginning in August, 1996, the loan is being amortized at a rate of $50,000 principal per month plus interest.

In connection with provisions of the term loan, the Company granted Grand a second mortgage on the Grand Hinckley Inn. In addition, the Company granted to Grand a right of first refusal to purchase the hotel on the same terms and conditions offered by a prospective purchaser. This right is exercisable for a period of 30 days after the Company notifies Grand of a pending offer.

The Company issued common stock warrants in April 1994, which entitles Grand to acquire 250,000 shares of common stock. The warrants are exercisable between April 1995 and April 1998 at an exercise price of $4.25 per share. These warrants were issued as consideration for Grand's guarantee of the Company's debt (see Note 10).

For the years ended September 30, 1996 and 1995, 21% and 19% of total revenues and 55% and 54% of hospitality revenues were received through Grand's marketing department, respectively.

12. BUSINESS SEGMENTS

The Company operates principally in two industry segments: (1) Entertainment Industry includes Country Tonite Enterprises, a production company, and the Branson Theatre; and (2) Hospitality Industry includes the Hinckley Hotel.

Specified financial information by business segment is included in the following summary:

<TABLE>
<CAPTION>

YEAR ENDED SEPTEMBER 30,	1996	1995
<S>	<C>	<C>
Net Sales		
Entertainment	$ 8,938,297	$ 6,750,056
Hospitality	3,967,652	3,657,817
Consolidated	$12,905,949	$10,407,873
Operating income (loss)		
Entertainment	$ 2,723,739	$ 1,006,810
Hospitality	1,307,386	1,625,585
Corporate	(2,190,156)	(2,006,272)
Consolidated	$ 1,840,969	$ 626,123
Identifiable assets		
Entertainment	$11,085,112	$11,183,101
Hospitality	5,894,115	6,235,176
Corporate	4,805,317	3,533,171
Consolidated	$21,784,544	$20,951,448
Capital expenditures		
Entertainment	$ 240,328	$ 29,890
Hospitality	11,602	50,952
Corporate	26,792	4,694
Consolidated	$ 278,722	$ 85,536
Depreciation and amortization		
Entertainment	$ 705,386	$ 879,483
Hospitality	399,317	380,019
Corporate	98,346	90,407
Consolidated	$ 1,203,049	$ 1,349,909

</TABLE>

13. COMMITMENTS AND CONTINGENCIES

A) Under a Marketing Enhancement Agreement, entered into with the Tribal Commission of the Mille Lacs Band of Ojibwe Indians (owners of the Grand Casino Hinckley) and Grand, the Company receives a $20 fee per night per occupied room. The Company recognized approximately $982,000 and $925,000 from the marketing subsidy in 1996 and 1995, respectively. In return for the marketing enhancement fee, the hotel has entered into a revenue-sharing plan with the casino which requires that 50% of all room revenues above a defined cumulative threshold (up to the amount of marketing subsidy paid to the hotel) be paid to the casino. The cumulative threshold was exceeded in fiscal 1995. Payments due under the revenue-sharing plan totaled $786,000 and $361,000 in 1996 and 1995, respectively. Payments to Grand under this windfall profit sharing agreement for fiscal 1997 will vary based on revenues and the change, if any, in the operating cost threshold. The Company and the Tribal Commission of the Mille Lacs Band have entered into an agreement regarding future ownership of the hotel. The Tribal Commission has the unilateral right to purchase the hotel on the anniversary dates of its initial occupancy (May 1994) in each of years 2001 and through 2006 at a cost equivalent to the original development cost of the hotel plus the depreciated cost of personal property and all inventories. Conversely, in the event that the Tribal Commission allows the construction of more than 500 hotel or equivalent rooms on property owned by the Tribal Commission or Grand, the Company has the right to require the Tribal Commission to purchase the hotel at the cost stated above.

B) The Company has guaranteed rent payments, totaling $360,000 per year for up to five years, of its 60% owned joint venture, Country Tonite Theatre, L.L.C., commencing March 1, 1997.

C) The Company commenced an arbitration action in November 1994 with the Arbitration Association in Minneapolis, Minnesota, against Cunningham Hamilton Quiter, P.A. (CHQ), the architect it retained in connection with the construction of the Biloxi theatre. In this action, the Company seeks to recover the damages it believes it incurred as a result of the architectural design work on the Biloxi theatre relating to cost overruns in the construction of the Biloxi theatre. The arbitration demand seeks damages in an amount in excess of $1,000,000. On December 30, 1994, the architectural firm commenced a suit in a Mississippi state court seeking, among other things, to foreclose on a mechanics' lien it filed on the Biloxi theatre project in the amount of approximately $321,000. The architectural firm has also asserted claims for breach of contract, tortuous interference with economic advantage and punitive damages. The Company previously placed $321,000 in escrow to cover such mechanics' lien claim. The Company and the architectural firm have agreed to, among other things, resolve all disputes between them with respect to the Biloxi theatre project in the Minneapolis arbitration action and stay the lawsuit in Mississippi. The arbitration action was heard by a panel of arbitrators in November. A decision was rendered on December 26, 1996 (See Note 14).

D) In 1995, a suit was brought against the Company in the Federal District Court of New Jersey in connection with the Company's former ownership of the Biloxi theatre. Venue was subsequently transferred to Mississippi. The plaintiff asserts it had a contract with the company for the promotion of eight professional boxing events at the Company's former Biloxi theatre. Total claims are for $500,000 in compensatory damages, punitive damages and attorneys' fees, interest and costs, and other relief the court may deem just and proper. The Company intends to vigorously defend itself against this action and believes it has meritorious defenses to the claims.

E) In May 1995, the Company was advised by written correspondence that a Minnesota company claims an interest in certain assets of Monarch, principally Monarch's interest in Indian gaming ventures. No specific amount was claimed. On November 13, 1995 the Minnesota company commenced an action in a Minnesota state court against Monarch and the Company alleging breach of contract against Monarch and tortuous interference with a contractual or business relationship against the Company. Management of the Company and Monarch each believe that the claims are without merit and plan to vigorously defend themselves against the claims.

F) Two former officers of a subsidiary of the Company, have brought suit against the Company in connection with their employment termination in June 1995. No specific amount of damages have been claimed, however, prior to the

filing of the suit, the plaintiffs offered to settle the matter for $500,000. The Company believes that damages, if warranted, are well below such amount and, accordingly, intends to vigorously defend this matter.

G) The Company is also party to other items of litigation, none of which, either individually or collectively, are material.

14. SUBSEQUENT EVENT

On December 26, 1996, the arbitrators for the CHQ arbitration case announced their decision. The Company's recovery was limited to a reduction of previously escrowed fees of approximately $321,000, on deposit with a Mississippi state court, to approximately $142,000. The decision which is subject to appeal, would result in a gain to the Company of approximately $139,000.

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	Sequentially Numbered Pages
2.1	Palace Casino Asset Acquisition Agreement(6)	
3.1	Restated Articles of Incorporation of the Company, as amended(2)	
3.2	Bylaws of the Company, as amended(3)	
10.1	Employment Agreement dated May 20, 1996 between the Company and John J. Pilger(6)	
10.2	Ground Lease dated as of August 11, 1993, as amended by the Amendment to Ground Lease date as of April 5, 1995, between Casino Building Corporation and Grand Casinos, Inc. relating to the site for the Grand Hinckley Inn.(5)	
10.3	Hotel Development Agreement dated July 23, 1993, between the Company and Grand Casinos, Inc. relating to the development of the Grand Hinckley Inn.(1)	
10.4	Marketing Enhancement and Purchase/Put Option Agreement dated as of August 11,1993, between the Company, the Corporate Commission and Grand Casinos, Inc. relating to the Grand Hinckley Inn.(1)	
10.5	Form of Warrant Agreement between the Company and Norwest Bank Minnesota, N.A., as Warrant Agent, dated September 15, 1993(1)	
10.6	Promissory Note dated as of September 15, 1993, made by John J. Pilger in favor of the Company.(3)	
10.7	Contract to Produce Show dated December 28, 1995, between JMJ, Inc., dba Aladdin Hotel & Casino and Country Tonite Enterprises, Inc. relating to the Las Vegas production show(2)	
10.8	Agreement for Purchase and Sale of Theatre dated March 11, 1994, among the Company, CRC of Branson, Inc. and Ahab of the Ozarks, Inc. relating to the acquisition of the Country Tonite Theatre.(2)	
10.9	Construction and Term Loan Agreement dated as of April 1, 1994, as amended by the Amendment to Construction and Term Loan Agreement dated as of May 1, 1994, between the Casino Building Corporation and Miller & Schroeder Investments Corporation relating to the construction and financing of the Grand Hinckley Inn.(5)	
10.10	Promissory Note dated April 5, 1994, made by Casino Building Corporation in favor of Miller & Schroeder Investments Corporation in the amount of $3,300,000.(5)	

10.11 Mortgage, Security Agreement and Financing Statement dated as of April 1, 1994, between the Casino Building Corporation and Miller & Schroeder Investments Corporation.(5)

10.12 Guaranty Agreement dated April 1, 1994, by the Company in favor of Miller & Schroeder Investments Corporation.(5)

10.13 Assignment of Rents and Leases dated as of April 1, 1994, as amended by the Amendment to Assignment of Rents and Leases dated as of May 1, 1994, between Casino Building Corporation and Miller & Schroeder Investments Corporation.(5)

10.14 Subordination Agreement dated as of April 1, 1994, among the Company, Casino Building Corporation and Miller & Schroeder Investments Corporation.(5)

10.15 Loan Purchase Agreement dated April 1, 1994, among the Company, Casino Building Corporation and Miller & Schroeder Investments Corporation.(5)

10.16 Assignment dated as of April 1, 1994, between Casino Building Corporation and Miller & Schroeder Investments Corporation relating to the assignment of the Marketing Enhancement and Purchase/Put Option Agreement.(5)

10.17 Common Stock Purchase Warrant dated April 5, 1994, granted to Grand Casino, Inc. by the Company with respect to 98,130 shares.(5)

10.18 Common Stock Purchase Warrant dated April 19, 1994, granted to Grand Casino Inc. by the Company with respect to 151,870 shares.(5)

10.19 Promissory Note dated March 29, 1994, made by Casino Building Corporation for $939,739.50 in favor of PDS Financial Corporation relating to the financing of furniture, fixtures and equipment for the Grand Hinckley Hotel.(5)

10.20 Security Agreement dated March 29, 1994, between Casino Building Corporation and PDS Financial Corporation.(5)

10.21 Guaranty dated March 29, 1994, made by the Company in favor of PDS Financial Corporation(5)

10.22 Debt Subordination Agreement date March 29, 1994, among Casino Building Corporation, the Company and PDS Financial Corporation(5)

10.23 Assignment dated March 29, 1994, among Casino Building Corporation, the Company and PDS Financial Corporation(5)

10.24 Biloxi Star Theater Asset Purchase Agreement dated August 18, 1994, among Grand Casinos, Inc., Grand Casinos of Mississippi, Inc., -Biloxi, the Company and Casino Building Corporation of Mississippi, Inc.(2)

10.25 Assignment and Assumption of Ground Sublease and Related Documents dated September 30, 1994, between Casino Building Corporation of Mississippi, Inc. and Grand Casinos Biloxi Theater, Inc.(2)

10.26 Bill of Sale date September 30, 1994, between Casino Building Corporation of Mississippi, Inc. and Grand Casinos Biloxi Theater, Inc.(2)

10.27 Assignment of Warranties, Permits, Licenses, Contracts, Service Agreements and other Intangible Rights dated September 30, 1994, between Casino Building Corporation of Mississippi, Inc. and Grand Casinos Biloxi Theater, Inc.(2)

10.28 Indemnification Agreement dated September 30, 1994, among the Company, Casino Building Corporation of Mississippi, Inc., Grand Casinos, Inc., Grand Casinos, of Mississippi, Inc.-Biloxi and Grand Casinos Biloxi Theater, Inc.(2)

10.29 Non-Compete Agreement dated September 30, 1994, among the Company, Casino Building Corporation of Mississippi, Inc., Grand Casinos, Inc., Grand Casinos Biloxi Theater, Inc. and John J. Pilger.(2)

10.30 Termination Agreement dated as of September 30, 1994, among the Company, Casino Building Corporation of Mississippi, Inc., Grand Casinos, Inc., Grand Casinos of Mississippi, Inc.-Biloxi(2)

10.31 Registration Rights Agreement dated as of September 30, 1994, between the Company and Grand Casinos, Inc.(2)

10.32 Term Loan Agreement dated as of August 18, 1894, between Casino Building Corporation and Grand Casinos, Inc. relating to the line of credit.(2)

10.33 Term Note dated as of September 23, 1994, between Casino Building Corporation and Grand Casinos, Inc.(2)

10.34 Mortgage, Security Agreement, Fixture Financing Statement and Assignment of Leases and Rents, dated as of September 23, 1994, made by Casino Building Corporation to Grand Casinos, Inc., securing $1,750,000 Term Note.(2)

10.35 Continuing Guaranty (Unlimited) made by the Company in favor of Grand Casinos, Inc. dated as of September 23, 1994, relating to the $1,750,000 Term Note.(2)

10.36 Third Party Pledge Argeement dated as of September 23, 1994, made by the Company in favor of Grand Casinos, Inc. and relating to the Term Loan.(2)

10.37 Warrant to Purchase Common Stock dated as of September 27, 1994, granted to Grand Casinos, Inc.(2)

10.38 Rights of First Refusal Agreement dated as of September 23, 1994, between the Company and Grand Casinos, Inc., with respect to the sale of the Grand Hinckley Inn.(2)

10.39 Stock Purchase Agreement, dated as of December 18, 1992, between Mr. Pilger and Mr. Howarth(1) as amended by First Amendment dated June 2, 1993(5) Second Amendment dated July 2, 1993(5), and Third Amendment dated November 30, 1994.(4)

10.40 Settlement Agreement dated as of September, 1994, between the Company and Gerald North.(2)

10.41 Settlement Agreement dated December 8, 1994 between the Company and Resource Financial Services.(2)

10.42 Agreement dated as of October 15, 1993, between the Company and Kevin Kean Company, Inc.(3) as amended by the Amendment dated as of December 15, 1994, relating to Cherokee gaming project.(5)

10.43 Management Agreement dated February 1995 between CRC West, Inc. and Hoh Indian Tribe.(5)

10.44 Mutual Release dated August 31, 1995, between CRC West, Inc. and Hoh Indian Tribe.(5)

10.45 Memorandum of Understanding dated January 10, 1995, between The Promus Companies Incorporated and the Company with respect to the development of

	certain gaming projects.(3)
10.46	Memorandum of Understanding dated January 18, 1995, between Monarch Casinos, Inc. and the Company with respect to the development of certain gaming projects.(3)
10.47	Memorandum of Understanding dated March 10, 1995, between the Company, the Kevin Kean Company, Inc. and James E. Barnes with respect to the development of certain gaming projects.(5)
10.48	Agreement dated May 8, 1995, between Monarch Casinos, Inc. an the Company with respect to the January 18, 1995, Memorandum of Understanding.(5)
10.49	Lease Modification Agreement dated August 7, 1995, with respect to the Elkhorn Wisconsin Lease.(3)
10.50	Settlement Agreement dated August 7, 1995, between the Company, John J. Pilger an Richard A. Howarth, Jr.(3)
10.51	Letter Agreement dated August 22, 1995, relating to extension of maturity date for September 23, 1994 Term Note.(3)
10.52	Agreement dated December 1, 1995, between the Company and Kevin M. Kean.(5)
10.53	Warrant Purchase Agreement and Cherokee Dispute Resolution dated December 1, 1995, between the Company and Kevin M. Kean.(5)
10.54	Promissory Notes dated December 1, 1995, made to Kevin M. Kean in favor of the Company.(5)
10.55	Promissory Note dated December 31, 1994, between the Company and John J. Pilger.(6)
10.56	Promissory Note dated October 25, 1995, between the Company and John J. Pilger.(6)
10.57	Promissory Note dated April 8, 1996 between the Company and John J. Pilger.(6)
10.58	Non-Circumvention and Non-Disclosure Agreement dated July 26, 1996, between the Company and Huong "Henry" Le.(6)
10.59	Consulting Agreement dated December 6, 1995, between the Company and Monarch Casinos.(6)
10.60	Technical Assistance and Consulting Agreement dated June 10, 1996, between the Company and Harrah's Southwest Michigan Casino Corporation.(6)
10.61	Lease Agreement dated September 4, 1996, between J. MacDonald Burkhart M.D. and Country Tonite Theatre L.L.C.(6)
10.62	Operating Agreement of Country Tonite Theatre L.L.C. dated September 24, 1996(6).
10.63	Limited Liability Company Operating Agreement of New Palace Casino, L.L.C(6)
10.64	Lease Contract dated June, 1996 between the Company and Samara Casino Company.(6)
10.65	Consultanting Agreement between the Company and Mondhor Ben Hamida.(6)

11.1	Statement Re. Computation of Per Share Earnings.(6)
21.1	Subsidiaries of Registrant (6)
23.1	Consent of BDO Seidman, L.L.P.(6)
27.1	Financial Data Schedule.(6)

(1) Incorporated by reference to the Company's Registration Statement on Form SB-2, File No. 33-66504, declared effective September 15, 1993.
(2) Incorporated by reference to the Company's Form 10-KSB for the fiscal year ended September 30, 1994, filed on January 12, 1995.
(3) Incorporated by reference to the Company's Registration Statement on Form SB-2, File No. 33-90114, originally declared effective May 5, 1995.
(4) Incorporated by reference to the Company's Form 10-KSB for the fiscal year ended September 30, 1995, filed on January 16, 1996.
(5) Incorporated by reference to the Company's Registration Form S-3, File No. 33-31534, originally declared effective February 29, 1996.
(6) Filed herewith.

ASSET PURCHASE AGREEMENT

DATED: September 20, 1996

PARTIES: New Palace Casino, L.L.C.
a Mississippi Limited Liability Company "Buyer",

Maritime Group, Ltd.,
a Mississippi corporation "Company"

RECITALS

A. The Company, a wholly owned subsidiary of Palace Casinos, Inc., a Utah corporation ("Palace"), owns and operates a dockside gaming casino known as the Palace Casino (the "Casino") in Biloxi, Mississippi.

B. On December 1, 1994, Palace and the Company each filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq., as amended, (the "Code") with the United States Bankruptcy Court for the District of Utah. Venue of the bankruptcy cases was subsequently transferred to the United States Bankruptcy Court for the Southern District of Mississippi (the "Bankruptcy Court").

C. The Buyer desires to acquire the Casino and substantially all of the assets of the Company relating to the Casino, and the Company desires to sell the Casino and substantially all of the assets of the Company relating to the Casino to Buyer.

D. The purchase and sale of the Casino will be accomplished by a sale pursuant to Section 363 of the Code (the "Section 363 Sale") in accordance with the Bidding Procedures described in Section 9.

Section I

INDEX TO DEFINITIONS

The definitions of the following terms used In this Agreement can be found in the following Sections:

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<CAPTION>

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Section 363 Sale	Recital D

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</TABLE>

Section 2

PURCHASE AND SALE OF ASSETS

2.1 PURCHASE AND Sale. Subject to all the terms and conditions of this Agreement and for the consideration herein stated, on the Closing Date, the Company agrees to sell, convey, assign, transfer and deliver to Buyer, and Buyer agrees to purchase and accept from the Company, the Casino and all its related assets, properties and rights (other than the Excluded Assets specified in Section 2.3), tangible and intangible, relating thereto (the "Sale Assets") free and clear of all liens, claims and encumbrances, except Permitted Encumbrances, which Sale Assets include but are not limited to, the following:

(a) the Casino, the barges and all items of tangible personal property of the Company comprising or relating to the Casino, such as furniture,, fixtures, equipment, materials, inventory and spare and replacement items therefor, including without limitation all such items listed on SCHEDULE 2.1 (a), and all such items acquired by the Company after the date September 22, 1995, and on or before the Closing Date, other than to the extent such items (x) are disposed of by Company prior to the Closing Date without breach of this Agreement or (y) are Excluded Assets;

(b) the real property described on SCHEDULE 2.1 (b);

(c) all software licenses ("Software Licenses") granted to the Company with respect to the computer programs used in the operation of the Casino as a gaming establishment (the "Business") which Buyer elects to assume pursuant to Section 2.2;

(d) to the extent transferable, all approvals, authorizations, consents, licenses, permits and other registrations of any federal, state or local court or other governmental department, commission, board, bureau, agency or instrumentality held by the Company and related to the Business, which are listed on SCHEDULE 2.1 (d), other than to the extent such items (x) have terminated, expired or been disposed of by the Company prior to the Closing Date without breach of this Agreement or (y) are related to the Excluded Assets;

(e) all operating data and records relating to the Business other than to the extent such items relate to the Excluded Assets;

(f) all assignable rights, if any, to all telephone lines and numbers used in the Business, including without limitation those lines and numbers listed on SCHEDULE 2.1 (f), other than those lines and numbers that relate solely to the Excluded Assets;

(g) the Leases which Buyer, in its sole discretion, elects to assume pursuant to Section 2.2;

(h) the Contracts which Buyer, in its sole discretion, elects to assume pursuant to Section 2.2;

(i) The Financed Property and related financing agreements which Buyer, in its sole discretion, elects to purchase and assume pursuant to Section 2.2.

(j) The tradenames Palace and Palace Casino and related logos, trademarks and servicemarks, if any and. without warranty, to the extent of Company's ownership of said tradenames and related logos, trademarks and servicemarks.

2.2 ASSUMPTION OF LEASES AND CONTRACTS. At least two days prior to the hearing on the Sale Motion (as defined in Section 9.1 below), Buyer will provide a list of obligations it will assume of the Company, and at least twenty days prior to closing, Buyer will provide a list of any additional obligations it-will assume of the Company (together, the "Assumed Obligations") in respect of (a) the personal property leases relating to the equipment located at the Casino and any or all land and ground leases listed on Schedule 2.2(a) (the "Leases"); (b) the contracts, agreements, including Software Licenses and insurance policies listed on Schedule 2.2(b) (the "Contracts"); and (c) the items of personal property listed on Schedule 2.2(c) (the "Financed Property"). The Company will secure, prior to the Closing Date, Bankruptcy Court approval of Company's assumption of the Leases and Contracts listed by Buyer and the assignment of those Leases and Contracts to Buyer. If Buyer provides a list of additional Leases and Contracts after the hearing on the Sale Motion but prior to a date at least twenty (20) days prior to Closing, the Company will secure Bankruptcy Court approval of Company's designated Leases and Contracts and assignment thereof to Buyer. The Company will cooperate with Buyer in seeking necessary approval for transfer of Financed Property to Buyer. The Company will cure defaults on the Leases and Contracts except those listed In Section 5.5 below, provided, however,, that if a non-current payment default is in excess of $50,000, the Company need not cure such a default in excess of said amount and, in such instance, Buyer can (i) withdraw its request that that Lease or Contract be assumed by the Company and assigned to Buyer, (ii) cure the default, in excess of $50,000, or (iii) terminate this Agreement. With respect to any Financed Property assumed by Buyer, Buyer will use its best efforts to secure for the Company a release of all of the Company's obligations and liabilities relating to such Financed Property. Buyer will not assume any of the Company's Accounts Payable Claims unless specifically addressed in the Assumed Obligations.

2.3 EXCLUDED ASSETS. The Sale Assets shall not include the following (the "Excluded Assets"):

(a) all cash (including cage cash), operating accounts and long-term investments of the Company;

(b) the corporate seal, minute books, charter documents., corporate stock record books and stock certificates of the Company;

(c) all claims, demands, causes of action and other rights which the Company has or may have against third parties;

(d) the Leases, Contracts and Financed Property that Buyer does not assume pursuant to Section 2.2;

(e) all of the Company's obligations with respect to outstanding Slot Club points and except as provided in Section 2.4(a), the Slot Club.

(f) such of the Company's rights under any insurance policies which are not assigned to Buyer pursuant to Section 2.2, hereof; and

(g) the Company's rights under this Agreement.

(h) Insurance policies listed on Schedule 2.3(h).

2.4 ASSUMED LIABILITIES. Buyer shall assume ONLY those liabilities listed below (the "Assumed Liabilities"):

(a) Such of the Company's obligations with respect to the Crown Jewel Slot Club (the "Slot Club") as are accepted by Buyer at the closing, in its sole discretion after Buyer's review and audit of the Company's Slot Club obligations.

(b) Subject to the adjustment provided in Section 3.3(b), the Company's obligations with respect to outstanding chips and tokens (the "Outstanding Chips and Tokens").

(c) Those liabilities as specifically agreed to in terms and conditions with regard to those Leases, Contracts and Financed Property assumed by Buyer pursuant to Section 2. 1 (g), 2.1(h), 2.1(i) and 2.2 hereof.

Buyer agrees to assume and become responsible for all of the Assumed Liabilities as specifically detailed and agreed to at Closing. Except for Permitted Encumbrances, the Buyer will not assume or have any responsibility, however, with respect to any other obligation, liability or claim against the Company or Sale Assets. The Purchase Price was determined and agreed to by Company and Buyer on the basis of Buyer assuming only the Assumed Liabilities and having no responsibility for any other obligation, liability or claim against the Company. Company- acknowledges that the Purchase Price would be substantially reduced in the absence of a Final Order which does not authorize and direct the sale of the Sale Assets to Buyer free and clear of all liens, claims and encumbrances (except Permitted Encumbrances).

Company agrees that subsequent to the execution of this Agreement by Buyer and Company that it will not, without Buyer's prior written approval,. renegotiate or modify, or attempt to renegotiate any Lease, Contract or agreement affecting or governing the Financed Property.

Section 3

PURCHASE PRICE

3.1 PURCHASE PRICE. The total consideration (the "Purchase Price") for the Sale Assets shall be Fourteen Million Two Hundred Fifty Thousand Dollars ($14,250,000), (which sum is an addition to the Assumed Liabilities) payable:

(i) Eleven Million Five Hundred Thousand Dollars ($11,500,000) cash (the "Cash") at the Closing;

(ii) One Million Five Hundred Thousand Dollars ($1,500,000) in the form of a convertible debenture of Casino Resource Corporation, a Minnesota Corporation ("CRC") (the "Debenture"). The Debenture shall bear interest at the rate of six percent (6%) per annum, with principal and interest being due and payable upon the earlier to occur of (x) twenty-four months after the Closing Date, or (y) Buyer's sale of the Casino prior to the expiration of twenty-four months after the Closing Date, and payable by CRC, in the sole discretion of CRC, in cash or in the fully registered and freely tradable common stock of CRC pursuant to the further provisions of this Section 3.1 (II). For the purposes of this Section 3.1 (11) Payment Date means the date the Debenture becomes due and payable hereunder. If converted to CRC common stock, CRC must use its best efforts to insure that the stock is fully

registered and tradeable at the Payment Date; however, if the common stock is not fully registered and tradeable at the payment date through no fault of CRC, there will be a thirty (30) day grace period after the Payment Date for the stock to become fully registered and tradeable (the "Grace Period"). If the common stock is not fully registered and tradeable after the expiration of the Grace Period, the Debenture must be immediately paid in cash by CRC. The number of shares into which the Debenture may be converted at the option of CRC shall be determined by dividing the total amount of unpaid principal and accrued interest of the Debenture by the average of the per share bid and asked prices of CRC stock for the ten (10) day period ending on and including the due date of the Debenture on the exchange where CRC shares are then listed; and

(iii) One Million Two Hundred Fifty Thousand Dollars ($1,250,000) subject to and payable pursuant to the further provisions of this Section 3.1 (iii) (the "Earn Out Payment").

The Earn Out Payment (which shall not exceed $1,250,000.00 in total Annual Earn Out Payments) shall be calculated and paid as follows:

(a)(i) For each of the first through sixth twelve month periods following the Closing Date, Buyer shall make annual payments ("Annual Earn Out Payments") to Company of a sum equal to (x) Three Percent (3%) of the excess, IF ANY, by which an amount equal to the total of Gross Gaming Revenues from Buyer's operation of the Casino from the Closing Date to the then applicable Payment Date exceeds the total of $2,666,667 multiplied by the number of months from the Closing Date to the then applicable Payment Date reduced by (y) the total of Annual Earn Out Payments previously made to Company by Buyer hereunder.

(ii) For each of the seventh through twelfth twelve month periods following the Closing Date, Buyer shall make Annual Earn Out Payments to Company of a sum equal to (x) Two Percent (2%) of the excess, IF ANY, by which an amount equal to the total of Gross Gaming Revenues from Buyer's Operation of the Casino from the Closing Date to the

then applicable payment date exceeds the total of $2,666,667 multiplied by the number of months from the Closing Date to the then applicable Payment Date reduced by (y) the total of Annual Earn Out Payments previously made to Company by Buyer under this Section 3. 1 (iii) (a)(i) and (ii), hereof.

(b) Upon the earlier to occur of (x) the twelfth anniversary of the Closing Date; or (y) the payment to Company of $1,250,000 in cumulative Annual Earn Out Payments, Buyer's obligation to make Annual Earn Out Payments to Company cease and Buyer shall have no further obligation to Company hereunder.

(c) Company shall have no obligation to repay to Buyer any portion of the Earn Out Payment previously paid to it by Buyer.

(d) For the purposes of this Section 3.1 (iii), Gross Gaming Revenues from Buyer's operation of the Casino shall be calculated the same as calculated for the purpose of the payment of license fees under the Mississippi Gaming Control Act, as now or hereafter amended., and the regulations now or hereafter promulgated under such Act.

(e) Each Annual Earn Out Payment required to be made to Company hereunder shall be made no later than forty-five (45) days after the applicable Payment Date and shall be accompanied by (x) Buyer's calculation of the Annual Earn Out Payment required to be made to Company in connection with the then applicable Payment Date; (y) Buyer's calculation of Gross Gaming Revenues from the Closing Date to the then applicable Payment Date; and (z) financial reports and returns filed by Buyer with the Mississippi Gaming Commission for the applicable Annual Earn Out Payment period.

(F) In the event Buyer sells the Casino prior to the twelfth anniversary

of the Closing Date, or in the event of a Change of Ownership of Buyer, and at the time of said Change of Ownership or sale (1) the Company has earned at least one Annual Earn Out Payment, or (11) the total of Gross Gaming Revenues from Buyer's operation of the Casino from the Closing Date to the date of the sale of the Casino or Change of Ownership of Buyer exceeds the total of $2,666,667 multiplied by the number of months from the Closing Date to the date of the sale of the Casino or Change of Ownership of Buyer, Buyer shall pay to the Company the then remaining unpaid portion of the Earn Out Payment equal to $11,250,000 reduced by the total of Annual Earn Out Payments previously made to Company by Buyer under this Section 3.1 (iii). If at the time of any sale of the Casino or Change of Ownership of Buyer, (x) Company has earned no Annual Earn Out Payment, or (y) the total of Gross Gaming Revenues from Buyer's Operation of the Casino from the Closing Date to the date of the sale of the Casino or Change of Ownership of Buyer. does not exceed the total of $2.,666.,667 multiplied by the number of months from the Closing Date to the date of sale of the Casino or Change of Ownership of Buyer, Buyer shall have no obligation to pay the Earn Out Payment to Company; in either case, Buyer shall have no further obligations to Company under this Section 3.1(iii). For the purposes of this Agreement, Change of Ownership of Buyer means the sale or transfer, in one or more transactions, of more than fifty percent (50%) of the membership Interest in Buyer to persons or entities who, on the date hereof are not related or affiliated with Buyer's present members. In the event of the sale or transfer, in one or more transactions, of more than fifty percent (50%) of the membership interest in Buyer to persons or entities who are related or affiliated with Buyer's present members, Buyer shall remain obligated to Company for the Earn Out Payment under the provisions of this Section 3.1(iii).

3.2 PAYMENT OF PURCHASE PRICE. The Purchase Price shall be paid by the delivery at closing by Buyer of (a) the cash specified in Section 3.1 (1) (reduced by any sum deposited by Buyer with Escrow Agent and payable to Company in accordance with the terms of the Escrow Agreement) by wire transfer of immediately available funds and (b) delivery of CRC's convertible debenture as specified in Section 3.1 (11). Company shall instruct Buyer in writing regarding the wire transfer at least two business days before the Closing Date.

3.3 REDUCTION OF PURCHASE PRICE.

(a)(i) In the event any of the representations and warranties of the Company specified in Section 5.3(b) are not true as of the Closing and such condition is not waived by Buyer, and except for the items listed on Schedule 3.3(a), and as otherwise provided in 3.3(a)(Iv) and (v), the Purchase Price shall be reduced to the extent the cost to repair or replace any defective, damaged, malfunctioning or missing items included in the Sale Assets exceeds, in the aggregate, $50,000. Provided however that in no event shall the reduction in purchase price hereunder exceed $250,000, unless otherwise agreed to in writing by Company and Buyer.

(ii) No later than sixty (60) days after the execution of this Agreement by Company and Buyer, Buyer shall complete its due diligence inspection and review of the Sale Assets. Upon completion of its due diligence review, Buyer shall provide Company with its list of defective, damaged malfunctioning or missing items for the purposes of this Section 3.3 ("List"). If within three (3) business days after Buyer provides the List to Company, Company and Buyer do not agree to the items included on the List and the cost to repair or replace said items, Company shall immediately provide said list to Moran & Seymour, Engineers, who shall determine the cost necessary to repair or, if necessary, replace said items to the extent necessary to make Company's representations and warranties in Section 5.3(b) true and correct as of the Closing.

(iii) For the purposes of this Section 3.3, the cost to repair or replace any such items shall be determined by Moran & Seymour, Engineers, who may secure and rely on, in its sole discretion, such bids, estimates or quotes as it deems necessary. The determination of Moran & Seymour as to the

cost to repair or replace any such items, shall be final and binding on the Buyer and Company. Moran & Seymour, Engineers, shall furnish its detailed written report to Company and Buyer of the cost to repair or replace the items fifteen (15) days after its receipt of the list referenced in Section 3.3(a)(ii).

(iv) In the event the cost to repair or replace said items as determined by Moran & Seymour, Engineers, exceeds .$300,000 and Company and Buyer have not otherwise agreed to a reduction of purchase price in excess of $250,000, Buyer may at its option (x) close with the purchase price being reduced by $250,000, as provided by Section 3.3(a), or (y) terminate this Agreement.

(v) In lieu of the reduction in purchase price provided by Section 3.3(a)(1), Company may, at its option and cost, and prior to the Closing, repair or replace any such defective, damaged, malfunctioning or missing item of the Sale Assets. The Company's repair or replacement of any such item shall be subject to Buyer's approval, which shall not be unreasonably withheld.

(vi) Company and Buyer agree that the Purchase Price shall not be reduced because of the items listed on Schedule 3.3(a).

(b) The Purchase Price shall also be reduced by the sum of (1) one-half (1/2) of the Outstanding Chips and Tokens assumed by Buyer (pursuant to 2.4(b)) to the extent the total of Outstanding Chips and Tokens does not exceed $ 72,066.00; (ii) by the amount of Outstanding Chips and Tokens in excess of $72,066.00 assumed by Buyer (pursuant to Section 2.4(a)); and (iii) by the amount of any lien or claim which results in a lien against the Sale Assets after closing and which is not a Permitted Encumbrance and results from a liability accruing prior to the Closing Date.

3.4 ASSUMED LIABILITIES. Company and Buyer acknowledge that no part of the Purchase Price is allocable to the Leases, Contracts and Financed Property assumed by Buyer pursuant to Section 2.2 or to Assumed Liabilities assumed by Buyer pursuant to Section 2.4.

3.5 ALLOCATION OF PURCHASE PRICE. The Purchase Price shall be allocated among the Sale Assets as provided on Schedule 3.5.

Section 4

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to the Company as follows:

4.1 AUTHORIZATION AND ENFORCEABILITY. Buyer is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Mississippi, and has full power and authority to own, lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted. Buyer has taken all action necessary to authorize its execution, delivery and performance of this Agreement. Buyer has duly executed and delivered this Agreement, and this Agreement is, and, upon execution and delivery thereof, will be, the valid and binding obligation of Buyer enforceable in accordance with its terms, except as enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, relating to creditors, rights generally or by the availability of equitable remedies.

4.2 COMPLIANCE. The execution, delivery and performance of this Agreement by Buyer, the compliance by Buyer with the provisions of this Agreement, and the consummation of the transactions described herein will not conflict with or result in the breach of any of the terms or provisions of or constitute a default under:- (a) the. certificate of formation .or operating agreement of Buyer; (b) any note, indenture, mortgage,, deed of trust, loan agreement, lease or other agreement or instrument to which Buyer is a party or by which Buyer is bound; or (c) any statute or any order, rule or

regulation or any decision of any court or regulatory authority or government body applicable to Buyer.

4.3 LEGAL PROCEEDINGS. There are no claims, actions, suits, inquiries, investigations or proceedings pending against Buyer relating to the transactions contemplated hereby before any federal, state or local court or other governmental or regulatory body, United States or foreign.

4.4 BROKERS. Buyer has no obligation to pay any fees or commissions to any broker, finder, agent or other intermediary in connection with the negotiation or consummation of the transactions contemplated hereby. Neither the Company nor Palace shall be responsible for any such obligations of Buyer.

4.5 CONSENTS. No consent, approval, authorization, order, designation or declaration of any court or regulatory authority or governmental body, federal or other or third person is required to be obtained by Buyer nor is any filing or registration required to be made therewith by Buyer for the consummation of the transactions described in this Agreement and all other agreements and instruments reasonably necessary to complete the transactions contemplated by this Agreement.

Section 5

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Buyer as of the date hereof and as of the Closing Date as follows:

5.1 AUTHORIZATION. The Company is a corporation, duly organized, validly existing and in good standing under the laws of the State of Mississippi and has all requisite corporate power and authority to own and operate its properties and to carry on its business as now conducted. The Company has taken all corporate action necessary to authorize its execution,, delivery and performance of this Agreement. The Company is a debtor in possession under Chapter 11 of the Code and, subject to the provisions of the Code, has full corporate power and authority to enter into this Agreement and to carry out the terms hereof. The Company has duly executed and delivered this Agreement, and by virtue of the Final Order this Agreement will be its valid and binding obligation enforceable in accordance with its terms.

5.2 NO ENCUMBRANCES. As of the Closing and by virtue of the conveyance of the Sale Assets to the Buyer pursuant to the Final Order, there will be no mortgages, pledges, encumbrances or liens (including for real and personal property taxes) against any of the Sale Assets, except for items listed on Schedule 5.2 (the "Permitted Encumbrances")..

5.3 SALE ASSETS.

(a) Except for Permitted Encumbrances, the Company will on the Closing Date have, good and marketable title to all of the Sale Assets free and clear of all mortgages, pledges, liens, conditional sales agreements, leases or other encumbrances of any kind or nature, except for Permitted Encumbrances or liens from which the Sale Assets will be sold free and clear pursuant to the Final Order.

(b) Except for the items listed on Schedule 3.3 (a) and the damaged, malfunctioning or missing items of personal property for which the purchase price may be reduced pursuant to Section 3.3 (a), all of the personal property included in the Sale Assets, whether owned or leased by Company, is, and will be on the Closing Date, in good operating condition and repair, reasonable wear and tear excepted, free from all defect or damage, functioning in the manner and for the

purpose intended and located at or on the Casino, including any and all mechanical and electrical equipment or systems.

(c) The Sale Assets including, but not limited to the Leases, Contracts and Financed Property, which Buyer elects to assume pursuant to Section 2.2, are assignable and transferable to Buyer without the consent of any other person or entity (or, if consent Is required such consent shall be given prior to entry of the Final Order), except for those items identified on Schedule 5.3 which Buyer may not assume without the consent of the secured party.

5.4 BROKERS. The Company has no obligation to pay any fees or commissions to any broker, finder, agent or other intermediary in connection with the negotiation or consummation of the transactions contemplated hereby. Company will hold Buyer harmless from any fees, liabilities, cost or expenses in connection therewith.

5.5 REAL PROPERTY AND TIDELANDS LEASES. The Company warrants that it is not in arrears or will become current at closing if in arrears on any real property leases or on the tidelands lease with the State of Mississippi with following exceptions:

(a) Tidelands Lease - It is understood by Buyer that Company has been making monthly payments on lease instead of a yearly payment as designated therein.

(b) Gollott's Lease - It is understood by Buyer that the six month payments on Lease for future rent is in arrears in an amount of approximately $42,000.00.

5.6 EMPLOYMENT CONTRACTS AND BENEFIT Plans. Except as set forth on Schedule 5.6., the Company is not a party to any employment contract and has not adopted any employee benefit, retirement, pension, medical insurance, life insurance or other plan. Buyer shall not assume nor shall it be responsible for any liability of Company with respect to any employment contract, employee benefit, retirement, pension, medical insurance, life insurance or other plan.

5.7 FOOD AND BEVERAGE LICENSES. Company's food and beverage licenses and permits are current, in good standing and Company is in compliance with all requirements of said licenses and permits.

5.8 OUTSTANDING CHIPS AND TOKENS. As of September 5, 1996, the Company's obligations with respect to Outstanding Chips and Tokens did not exceed $72,066.00.

Section 6

COVENANTS OF THE COMPANY

6.1 BANKRUPTCY COURT ORDER. The Company shall, within five (5) business days, after the execution of this Agreement by Buyer and the Company, seek (i) an order by the Bankruptcy Court authorizing a Section 363 Sale of the Sale Assets to Buyer free and clear of all liens, claims and encumbrances (except Permitted Encumbrances) in accordance with the terms and provisions

hereof ("Final Order"); and (ii) an order approving the Bidding Procedures described in Section 9.3 of this Agreement ("Bidding Procedures Order").

6.2 ACCESS TO SALE ASSETS, PROPERTIES AND DOCUMENTS . Prior to the Closing Date, the Company shall, at Buyer's request, afford or cause to be afforded to Buyer and its authorized representatives reasonable access during normal business hours to the Casino for the purpose of inspecting the Sale Assets and all of Company's properties, documents, contracts, books and records pertaining to Company as Buyer may request.

6.3 PRESERVATION OF SALE ASSETS.

(a) Except as otherwise required by law or expressly permitted or contemplated by this. Agreement, without the prior written consent of Buyer (which may not be unreasonably withheld), the Company SHALL NOT prior to Closing:.

(i) mortgage, pledge, otherwise encumber or subject to lien any of the Sale Assets or commit itself to do any of the foregoing, except for Permitted Encumbrances;

(ii) Dispose of, or agree to dispose of any of the Sale Assets or lease or license to others (including officers and directors), or agree so to lease or license, any of the Sale Assets outside the ordinary course of business; or

(iii) cancel, fall to maintain in force or change any policy of insurance (including self-insurance) relating to the Sale Assets or any policy or bond providing substantially the same coverage, unless such cancellation or change is effective only on or, after the Closing.

(b) Except as otherwise required by law, permitted by this Agreement or an, order of the Bankruptcy Court, or where Buyer consents in writing to noncompliance with this subsection (b), the Company SHALL after the date of this Agreement and until the Closing use reasonable efforts to maintain all of the tangible Sale Assets in good operating condition, reasonable wear and tear excepted, consistent with past practices, and take all steps reasonably necessary to maintain the intangible Sale Assets.

Section 7

JOINT COVENANTS

Buyer and the Company covenant and agree that they will act in accordance with the following:

7.1 FURTHER ASSURANCES. After the Closing, each of the parties will take such actions and execute and deliver to the other party such further documents, instruments of assignment, conveyance and transfer as, in the reasonable opinion of counsel to the requesting party, may be necessary (a) to ensure, complete and evidence the full and effective transfer of the Sale Assets to and assumption of the Assumed Obligations by Buyer pursuant to this Agreement and (b) to fully and completely consummate the transactions and agreements contemplated by this Agreement.

7.2 ACCESS TO BOOKS AND Records. After the closing, Buyer shall make available to the Company, Palace and Roy Anderson Corp and their respective attorneys, accountants and agents., during regular business hours, all business records, books of account, flies, invoices, and other materials relating to the Business prior to the Closing ("Business Records") that any such person reasonably requires in connection with any litigation, tax, insurance, employee, accounts, claims and other business matters relating to the Business prior to Closing or for the purpose of winding up the business and affairs of the Company. Buyer and Company agree that Company and Roy Anderson Corp may make and keep copies of any or all of such Business Records. Buyer agrees to maintain, or release to the Company or Palace, or to their respective successors or assigns, all Business Records until all proceedings in the Bankruptcy Court with respect to the Company and Palace are final. Buyer agrees that it shall make available to the Company those former employees of the Company employed by Buyer after the Closing to assist in the winding up of the business and affairs each of the Company and Palace and resolving any disputed matters relating to periods prior to the Closing, so long as the requests made of such persons do not unreasonably interfere with the performance of the duties of such persons as employees of Buyer. The Company, Palace and Roy Anderson Corp shall bear all out-of-pocket costs and expenses associated with their requests under the terms of this Section 7.2.

Section 8

ADDITIONAL AGREEMENTS BETWEEN BUYER AND THE COMPANY

8.1 EMPLOYMENT MATTERS. Company shall prepare and furnish to its employees any and all notices of the sale of the Sale Assets required by applicable federal or state law, including but not limited to the Workers Adjustment and Retraining Notification Act. Company acknowledges that Buyer is under no obligation to hire as an employee or to offer to hire AS an employee any of Company's employees after the Closing. Buyer may, in its sole discretion, after the date hereof, enter into discussions with any employee of the Company regarding potential employment arrangements between Buyer and such employee after the Closing Date.

8.2 TAXES, TRANSFER OR SALES TAXES. Company shall pay, or cause to be paid, all transfer, sales or similar taxes relating to or arising out of the sale and transfer of the Sale Assets to Buyer. All property taxes shall be prorated at the time of closing. No tax liability of Company will be assumed or charged to Buyer.

8.3 REAL AND PERSONAL PROPERTY TAXES.

(a) All 1996 real and personal property taxes shall be prorated as of the Closing Date. The Final Order shall provide that (x) the Sale Assets are purchased by Buyer free and clear of any lien or claim for Pre-Closing Date prorated real and personal property taxes ("Pre-Closing Date Prorated Taxes"), and (y) that the lien for the Pre-Closing Date prorated taxes shall attach to the Purchase Price paid by Buyer for the Sale Assets. Company and Buyer agree that Buyer shall receive the benefit of any refund OR REDUCTION of 1 996 real and personal property taxes attributable to the period subsequent to the Closing Date resulting from any reduction in 1996 real and personal property taxes because of Company's protest or objection to the appropriate taxing authorities., or

otherwise, and that Company shall receive the benefit of any refund or reduction of Pre-Closing Date Prorated Taxes.

(b) Prior to the Closing, Company, to the extent required by the laws of the State of Mississippi, shall timely file a protest and objection to the assessed valuation of the Sale Assets as shown by the 1996 and 1997 real and personal property tax rolls published by Harrison County, Mississippi or other taxing authorities and/or shall file a motion with the Bankruptcy Court pursuant to the Code to reduce the 1996 and 1997 real and personal property taxes. Buyer shall provide reasonable assistance to the Company, prior to the Closing, in the filing and prosecution of such protest and objection. At Closing, Company shall execute such documents or assignments as may be necessary or reasonably requested by Buyer so that Buyer, in its name, may continue the prosecution of such protest and objection after the Closing. After the Closing and as Buyer may request, Company shall provide reasonable assistance to Buyer in the filing and prosecution of such protest and objection.

8.4 HART-SCOTT-RODINO. Buyer shall prepare and file with the Antitrust Division of the Federal Trade Commission all reports, if any, required to be flied in connection with the transactions contemplated hereby pursuant to the Hart-Scott-Rodino Antitrust Act of 1978 ("HSR Act"). Company shall cooperate with Buyer in the preparation of any report or filing required by the HSR Act and to the extent required by the HSR Act shall execute any such report or filing.

8.5 MISSISSIPPI GAMING CONTROL ACT. Buyer agrees that within fifteen (15) days after the execution of this Agreement by Buyer and the Company, Buyer will make application with the Mississippi Gaming Commission for all necessary approvals and licenses for Buyer's ownership and operation of the Casino required to consummate the transactions contemplated by this Agreement. Buyer shall, unless otherwise provided by the terms and provisions of this Agreement, be obligated to close purchase of the Sale Assets no later than sixty (60) days after entry of the Final Order. The

time periods set forth in this section may be extended by mutual agreement of Buyer and Company.

8.6 CONFIDENTIALITY. Until the Closing of the Section 363 Sale, Buyer and Company shall keep confidential all information obtained from the other pursuant to this Agreement except that the provision of this Section 8.5 shall not apply in respect of any information which (v) was already known to either of the parties at the time of receipt thereof from the other or (w) was readily available to the general public at the time of receipt thereof from the other or (x) subsequently becomes known to the general public through no fault or omission on the part of such party or (y) is subsequently disclosed by a third party, or (z) is required to be disclosed by law or a governmental agency. Company and Buyer shall require their respective officers, directors, employees, agents and representatives having access to confidential information to execute confidentiality agreements in the form mutually agreed to by the parties.

Section 9

BIDDING/SALE PROCEDURES

9.1 SALE PROCEDURES. No later than five (5) business days after the execution of this Asset Purchase Agreement by Company, Company shall file a motion with the Bankruptcy Court to

approve the sale under this Agreement in accordance with its terms and provisions, including the Bidding/Sales Procedures described in this Section 9, and shall further provide all notices to parties in interest required by the Bankruptcy Code and Bankruptcy Rules (the "Sale Motion"). Company shall also request the Bankruptcy Court to reduce the notice period to parties in interest to fifteen (15) days.

9.2 BUYER'S DEPOSIT. Upon execution of this Agreement by Buyer and Company and the Escrow Agreement by Buyer, Company and Escrow Agent, Buyer shall deposit the sum of $2,000,000.00 with the Escrow Agent ("Buyer's Deposit"), which sum shall be held by the Escrow Agent pursuant to the terms of the Escrow Agreement.

9.3 BIDDING PROCEDURES. No later than five (5) business days after the execution of this Asset Purchase Agreement by Buyer and Company, Company shall file a motion with the Bankruptcy Court to establish the bidding procedures set forth in this Section 9.3 and shall further provide all notices to parties in interest required by the Bankruptcy Code and Bankruptcy Rules of Court ("Bidding Procedures Motion"). Company shall also request the Bankruptcy Court to reduce the notice period to parties in interest to fifteen (15) days. The order of the Bankruptcy Court approving the Bidding Procedures Motion shall provide ("Bidding Procedures Order"):

(a) Any competing bid must be for the Sale Assets only and must be flied with the Company, with a copy to Buyer, no later than seven (7) business days after entry of the Bidding Procedures Order.

(b) (i) Any competing bid ("Competing Bid") must be in the minimum amount of $14,000,000 and must be accompanied by a cashier's check in no less than $2,000,000.00 payable to the Escrow Agent (the "Deposit"), which sum shall be held by the Escrow Agent pursuant to the terms of the Escrow Agreement. Any party submitting a Competing Bid shall execute the Escrow Agreement and be bound by its terms. Any Competing Bid shall include a cash payment in the minimum amount of $14,000,000. The Competing Bid shall be in writing, and shall be delivered to counsel for the Company with copies to counsel for the Buyer, along with the Deposit to the Escrow Agent.

(ii) Buyer may, by giving written notice to the Company, match the Highest Competing Bid ("Highest Competing Bid"). For the purposes of computing any match by Buyer of the Highest Competing Bid, the Purchase Price under Section 3.1 shall be considered as having a cash value of $ 1 3,000,000

(the sum of the Cash and the Debenture., which sum shall be included in any match of the Highest Competing Bid by Buyer. The Earn Out Payment under Section 3.1 (ill) above shall not be included in any match of the Highest Competing Bid by Buyer. If the Buyer matches the Highest Competing Bid, the bidding procedure or process shall be terminated and no additional bids or offers from any entity, including the entity submitting the Highest Competing Bid, shall be accepted or considered by the Bankruptcy Court, the Company or any other party in interest. In such event,.the Purchase Price set forth in Section 3.1 shall be amended to an amount equal to the Highest Competing Bid matched by Buyer and the respective rights, obligations and duties of Company and Buyer for Buyer's purchase of the Sale Assets shall be as otherwise set forth in this Agreement subject to the amendment of the Purchase Price as above provided. If the Buyer does not match the Highest Competing Bid (which must include a minimum cash payment of $14,000.,000),,

then upon a final order by the Bankruptcy Court approving the sale of the Sale Assets to the Highest Competing Bidder (x) $500,000 of the Deposit made by the Highest Competing Bidder shall become non-refundable and shall be applied by the Escrow Agent to the payment to Buyer of the sum of $500,000 as a Breakup Fee, and (y) Company shall pay to Buyer the Breakup Fee of $500,000, which sum shall be paid by the Escrow Agent from the Deposit of the Highest Competing Bidder as provided by this Section 9.3(b)(ii)(x).

(c) Buyer's Deposit shall be returned to Buyer (i) no later than one business day after a final order by the Bankruptcy Court denying the Sale Motion in favor of Buyer or which approves the sale of the Sale Assets to a competing bidder or (ii) unless waived by Buyer,. by November 4, 1996, if the Bankruptcy Court has not entered its Final Order approving the Sale Motion in favor of Buyer.

(d) Any sale of Sale Assets to a competing bidder shall include a minimum cash payment of $14,000,000.

(e) In the event the Buyer does not match the Highest Competing Bid and the sale of the Sale Assets to the party submitting the Highest Competing Bid does not close, this Agreement shall be reinstated, at Buyer's option, upon written notice to the Company. In such event, no competing bids shall be accepted by Company and the sale of the Sale Assets to Buyer shall be upon the terms and conditions hereof with the closing to occur no later than sixty (60) days after Company's receipt of Buyer's notice hereunder. In such event, Buyer shall pay the Buyer's Deposit to Escrow Agent to be held and distributed according to the terms hereof and the Escrow Agreement. In the event Buyer elects to reinstate this Agreement, Buyer may in its sole discretion apply the Breakup Fee to the Buyer's Deposit and the Cash portion of the Purchase Price.

(f) Upon execution of this Agreement, Company and Buyer shall confer with the Bankruptcy Court for the purposes of scheduling the notice periods to parties in interest and the hearings in connection with the Bidding Procedures Motion and Sales Motion.

(g) Within five business days after (x) Buyer determines that the Bankruptcy Court is unable, in accordance with the provisions of this Section 9, to schedule the notice periods to parties in interest and the hearings in connection with the Bidding Procedures Motion and Sales Motion ("Notices and Hearings"), or (y) the Bankruptcy Court does not enter the Bidding Procedures Order or the Final Order as provided herein, Buyer may, in its sole discretion, terminate this Agreement upon written notice to the Company. In either event Buyer's Deposit shall be paid to the Buyer by Escrow Agent within seventy-two (72) hours of Escrow Agent's receipt of Buyer's written notice requesting payment of Buyer's Deposit to it. If Buyer does not terminate this Agreement as provided in this Section 9.3(g), Company and Buyer shall amend this Agreement in writing to extend the Notices and Hearings and the dates for entry of the Bidding Procedures Order and Final Order.

9.4 ENTRY OF BIDDING PROCEDURES ORDER. Unless waived by Buyer, the Bidding Procedures Order shall be entered by the Bankruptcy Court no later

than two (2) days after the expiration of the fifteen (15) day notice period to parties in interest described in Section 9.3 of this Agreement.

9.5 COMPANY SUPPORT OF MOTIONS. Company shall actively support and seek -the approval of the Bidding Procedure Motion and Sale Motion by the Bankruptcy Court and parties in interest to whom notice is required by the Bankruptcy Code and Bankruptcy Rules.

Section 10

CONDITIONS TO OBLIGATIONS OF BUYER

The obligations of Buyer under Sections 2.1 and 3.1 are, at its option, subject to satisfaction, at or prior to Closing, of each of the following conditions:

10.1 REPRESENTATIONS, WARRANTIES AND COVENANTS. All representations and warranties of the Company made in this Agreement shall in all material respects be true and correct on and as of the Closing Date with the same force and effect as if made on and as of that date, except for changes permitted or required by this Agreement. All of the terms, covenants, conditions and agreements set forth in this Agreement to be compiled with and performed by the Company at or prior to the Closing shall in all material respects have been complied with or performed thereby.

10.2 FINAL ORDER. An order, which has not been stayed, vacated or materially modified for a period of ten (10) days after its entry, in form acceptable to Counsel for Buyer, shall have been entered by the Bankruptcy Court (a) authorizing and directing a Section 363 Sale of the Sale Assets, in accordance with the terms of this Agreement, to Buyer free and clear, except for Permitted Encumbrances, of all liens, claims and encumbrances, including any lien for real and/or personal property taxes assessed or claimed by any taxing authority against the Sale Assets including, but not limited to, the City of Biloxi, Mississippi, Harrison County, Mississippi and the State of Mississippi ("Tax Lien"); (b) providing that an amount equal to the total of the Tax Liens shall be held separately by the Company and disbursed only by order of the Bankruptcy Court to the appropriate taxing authorities, in satisfaction of any such Tax Lien; (c) approving the assignment and assumption of the Assumed Obligations to be assumed by Buyer, in accordance with the terms of this Agreement; and (d)(1) finding that the Section 363 Sale would not have been consummated by Buyer if Buyer or the Sale Assets were to be responsible for, or subject to, any liens, claims or encumbrances other than Permitted Encumbrances and (ii) that there will be no successor liability to Buyer or any lien or encumbrance affecting the Sale Assets (except Permitted Encumbrances) of the Company ("Final Order"). Unless waived by Buyer, the Final Order shall be entered no later than forty-five (45) days after the execution of this Agreement by Buyer and the Company.

10.3 INSTRUMENTS OF CONVEYANCE. The Company shall have delivered deeds, bills of sale, assignments and other instruments of conveyance with respect to the Sale Assets effecting the sale, transfer, assignment and conveyance of the Sale Assets, without warranty and without recourse to the Company, to Buyer or to such other person who is to receive the Sale Assets pursuant to the Final Order.

10.4 ENVIRONMENTAL REPORT. Company will provide an Environmental Update Report ("Report") on the Sea Products and Gulf Central Properties and the 4.5 acre fee simple property owned by Company no later than thirty (30) days from the Company's execution of this Agreement, at the Company's sole cost, which environmental update report shall be subject to the approval of

the Buyer at its sole discretion. Buyer may, in its sole discretion, require the Company to cure any environmental exceptions listed in said report to the extent the cost to cure said exceptions does not exceed $50,000. To the extent the cost to cure any environmental exceptions listed in the Report exceeds $50,000, Buyer may, in its sole discretion, cancel its obligations hereunder or waive such costs in excess of $50,000.

10.5 TITLE INSURANCE. Title to Company's real property (referenced in 2.1 (b)) and Company leasehold interests in the Leases (referenced in Section 2.2(g) conveyed to Buyer hereunder shall be insurable by a title insurance company licensed in the State of Mississippi and acceptable to Buyer at standard rates on its standard form of title policy, subject only to such matters as may be waived in writing by Buyer at or prior to the Closing. Buyer shall be responsible for the premiums of any such title insurance policy.

10.6 IGT ORDER. The October 31, 1996, date referenced in Paragraph B of the Order Approving Partial Agreement of Debtor and IGT North America Regarding Slot Machines Subject to a Security Interest of IGT North America entered on August 21, 1 996, shall be extended to the earlier to occur of the Closing Date or the termination of this Agreement.

Section 11

CONDITIONS TO OBLIGATIONS OF THE COMPANY

The obligations of the Company under Section 2.1 are, at its option, subject to satisfaction, at or prior to the Closing, of each of the following conditions:

11.1 REPRESENTATIONS, WARRANTIES AND Covenants. All representations and warranties of Buyer made in this Agreement shall in all material respects be true and correct on and as of the Closing Date with the same force and effect as if made on and as of that date, except for changes contemplated, permitted or required by this Agreement. All of the terms, covenants, conditions and agreements to be complied with and performed by Buyer on or prior to the Closing shall in all material respects have been complied with or performed thereby.

11.2 ADVERSE PROCEEDINGS. There shall not be in effect any injunction or restraining order issued by a court of competent jurisdiction against the consummation of the purchase and sale of the Sale Assets pursuant to this Agreement.

11.3 FINAL ORDER. A Final Order shall have been entered by the Bankruptcy Court.

11.4 Purchase Price. The Purchase Price required to be paid by Buyer under Section 3.1 shall have been delivered to the party or parties entitled thereto pursuant to the Final Order.

Section 12

TERMINATION

12.1 RIGHT OF PARTIES TO TERMINATE. In addition to either party's right to terminate as otherwise provided herein, this Agreement may be terminated: (a) by Buyer if the Company shall have breached any of its obligations hereunder in any material respect; or (b) by the Company if Buyer shall have breached any of its obligations hereunder in any material respect. The Buyer shall have the right to terminate this Agreement or extend the Closing Date under this Agreement in the event that any of the Conditions to Obligations of the Buyer specified in Section 10 have not been fulfilled at or prior to the Closing Date unless waived by Buyer in its sole discretion.

12.2 EFFECT OF TERMINATION. If either Buyer or the Company decides to

terminate this Agreement pursuant to Section 12. 1, or if Buyer decides to terminate this Agreement pursuant to Section 3.3 (a) (iv) or Section 9.3 (g), the terminating party shall promptly give written notice to the other party to this Agreement of such decision. In the event of a termination pursuant to Section 1 2. 1, the parties shall be released from all liabilities and obligations arising under this Agreement (other than pursuant to Sections 12.3 and 12.4 hereto with respect to the matters contemplated by this Agreement.

12.3 BUYER'S REMEDIES. If the Section 363 Sale falls to close as a consequence of a breach by the Company of any of its obligations under this Agreement, or in the event of any of the Conditions to Obligations of the Buyer specified in Section 10 have not been fulfilled at or prior to the Closing Date, the Escrow Agent shall deliver to Buyer, no later than seventy two (72) business hours after Buyer delivers its written request to Escrow Agent, the Buyer's Deposit and any amounts owing to Buyer pursuant to Section 9.3. Buyer shall be entitled to specific performance by Company of the terms and provisions of the Agreement and its reasonable attorney fees and court costs.

12.4 COMPANY'S REMEDIES. In the event the Section 363 Sale falls to close as a consequence of a breach by the Buyer of its obligations under this Agreement, or in the event of any of the Conditions to Obligations of the Company specified in Sections 11.1 and 11.4 have not been fulfilled at the Closing Date, Buyer shall pay to Company as liquidated damages, and not as a penalty, the sum of $ 1 00,000 ("Liquidated Damages"). In such case, the Liquidated Damages shall be paid to Company by the Escrow Agent from the Buyer's Deposit no later than the tenth day following notice by either Buyer or Company of the termination of this Agreement resulting from the events described in this Section 12.4. The remainder of Buyer's Deposit, shall be paid to Buyer by Escrow Agent within twenty-four hours following such notice of termination. Company's right to Liquidated Damages hereunder shall be Company's sole and exclusive remedy against Buyer for and breach or default by Buyer under this Agreement.

Section 13

CLOSING

13.1 TIME AND PLACE OF CLOSING. Except as may otherwise be provided herein or mutually agreed to in writing by Buyer and the Company, and provided this Agreement has not been terminated as provided by Section 12, the closing of the Section 363 Sale ("The Closing") shall take place at such time as the parties mutually agrees but in no event earlier than thirty (30) days nor later than sixty (60) days after entry of the Final Order ("Closing Date"). The Closing shall take place at

the offices of Hopkins, Crawley, Bagwell, Upshaw & Persons, 2701 24th Avenue, Gulfport, Mississippi 39501 or at such other location agreed to by the parties.

13.2 OBLIGATIONS OF THE COMPANY AT CLOSING. At the Closing, the Company shall deliver or cause to be delivered the following documents, and take such other actions as are identified below:

(a) the instruments of conveyance and transfer contemplated by Section 10.3; and

(b) all other documents and instruments as may be necessary to consummate the transactions contemplated by this Agreement.

13.3 OBLIGATIONS OF BUYER AT CLOSING. At the Closing, Buyer shall deliver or cause to be delivered the following documents, and take such other actions as are identified below:

(a) the Purchase Price pursuant to Section 3.1; and

(b) all other documents and instruments as may be necessary to consummate the transactions contemplated by this Agreement, including the Security Agreement.

13.4 APPROVAL TO PARTICIPATE. If at the Closing, Buyer has not secured the necessary licenses or permits from the Mississippi Gaming Commission which are necessary to Buyer's ownership and operation of the Casino subsequent to the Closing Date, Company shall, provided Buyer has received an Approval to Participate or similar consent or permission from the Mississippi Gaming Commission, operate the Casino, pursuant to Company's existing gaming license, for a period not to exceed One Hundred Twenty (120) days after Closing ("Approval to Participate Period"). During the Approval to Participate Period, Company shall employ or contract with a general manager or managers selected from time to time by Buyer and who have been found suitable by the Mississippi Gaming Commission for such position. Any such general manager selected by the Buyer shall have and exercise sole and exclusive management of the Casino and its operations during the Approval to Participate Period.

During the Approval to Participate Period, Buyer shall be responsible for operating expenses, taxes, lease payments and losses incurred in the operation of the Casino. All profits generated by the Casino during the Approval to Participate Period shall belong to and be the property of the Buyer.

Section 14

SURVIVAL

Except as provided in the second sentence of this Section 14 all representations, warranties, covenants and agreements made in this Agreement or in any exhibit, schedule, certificate or agreement delivered in accordance with this Agreement shall survive the execution and delivery of this Agreement and the Closing Date. The representations and warranties of the Company under

Section 5 and 6 hereof, and of the Buyer under Section 4 hereof, shall be extinguished and be of no further force or effect after the Closing Date.

Section 15

OTHER PROVISIONS

15.1 SURVEY. No later than thirty (30) days after Company's execution hereof., Company shall provide an updated survey of the Sea Products, Gulf Central and Gollott properties and the 4.5 acre fee simple parcel.

15.2 BENEFIT AND ASSIGNMENT; THIRD PARTY BENEFICIARIES. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Buyer may not assign its rights and obligations hereunder without the prior written approval of Company, which will not be unreasonably withheld.

15.3 ENTIRE AGREEMENT. This Agreement and the Schedules and Exhibits referred to herein constitute the entire agreement and understanding of the parties and supersede any and all prior agreements, arrangements and understandings relating to matters provided for herein.

15.4 RISK OF LOSS. The risk of loss or destruction of or damage of the Sale Assets, or .any of them, from any cause whatsoever at all times on or subsequent to execution of this Agreement and prior to the Closing Date shall be borne by the Company.

15.5 FEES AND EXPENSES. Each party shall be solely responsible for all costs and expenses incurred by it in connection with the negotiation, preparation and performance of and compliance with the terms of this

Agreement.

15.6 AMENDMENT, WAIVER. Except in the case of either Company or Buyer reserving the unilateral right to waive a provision or a right reserved hereunder, the provisions of this Agreement, or any of them, may be amended or waived by an instrument in writing signed by the party against which enforcement of such amendment or waiver is sought. Any waiver of any term or condition of this Agreement or any breach hereof shall not operate as a waiver of any other such term, condition or breach, and no failure to enforce any provision hereof shall operate as a waiver of such provision or of any other provision hereof.

15.7 HEADINGS. The headings are for convenience only and will not control or affect the meaning or construction of the provisions of this Agreement.

15.8 GOVERNING LAW, JURISDICTION. The construction and performance of this Agreement ill be governed by the laws of the State of Mississippi. The Bankruptcy Court shall have exclusive jurisdiction with regard to all matters relating to the interpretation and enforcement of this Agreement for a period of one year following the Closing. Thereafter, jurisdiction shall fie in any court of competent jurisdiction.

15.9 NOTICES. Any notice, demand or request required or permitted to be given under the provisions of this Agreement (a) shall be in writing; (b) shall be delivered personally, Including by means of facsimile, overnight express delivery, -or- mailed by registered or certified mail, postage prepaid, and return receipt requested; (c) shall be deemed given"on the date of personal delivery, the date sent via facsimile, or on the date set forth on the return receipt or the overnight express delivery receipt; and (d) shall be delivered or mailed, to the addresses or facsimile numbers set forth below or to such other address as any party may from time to time direct:

(a) IF TO BUYER:

New Palace Casino, L.L.C.
Attn: Jack Pilger, President and CEO
Casino Resource Corporation
1719 Beach Blvd., Room 306
Executive Place. Building
Biloxi, Mississippi 39531

with copies to

James B. Persons
Hopkins, Crawley, Bagwell, Upshaw & Persons
Attorneys at Law
Post Office Box 1510
2701 24th Avenue
Gulfport, Mississippi 39501-4941 (601) 864-2200

Arthur Curtis
Greene & Curtis, L.L.P.
Attorneys at Law
1340 East Woodhurst
Springfield, Missouri 65804
(417)883-7678

(b) IF TO THE COMPANY:

Maritime Group, Ltd.
Attn: Dual Cooper
158 Howard Avenue
Biloxi Mississippi 39530
(601) 432-8888

with a copy to:

LeBoeuf, Lamb, Greene & MacRae,, L.L.P.
Attn: Kenneth L. Cannon., 11

1000 Kearns Building
136 South Main Street
Salt Lake City, Utah 84101
Telephone No.: (801) 320-6700
Facsimile No.: (801) 359-8256

15.10 ATTORNEYS' FEES. If suit or action is filed by any party to enforce the provisions of this Agreement or otherwise with respect to the subject matter of this Agreement, or otherwise with respect to the subject matter, of this Agreement the, prevailing party shall be entitled to recover from the other party reasonable attorneys' fees as fixed by the trial court and, if any appeal is taken from the decision of the trial court, reasonable attorneys' fees as fixed by the appellate court. . For purposes of this Agreement, the term "prevailing party" shall be deemed to include a party that successfully opposes a petition for review flied with an appellate court.

15.11 ATTORNEYS' FEES. Company and Buyer acknowledge that schedules 2.1 (a), 2.1 (b); 2.2(b) and 2.2(c) attached hereto have been prepared as of September 22, 1995. Company and Buyer agree to supplement this Agreement to amend each of the schedules hereto to reflect the current status of the matters and items listed on each of said schedules. Said amended schedules shall be subject to the approval of Buyer. The remaining schedules have been prepared as of the date hereof.

15.2 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

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

"Buyer"

New Palace Casino, L.L.C. /s/ John J. Pilger

Name: JOHN R. PILGER

Title

"Seller"

Maritime Group, Ltd. /s/ Dual B. Cooper, Jr.

Name DUAL B. COOPER, JR.

Title PRESIDENT & CEO

Form of

ESCROW AGREEMENT

THIS ESCROW AGREEMENT is entered into as of the 20th day of September, 1996, by and among New Palace Casino, L.L.C., a Mississippi Limited Liability Company (the "Buyer"), Maritime Group, Ltd., a Mississippi Corporation (the

"Company") and Hancock Bank, Gulfport, Mississippi (the "Escrow Agent"), pursuant to an Asset Purchase Agreement dated September 20th, 1996, (the "Agreement") between the Buyer and the Company.

WHEREAS, Buyer and Company have entered into the Agreement whereby Buyer is acquiring substantially all of the assets of Company relating to the dockside gaming casino known as the Palace Casino; and

WHEREAS, the Agreement contemplates the deposit of certain sums with the Escrow Agent ("Deposit") by Buyer or by an entity submitting a "Competing Bid" as provided by Section 9 of the Agreement; and

WHEREAS, Buyer and the Company have agreed to the terms of this Escrow Agreement for the Escrow Agent to hold any Deposit made pursuant to Section 9 of the Agreement in accordance with the following terms, conditions and instructions:

1. DEFINITIONS. The capitalized terms in this Escrow Agreement shall have the same definition ascribed to them in the Agreement unless otherwise defined herein.

EXHIBIT A

2. ESCROW DEPOSIT. In the even Buyer, pursuant to Section 9.2 of the Agreement, makes a Deposit (the "Buyer's Escrow Funds") said sum shall be held by the Escrow Agent in accordance with the terms and provisions of this Escrow Agreement. Immediately upon the receipt of the Buyer's Escrow Funds, the Escrow Agent shall deposit the Buyer's Escrow Funds in one or more

federally insured interest bearing accounts at Hancock Bank, Gulfport, Mississippi, to be held and disbursed by the Escrow Agent pursuant to the terms hereof.

3. ESCROW DEPOSIT BY OTHERS THAN BUYER. In the event a Competing Bid is made pursuant to Section 9.3(b) of the Agreement, the deposit made by any Competing Bidder shall be held by the Escrow Agent pursuant to the terms hereof ("Overbid Escrow Funds"). Immediately upon receipt of the Overbid Escrow Funds, the Escrow Agent shall deposit the Overbid Escrow Funds in one or more federally insured interest bearing accounts at Hancock Bank, Gulfport, Mississippi. The Overbid Escrow Funds shall be held in account separate and distinct from those of the Buyer's Escrow Funds, shall be accounted for separately by the Escrow Agent and shall be disbursed by the Escrow Agent pursuant to the terms hereof. Any Competing Bidder shall execute this Escrow Agreement and be bound by its terms.

4. BUYER'S ESCROW FUNDS. Escrow Agent shall disburse the Buyer's Escrow Funds as follows:

a) If by October 14, 1996, (unless waived by Buyer pursuant to the Agreement) the Bankruptcy Court does not enter the Bidding Procedures Order approving the Bidding Procedures set forth in Section 9.3 of the Agreement, the Escrow Agent shall, upon receipt of written notice from Buyer requesting payment of Buyer's Escrow Funds to it, pay over and deliver the Buyer's Escrow Funds to the Buyer within one business day of Escrow Agent's receipt of Buyer's written notice.

b) If the Bankruptcy Court enters its Final Order approving the Sale Motion in favor of Buyer, and, at the Closing, Buyer provides Escrow Agent and Company with written notice that all conditions to obligations of Buyer provided for in Section 10 of the Agreement have been satisfied or waived in writing by Buyer, the Escrow Agent shall pay over and deliver the Buyer's Escrow

Funds to the Company (at the Closing), to be applied to the Purchase Price. If at the Closing, Buyer provides Escrow Agent and Company with written notice that all conditions to obligations of the Buyer provided for in Section 10 of the Agreement have not been satisfied and have not been waived in writing by Buyer, the Escrow Agent shall pay over and deliver the Buyer's Escrow Funds to the Buyer within seventy-two (72) hours of Escrow Agent's receipt of Buyer's written notice.

c) If by November 4, 1996, (unless waived by Buyer pursuant to the Agreement) the Bankruptcy Court does not enter its Final Order approving the Sale Motion in favor of Buyer in accordance with the terms of the Agreement, the Escrow Agent shall, upon receipt of written notice from Buyer requesting payment of Buyer's Escrow funds to it, pay over and deliver the Buyer's Escrow Funds to the Buyer within one business day of Escrow Agent's receipt of Buyer's written notice.

d) Buyer's Escrow Funds shall be returned to Buyer by Escrow Agent no later than one business day after the entry of an order by the Bankruptcy Court denying the Section 363 Sale in favor of Buyer or which approves the sale of the Sale Assets to a competing bidder.

e) Company and Escrow Agent acknowledge that Buyer's right and entitlement to return of the Buyer's Escrow Funds under paragraphs 4(a), 4(c) or 4(d), is absolute and that Company has no right to object to the payment and delivery to Buyer of the Buyer's Escrow Funds by Escrow Agent under paragraphs 4(a), 4(c) or 4(d), hereof.

f) If the Section 363 Sale does not close and Company is entitled to recover Liquidated Damages from Buyer as provided in Section 12.4 of the Agreement, Escrow Agent shall pay and deliver, from Buyer's Deposit, the sum of $100,000 to Company as to Liquidated Damages. Payment of Liquidated Damages to company shall be made by the Escrow Agent no later than the tenth day following notice by either Buyer or Company of the termination of the Agreement as a

result of any of the events described in Section 12.4 of the Agreement. The remainder of Buyer's Deposit shall be paid to Buyer by Escrow Agent within twenty-four (24) hours following such notice of termination.

5. OVERBID ESCROW FUNDS.

a) If the Buyer does not match the Highest Competing Bid, as provided by Section 9.3(b) of the Agreement, the Escrow Agent shall pay over and deliver to Buyer from the Overbid Escrow Funds the sum of $500,000 ("Breakup Fee") which sum shall be paid to Buyer by Escrow Agent no later than one business day after a final order by the Bankruptcy Court approving the sale of the Sale Assets to the Highest Competing Bidder.

b) The Overbid Escrow Funds deposited by any Competing Bidder, other than the Highest Competing Bidder, shall be paid over and returned to each such Competing Bidder by the Escrow Agent no later than one business day after Final Order by the Bankruptcy Court approving the Section 363 Sale in favor of Buyer or the Highest Competing Bidder, as the case may be.

c) If the Buyer elects to match the Highest Competing Bid, as provided by Section 9.3(b) of the Agreement, the Escrow Agent shall pay over and deliver to the Highest Competing Bidder, the Overbid Escrow Funds deposited by it which sum shall be paid to the said Highest Competing Bidder no later than one business day after the Final Order by the Bankruptcy Court approving the Section 363 Sale in favor of Buyer.

6. NON-DISBURSEMENT OF LIQUIDATED DAMAGES. If at any time Escrow Agent receives written notification or instructions from Buyer to not disburse the Liquidated Damages ($100,000) portion of Buyer's Escrow Funds to Company, Escrow Agent shall continue to hold the Liquidated

Damages until Buyer and Company jointly agree to the disbursement of the Liquidated Damages or unless otherwise ordered by a Court of competent jurisdiction pursuant to a final order.

7. INTERPLEADER. In the event of a disagreement or presentation of adverse claims or demands or instructions to the Escrow Agent, the Escrow Agent may at its option, file a Complaint in the Interpleader for the purpose of having the respective rights of the Buyer and Company adjudicated, may deposit with the Court all documents and property held by it pursuant to its Escrow Agreement and Buyer and Company hereto agree to pay all costs, expenses and attorney's fees incurred by the Escrow Agent in such action, and said costs, expenses and fees may be included in any judgment rendered in any such interpleader action. Any such action shall be filed in a federal or state court of competent jurisdiction located in Harrison County, Mississippi.

8. NOTICES, ETC. Any notice provided for in this Escrow Agreement shall be in writing, deemed effective upon receipt and shall be personally delivered, or mailed registered or certified mail-return receipt requested, as follows:

(a) To the Escrow Agent:
Hancock Bank
Attn:
One Hancock Plaza
Gulfport, Mississippi 39501

(b) To Buyer:

New Palace Casino, L.L.C.
C/O Casino Resource Corporation
Attn: Jack Pilger, CEO
1719 Beach Boulevard, Suite 306
Biloxi, Mississippi 39531-5396
(601) 435-1976

with copies to:

James B. Persons
Hopkins, Crawley, Bagwell,
Upshaw & Persons
Attorneys at Law
Post Office Box 1510
2710 24th Avenue
Gulfport, Mississippi 39501-4941
(601) 864-2200

Arthur Curtis
Greene & Curtis, L.L.P.
Attorneys at Law
1340 East Woodhurst
Springfield, Missouri 65804
(417) 883-7678

(c) To Company:

Maritime Group, Ltd.
Attn: Dual Cooper
158 Howard Avenue
Biloxi, Mississippi 39530
(601) 432-8888

with a copy to:

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
Attn: Kenneth L. Cannon, II
1000 Kearns Building
136 South Main Street
Salt Lake City, Utah 84101
Telephone No.: (801) 320-6700
Facsimile No.: (801) 359-8256

(d) To Competing Bidder
(as shown on signature page)

or to such other address or to such other persons as any of the parties hereto shall have last designated to the other parties hereto by like notice.

9. AMENDMENT; BINDING EFFECT; CONSTRUCTION. This Escrow Agreement: (a) may not be amended or modified except by an instrument in writing signed by each of Buyer and Company, (b) shall be binding upon and inure to the benefit of the parties hereto and their respective successors

and assigns, and (c) shall be governed by and construed in accordance with the laws of the State of Mississippi.

BUYER:
NEW PALACE CASINO, L.L.C.

BY:----------
Its----------

COMPANY:
MARITIME GROUP INC.

BY:----------
Its----------

ESCROW AGENT:
HANCOCK BANK

BY:----------
Its----------

COMPETING BIDDER:

BY:----------
Its----------

Address ----------
Telephone ----------

Hancock Bank
Attn: Mr. William A. Abbott
Associate General Counsel
One Hancock Plaza
Gulfport, Mississippi 39501

RE: Escrow Agreement dated as of September 20, 1996, among News Palace Casino, L.L.C. ("Buyer"), Maritime Group, Ltd. ("Company"), and Hancock Bank ("Escrow Agent").

Dear Mr. Abbott:

This letter confirms the agreement of New Palace Casino, L.L.C., to pay the fee of Hancock Bank for its services as Escrow Agent pursuant to the captioned Escrow Agreement in the amount of $750.00.

At the time of any disbursement required by the terms of the Escrow Agreement, the Escrow Agent will be provided instructions as to the manner of payment, e.g., wire or bank check, by the party making the disbursement instruction.

New Palace Casino, L.L.C.

BY: /s/ John J. Pilger

JOHN J. PILGER

SCHEDULE 2.1(a)

SCHEDULE 2.1(b)

BILOXI, MISSISSIPPI
REAL ESTATE OWNED

OWEN	LOFTON	TRIPLETT

Purchase Price	$300,000	$182,017	$131,942
Outstanding Loan	NONE	123,200	NONE
Payment	N/A	2,505	N/A
Term	N/A	5 YEAR	N/A
Interest Rate	N/A	8%	N/A
Use	PARKING LOT	RESIDENTIAL	RESIDENTIAL
Other	OFF-SITE PARKING	NEXT TO CASINO PARKING	NEXT TO CASINO PARKING

SCHEDULE 2.1 (d)

MISSISSIPPI
STATE TAX COMMISSION

Alcoholic Beverage Control Division
Post Office Box 540
Madison, Mississippi 39130-0540

Ph number (601) 856-1301
Fax Number (601) 856-1300

Ed Buelow, Jr., Chairman and Commissioner of Revenue
William W. Tann, CPA Associate Commissioner
Harvey Johnson, Jr. Associate Commissioner

Maritime Group, Ltd. Biloxi, MS Harrison

Your application for a Mississippi Alcoholic Beverage ON PREMISES RETAILER Permit Located at 158 Howard Avenue and doing business as PALACE CASINO has been approved by the A.B.C. Division effective April 6, 1994 and will expire on April, 5, 1995 Permit Number 7319 must appear on all of your correspondence and orders.

The enclosed permit must at all times be prominently displayed on the designated premises in order to keep this permit in force. You must file an application with the A.B.C. Division for renewal before the stated permit expiration date.

Authorized members of the Alcoholic Beverage Control Division will at various intervals be inspecting your premises and examining your books and records. Information concerning the ordering and distribution of beverages will be obtained from the Warehouse Department of the A.B.C. Division.

Each permittee shall operate under the provisions of the Alcoholic Beverage Control Laws and the Rules and Regulations of the Commission. It is, therefore, recommended that eh permittee review all of the Alcoholic Beverage Control Law and the Rules and Regulations of the Mississippi Code of 1972, which list the causes for which permits must be revoked or suspended. In addition, you should take special notice of the following Sections of Mississippi Code 1972, which relate to the operation of retail establishments:

General Sections 67-1-37, 51,59, 71, 77, 81, General Sections 27-71-23

83, 35

Enforcement Sections 67-1-31, 91 Records Sections 27-71-25, 23

Distribution Sections 67-1-31,91 Enforcement Section 27

Package Section 67-1-75 Taxes--27-71-5, 7, 9, 23, 29

Transfer of Permit Section 67-1-67

Permit Display & Renewal Section 67-1-55, 63

Please call or write the Alcoholic Beverage Control Division office for further information or advise. We would prefer to help you avoid mistakes rather than penalize you after you have committed a violation.

Very truly yours,

/s/ JAMES K. SULLIVAN

James K. Sullivan, Director

UNITED STATES FIDELITY AND GUARANTY COMPANY
BALTIMORE, MARYLAND
(A STOCK COMPANY)

BOND NUMBER: 32-0130-19710-94

KNOW ALL MEN BY THESE PRESENTS: THAT Maritime Group, Ltd. City of Biloxi State of Mississippi, as Principal and UNITED STATES FIDELITY AND GUARANTY COMPANY, of Baltimore, Maryland, as Surety, are held and firmly bound unto City of Biloxi as Obligee in the aggregate sum of One Thousand Dollars and no/100 Dollars ($1,000.00), lawful money of the United States, for the payment of which, well and truly to be made, we bind ourselves, our heirs, executers and administrators, successors and assigns, jointly, severally, and firmly by these presents.

Signed, sealed and dated March 8, 1994.

WHEREAS, the above bounden Principal has applied for License as General Contractor for the term beginning March 8, 1994. This Bond is to cover the term said License.

NOW, THEREFORE, if a license is granted to the said Principal, and if such LICENSEE shall during the life of said License faithfully observe all the Ordinances of said Obligee, and faithfully perform the duties required by Ordinance, rules or regulations and will save and keep harmless and indemnify said Obligee, form all actions, suits, costs, damages and expenses, including Attorney's Fees which shall or may at any time happen to come to it or for or on account of any injury or damage received or sustained by any person, then the above obligation shall be void; otherwise to be and remain in full force and effect.

IT IS FURTHER UNDERSTOOD AND AGREED that this bond my be terminated by either party hereto delivering written notice of termination by Registered or Certified Mail to the other parities at least 30 days prior to the effective date of such termination; the surety, however, remaining liable fro any defaults under this Bond, committed prior to the expiration of such 30 day period.

(Seal)

UNITED STATES FIDELITY AND GUARANTY COMPANY

COUNTERSIGNED /S/ T. HARTLEY MARSHALL

Assistant Vice President

By /S/

---------- By /S/ THOMAS FITZGERALD
Resident Agent ----------
Assistant Secretary

ACKNOWLEDGMENT OF SURETY
(Corporate Officer)

State of Maryland

On the 1st day of September, 1993, before me the undersigned officers, personally appeared T. Hartley Marshall and Thomas Fitzgerald, who acknowledged themselves to be the aforesaid officers of UNITED STATES FIDELITY AND GUARANTY COMPANY, a corporation, and that they as such officers, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by themselves as such officers.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

/S/

MISSISSIPPI

STATE DEPARTMENT OF
HEALTH

Hereby Grants A

Food Service Permit
To

MARITIME GROUP LTD

To Maintain and Operate A Food Service Establishment

Under The Name Of PALACE CASINO

SHOWROOM BAR

Located At 103 HOWARD AVENUE BILOXI, HARRISON

This permit signifies compliance on the date of issue with the Food Service Sanitation Regulation of the Mississippi State Department of Health and is valid for a period of 12 months from the date of issue unless suspended or revoked.

/S/	March 16, 1994
Issuing Official	Date
/S/	24F-C0894
State Health Officer	Permit

Revised 12/92 Display For Public View-Non Transferable Form No. 307

MISSISSIPPI

STATE DEPARTMENT OF
HEALTH

Hereby Grants A

Food Service Permit
To

MARITIME GROUP LTD

To Maintain and Operate A Food Service Establishment

Under The Name Of PALACE CASINO
RUBY SERVICE BAR

Located At 103 HOWARD AVENUE BILOXI, HARRISON

This permit signifies compliance on the date of issue with the Food Service Sanitation Regulation of the Mississippi State Department of Health and is valid for a period of 12 months from the date of issue unless suspended or revoked.

/S/	March 16, 1994
Issuing Official	Date
/S/	24F-C0891
State Health Officer	Permit

Revised 12/92 Display For Public View-Non Transferable Form No. 307

MISSISSIPPI
STATE DEPARTMENT OF
HEALTH

Hereby Grants A

Food Service Permit
To

MARITIME GROUP LTD

To Maintain and Operate A Food Service Establishment

Under The Name Of PALACE CASINO
DIAMOND SERVICE BAR

Located At 103 HOWARD AVENUE BILOXI, HARRISON

This permit signifies compliance on the date of issue with the Food Service Sanitation Regulation of the Mississippi State Department of Health and is valid for a period of 12 months from the date of issue unless suspended or revoked.

/S/	March 16, 1994
Issuing Official	Date
/S/	24F-C0890
State Health Officer	Permit

Revised 12/92 Display For Public View-Non Transferable Form No. 307

MISSISSIPPI
STATE DEPARTMENT OF
HEALTH

Hereby Grants A

Food Service Permit
To

MARITIME GROUP LTD

To Maintain and Operate A Food Service Establishment

Under The Name Of PALACE CASINO
CROWN BAR

Located At 103 HOWARD AVENUE BILOXI, HARRISON

This permit signifies compliance on the date of issue with the Food Service Sanitation Regulation of the Mississippi State Department of Health and is valid for a period of 12 months from the date of issue unless suspended or revoked.

/S/	March 16, 1994
Issuing Official	Date
/S/	24F-C0893
State Health Officer	Permit

Revised 12/92 Display For Public View-Non Transferable Form No. 307

MISSISSIPPI
STATE DEPARTMENT OF
HEALTH

Hereby Grants A

Food Service Permit
To

MARITIME GROUP LTD

To Maintain and Operate A Food Service Establishment

Under The Name Of PALACE CASINO
GOLDEN WELL BAR

Located At 103 HOWARD AVENUE BILOXI, HARRISON

This permit signifies compliance on the date of issue with the Food

Service Sanitation Regulation of the Mississippi State Department of Health and is valid for a period of 12 months from the date of issue unless suspended or revoked.

/S/	March 16, 1994
Issuing Official	Date
/S/	24F-C0892
State Health Officer	Permit

Revised 12/92 Display For Public View-Non Transferable Form No. 307

MISSISSIPPI
STATE DEPARTMENT OF
HEALTH

Hereby Grants A

Food Service Permit
To

MARITIME GROUP LTD

To Maintain and Operate A Food Service Establishment

Under The Name Of PALACE CASINO
CROWN ROOM

Located At 103 HOWARD AVENUE BILOXI, HARRISON

This permit signifies compliance on the date of issue with the Food Service Sanitation Regulation of the Mississippi State Department of Health and is valid for a period of 12 months from the date of issue unless suspended or revoked.

/S/	March 16, 1994
Issuing Official	Date
/S/	24F-A0442
State Health Officer	Permit

Revised 12/92 Display For Public View-Non Transferable Form No. 307

ALCOHOLIC BEVERAGE PERMIT

Permit No. 7319 24 122
Date Issued April 6, 1994
Date Expired April 5, 1995
Issue New

Class ON PREMISES RETAILER

Issued To:

Maritime Group, Ltd.

Palace Casino
158 Howard Avenue
Biloxi, MS 39530 Harrison

Issued By:

/S/

Director

/S/

Commissioner

NO: 2638

HARRISON COUNTY
WASTEWATER AND SOLID WASTE
MANAGEMENT DISTRICT
14108 AIRPORT ROAD
P.. BOX 2409
GULFPORT, MISSISSIPPI 39505

PERMIT APPLICATION AND REGISTRATION

GREASE WASTE GENERATOR

Date	3-28-94
Applicant's Business Name	Maritime Resorts d/b/a Palace Casino
Mailing Address	182 Howard Ave, Biloxi, Mississippi 39530
Physical Address of food preparation establishment	182 Howard Ave, Biloxi, Mississippi 39530
Number of grease traps	1
Approximate size in Gallons of each	253.2 Compactor #1 Interceptor

This is to certify that the information given above is correct to the best of my knowledge and belief. By my signature I hereby agree to the conditions stated n the Harrison County Wastewater and Solid Waste Management District Grease Trap Waste Regulation, Dated April 2, 1992.

Signature
Printed Name Leonard Pizzetta
Title Chief Engineer

Information verified by	/S/
Permit Number	T-081
Entered Date	4-6-94
Expiration Date	7-1-94
Fee paid	30.00
Check #	0632
Received by	/S/
Approval Signature	/S/

HARRISON COUNTY
WASTEWATER AND SOLID WASTE
MANAGEMENT DISTRICT
14108 AIRPORT ROAD
P.. BOX 2409
GULFPORT, MISSISSIPPI 39505

PERMIT APPLICATION AND REGISTRATION

GREASE WASTE GENERATOR

Date	3-28-94
Applicant's Business Name	Maritime Resorts d/b/a Palace Casino
Mailing Address	182 Howard Ave, Biloxi, Mississippi 39530
Physical Address of food preparation establishment	182 Howard Ave, Biloxi, Mississippi 39530
Number of grease traps	1
Approximate size in Gallons of each	525.2 Main #8 Interceptor

This is to certify that the information given above is correct to the best of my knowledge and belief. By my signature I hereby agree to the conditions stated n the Harrison County Wastewater and Solid Waste Management District Grease Trap Waste Regulation, Dated April 2, 1992.

Signature	/S/ LEONARD PIZZETTA
Printed Name	Leonard Pizzetta
Title	Chief Engineer

Information verified by	/S/
Permit Number	T-088
Entered Date	4-6-94
Expiration Date	7-1-94
Fee paid	30.00
Check #	06371
Received by	/S/
Approval Signature	/S/

HARRISON COUNTY
WASTEWATER AND SOLID WASTE
MANAGEMENT DISTRICT
14108 AIRPORT ROAD
P.. BOX 2409
GULFPORT, MISSISSIPPI 39505

PERMIT APPLICATION AND REGISTRATION

GREASE WASTE GENERATOR

Date	3-28-94
Applicant's Business Name	Maritime Resorts d/b/a Palace Casino
Mailing Address	182 Howard Ave, Biloxi, Mississippi 39530
Physical Address of food preparation establishment	182 Howard Ave, Biloxi, Mississippi 39530
Number of grease traps	1
Approximate size in Gallons of each	17.3 Sink #5 Interceptor

This is to certify that the information given above is correct to the best of my knowledge and belief. By my signature I hereby agree to the conditions stated n the Harrison County Wastewater and Solid Waste Management District Grease Trap Waste Regulation, Dated April 2, 1992.

Signature	/S/ LEONARD PIZZETTA
Printed Name	Leonard Pizzetta
Title	Chief Engineer

Information verified by	/S/
Permit Number	T-085
Entered Date	4-6-94
Expiration Date	7-1-94
Fee paid	30.00
Check #	06371
Received by	/S/
Approval Signature	/S/

HARRISON COUNTY
WASTEWATER AND SOLID WASTE
MANAGEMENT DISTRICT
14108 AIRPORT ROAD
P.. BOX 2409
GULFPORT, MISSISSIPPI 39505

PERMIT APPLICATION AND REGISTRATION

GREASE WASTE GENERATOR

Date	3-28-94
Applicant's Business Name	Maritime Resorts d/b/a Palace Casino
Mailing Address	182 Howard Ave, Biloxi, Mississippi 39530
Physical Address of food preparation establishment	182 Howard Ave, Biloxi, Mississippi 39530
Number of grease traps	1
Approximate size in Gallons of each	17.3 Sink #6 Interceptor

This is to certify that the information given above is correct to the best of my knowledge and belief. By my signature I hereby agree to the conditions stated n the Harrison County Wastewater and Solid Waste Management District Grease Trap Waste Regulation, Dated April 2, 1992.

Signature	/S/ LEONARD PIZZETTA
Printed Name	Leonard Pizzetta
Title	Chief Engineer

Information verified by	/S/
Permit Number	T-086
Entered Date	4-6-94
Expiration Date	7-1-94
Fee paid	30.00
Check #	06371
Received by	/S/
Approval Signature	/S/

HARRISON COUNTY
WASTEWATER AND SOLID WASTE
MANAGEMENT DISTRICT
14108 AIRPORT ROAD
P.. BOX 2409
GULFPORT, MISSISSIPPI 39505

PERMIT APPLICATION AND REGISTRATION

GREASE WASTE GENERATOR

Date	3-28-94
Applicant's Business Name	Maritime Resorts d/b/a Palace Casino
Mailing Address	182 Howard Ave, Biloxi, Mississippi 39530
Physical Address of food preparation establishment	182 Howard Ave, Biloxi, Mississippi 39530
Number of grease traps	1
Approximate size in Gallons of each	168 Diswasher #4 Interceptor

This is to certify that the information given above is correct to the best of my knowledge and belief. By my signature I hereby agree to the conditions stated n the Harrison County Wastewater and Solid Waste Management District Grease Trap Waste Regulation, Dated April 2, 1992.

Signature	/S/ LEONARD PIZZETTA
Printed Name	Leonard Pizzetta

Title Chief Engineer

Information verified by /S/
Permit Number T-084
Entered Date 4-6-94
Expiration Date 7-1-94
Fee paid 30.00
Check # 06371
Received by /S/
Approval Signature /S/

HARRISON COUNTY
WASTEWATER AND SOLID WASTE
MANAGEMENT DISTRICT
14108 AIRPORT ROAD
P.. BOX 2409
GULFPORT, MISSISSIPPI 39505

PERMIT APPLICATION AND REGISTRATION

GREASE WASTE GENERATOR

Date 3-28-94
Applicant's Business Name Maritime Resorts d/b/a Palace Casino
Mailing Address 182 Howard Ave, Biloxi, Mississippi 39530
Physical Address of food
preparation establishment 182 Howard Ave, Biloxi, Mississippi 39530
Number of grease traps 1
Approximate size in Gallons of each 168 Dishwasher #2 Interceptor

This is to certify that the information given above is correct to the best of my knowledge and belief. By my signature I hereby agree to the conditions stated n the Harrison County Wastewater and Solid Waste Management District Grease Trap Waste Regulation, Dated April 2, 1992.

Signature /S/ LEONARD PIZZETTA
Printed Name Leonard Pizzetta
Title Chief Engineer

Information verified by /S/
Permit Number T-082
Entered Date 4-6-94
Expiration Date 7-1-94
Fee paid 30.00
Check # 06371
Received by /S/
Approval Signature /S/

HARRISON COUNTY
WASTEWATER AND SOLID WASTE
MANAGEMENT DISTRICT
14108 AIRPORT ROAD
P.. BOX 2409
GULFPORT, MISSISSIPPI 39505

PERMIT APPLICATION AND REGISTRATION

GREASE WASTE GENERATOR

Date	3-28-94
Applicant's Business Name	Maritime Resorts d/b/a Palace Casino
Mailing Address	182 Howard Ave, Biloxi, Mississippi 39530
Physical Address of food preparation establishment	182 Howard Ave, Biloxi, Mississippi 39530
Number of grease traps	1
Approximate size in Gallons of each	168 Dishwasher #3 Interceptor

This is to certify that the information given above is correct to the best of my knowledge and belief. By my signature I hereby agree to the conditions stated n the Harrison County Wastewater and Solid Waste Management District Grease Trap Waste Regulation, Dated April 2, 1992.

Signature	/S/ LEONARD PIZZETTA
Printed Name	Leonard Pizzetta
Title	Chief Engineer

Information verified by	/S/
Permit Number	T-083
Entered Date	4-6-94
Expiration Date	7-1-94
Fee paid	30.00
Check #	06371
Received by	/S/
Approval Signature	/S/

HARRISON COUNTY
WASTEWATER AND SOLID WASTE
MANAGEMENT DISTRICT
14108 AIRPORT ROAD
P.. BOX 2409
GULFPORT, MISSISSIPPI 39505

PERMIT APPLICATION AND REGISTRATION

GREASE WASTE GENERATOR

Date	3-28-94
Applicant's Business Name	Maritime Resorts d/b/a Palace Casino
Mailing Address	182 Howard Ave, Biloxi, Mississippi 39530
Physical Address of food preparation establishment	182 Howard Ave, Biloxi, Mississippi 39530
Number of grease traps	1
Approximate size in Gallons of each	17.3 Sink #7 Interceptor

This is to certify that the information given above is correct to the best of my knowledge and belief. By my signature I hereby agree to the conditions stated n the Harrison County Wastewater and Solid Waste Management District Grease Trap Waste Regulation, Dated April 2, 1992.

Signature	/S/ LEONARD PIZZETTA
Printed Name	Leonard Pizzetta
Title	Chief Engineer

Information verified by	/S/
Permit Number	T-087
Entered Date	4-6-94
Expiration Date	7-1-94
Fee paid	30.00
Check #	06371
Received by	/S/
Approval Signature	/S/

STATE OF MISSISSIPPI
MISSISSIPPI GAMING COMMISSION

License No. 056

GAMING LICENSE

This Gaming License entitles MARITIME GROUP, LTD., d/b/a PALACE CASINO, located at Howard Avenue, Biloxi, Mississippi, (Harrison Co.) to engage as an OPERATOR. This license is subject to the Mississippi Gaming Control Act and the Rules and Regulations adopted thereunder. This authorizes the holder of the license to conduct gaming pursuant to the type of license issued by the Mississippi Gaming Commission. The License is non-transferable or assignable and must be conspicuously displayed in an area visible to the public.

/S/ STUART C. IRBY, JR.
Chairman, Stuart C. Irby, Jr.

/S/
Executive Director
Mississippi Gaming Commission

Date Issued: March 17, 1994

Expiration Date: March 17, 1996

STATE OF MISSISSIPPI
BEER PERMIT AND PRIVILEGE LICENSE

STATE TAX COMMISSION
JACKSON, MISSISSIPPI

NUMBER

Retailer License Fee: $30.00
$30.00
Issued: 01/06/94
Business
Location: 124 Lameuse Street
Issued To: Maritime Group Ltd
124 Lameuse Street
Biloxi, MS 39530
Effective Date: 09/01/94
Expiration Date: 09/01/95

CITY OF BILOXI, MISSISSIPPI - PRIVILEGE TAX LICENSE

<TABLE>

<S>
A-15734
September 13, 1994
Expires: Unreadable
Received Of:
Palace Casino
Maritime Group, Ltd.
124 Lameuse St
Biloxi, MN 39530
Business Office
Total Tax $150.00
Deputy Tax Collector /S/

<C>
A-17171
September 13, 1994
Expires: Sept. 30. 1994
Received Of:
Maritime Group, Ltd.
Jack C??
124 Lameuse St
Biloxi, MN 39530
Business Office/Investments
Total Tax $20.00
Deputy Tax Collector /S/

<C>
A-17354
September 13, 1994
Expires: Sept. 30, 1994
Received Of:
Palace Casino
Maritime Group, Ltd.
124 Lameuse St
Biloxi, MN 39530
Business Office/Dockside
Saving (unreadable?)
Total Tax $30.00
Deputy Tax Collector /S/

<C>
September 13, 1994
Expires: Sept. 30, 1994
Received Of:
Palace Casino/Crown Room
Maritime Group, Ltd.
124 Lameuse St
Biloxi, MN 39530
Restaurants 9696 159
Total Tax $105.00
Deputy Tax Collector /S/

</TABLE>

<TABLE>

<S>	<C>
September, unreadable	September, unreadable
Expires: Sept. 30, ???	Expires: Sept. 30,
Received Of:	Received Of:
Palace/Emerald Courtyard	Palace/Pearl Diver Oyster
Maritime Group, Ltd.	Oar/Maritime Group, Ltd.
124 Lameuse St	124 Lameuse St
Biloxi, MN 39530	Biloxi, MN 39530
Restaurants 9696 159	Beer Retail 15.00
Total Tax $150.00	Restaurants 9696 159
Deputy Tax Collector /S/	42.00
	Total Tax $57.00
	Deputy Tax Collector /S/

</TABLE>

SCHEDULE 3.3(a)

Buyer is aware of the following items that may jeopardize the integrity of the Palace Casino's assets and by signature hereby waive those conditions so as to eliminate them from consideration relative to Section 3.3(a):

1. Dredging under the barge should be completed to eliminate bottom touching and the possibility of damage to the hull and interior components.

2. New hatch covers should be redesigned and installed to further insure water-tight integrity of the hull compartments.

3. Internal areas of the barge should be further protected with a rust inhibitor paint which meets Maritime specifications.

4. Interior barge areas should be ventilated to insure removal of hazardous gases and reduce condensation.

5. Air cooled chillers #1 and #2 should be elevated above the roof line to insure proper ventilation and eliminating the use of water as a source of condenser cooling.

6. Additional Pre-heating coils need to be installed in the Dehumidfiers to further reduce the amount of humidity contained in the casino guest areas.

7. Environmental control system (Johnson Controls) should be checked out thoroughly and necessary components replaced as needed.

8. Roofing areas that necessitate repair should be performed to (Firestone) requirements and work pads need to be installed in appropriate walk paths to further reduce deterioration.

9. Dome area should be re-sealed and waterproofed to further prevent water intrusion into guest areas (Emerald Courtyard and Crown Room).

10. Exterior glass should be re-sealed and waterproofed to further prevent water intrusion into the exterior wall areas (Palladium Theater, Executive Offices, Slot Tech Room).

11. Dishwashing area should be reconfigured to meet Health Department standards on change of ownership.

12. Fire suppression systems in the main kitchen and Pearl Divers areas should be modernized to meet new fire code standards on change of ownership.

13. Interior neon repair on first and second floors.

14. Exterior neon signage needs to be repaired to eliminate burned out sections including letters illuminating Palace Casino.

SCHEDULE 3.5

Allocation of a Portion of the Purchase Price as to Certain Parcels of Real Property

Triplett Property:	$ 75,000
Off-Site 4.5 Acre Improved Parking Lot	$ 300,000
Casino and related personal property excluding Financed Property	$13,875,000

Legal Description of Triplett Property:

THAT CERTAIN PARCEL OF LAND located in the City of Biloxi, Harrison County, Mississippi, being 74 feet North and South 65 feet East and West, and being bounded on the South by property now or formerly of Ewing; on the East by property of Cruso; on the North by property of Toche; and on the West by Seymour Lane; being part of Lot 4, Block 14, SUMMERVILLE ADDITION to the City of Biloxi, according to the official map or plat thereof on file and of record in Copy Plat Book 1, at page 11, in the office of the Chancery Clerk of Harrison County, Mississippi; said Lot is also described as Parcel No. 24, Block 14, Page 236 of the official Tax Records of Biloxi, Mississippi.

SCHEDULE 5.2

SCHEDULE 5.2

PERMITTED ENCUMBRANCES

1. Loftin property	Mortgage in favor of Peoples Bank, $123,000 principal balance, five year term, 6% annum.

SCHEDULE 5.6

Employment Contracts and Benefit Plans

Employment Contracts:

Between Maritime Group, Ltd. And Palace Casinos, Inc. and Dual Cooper dated August 5, 1996.

Vacation Benefits:

Employees are entitled to vacation benefits under Maritime Group, Ltd.'s vacation policy on the following schedule:

One year of service	-	five days paid vacation
Two years of service	-	ten days paid vacation
Three years of service	-	ten days paid vacation
Four years of service	-	fifteen days paid vacation

As of September 1996, Maritime Group, Ltd. Has $44,599 in accrued vacation pay.

Medical Insurance Benefits:

(through September 30, 1996)
Blue Cross & Blue Shield covering employees

(from October 1, 1996 on)
Self insured through Pomeroy & Pomeroy

[Table of Miscellaneous Inventory]

SCHEDULE 2.1(f)

EXHIBIT 2(1)(h)

TELEPHONE NUMBERS USED: (601) 432-8888
(601) 436-4200

SCHEDULE 2.2(a)

MARITIME GROUP LTD.
SUMMARY OF LEASES

Thomas, Tyron & Gary Gollott P.O. Box 468 Biloxi, MS 39533	Land Lease - Visitor Center	$7,000.00
Fleuer De Lis Society c/o Peoples Bank-Chevi Swetman P.O. Box Drawer 529 Biloxi, MS 395533	Building Lease - Support Services	$4,000.00

Gulf Central Seafoods, Inc. P.O. Box 373 Biloxi, MS 39533	Land Lease - Parking Lot	$28,500.00
Sea Products, Inc. P.O. Box 1419 Biloxi, MS 39533	Land Lease - Parking Lot	$30,000.00
Private Mini Storage 3755 Airport Blvd. Mobile, AL 36608	Storage	289.00
Hancock Bank P.O. Box 4019 Gulfport, MS 39502	Copier Lease	$370.00
Taylor Properties P.O. Box 1206 Biloxi, MS 39533	Warehouse	$2,000.00
Ford Motor Credit P.O. Box 830339 Birmingham, AL 35283	Automotive Lease (2)	$1.147.72
Pitney Bowes Credit Corporation P.O. Box 5151 Norwalk, CT 06856-5151	Postage Machine	$156.00 (1)
Pitney Bowes Credit Corporation 8375 Dix Ellis Trail - Ste 301 Jacksonville, FL 32256-1221	Postage Machine	$127.50 (1)
		$80,042.22

(1) PAYMENTS ARE MADE QUARTERLY

SCHEDULE 2.2 (b)

SOFTWARE INVENTORY

NAME	USERS	??
DOS	55	8.2
MSOFFICE	NETWORK	4.01
MSWORD		8
EXCELL		5
MSPUB	2	2
MSWORKS	55	
HARVARD GRAPHICS	1	4

NOVELL 3.12	50	3.12
DAVINCHI MAIL	60	
ACCESS		1.1
FOXPRO		2.8
DOS IBM	15	8
IGT	NETWORK	
LODGINGS	NETWORK	
MSPWRPOINT	55	
MSMONEY	2	
LANTASTIC	15	
INFOGENESIS	1	
ELITE400	30	
BACKUPEXEC	1	4.01
OMNIPAGE	1	
COMMWORKS	1	
PCTOOLS	1	
FORMTOOL	11.0B	
SMARTLABE	2	3
PROBAR	1	
SHIVA	23.7.7	
SMARTCOM	1	1
ADP PC/PAYROLL	2	5.02
PASSBOOK TICKETING SYSTEMS	1	1

EXHIBIT 2(2) (c)

MARITIME GROUP LTD.
FINANCING ARRANGEMENTS

Name & Address	Description
Bally Gaming Inc. 6601 South Bermuda Road	

Las Vegas, Nevada 89110-3605	Slot Machines
International Gaming Technology P.O. Box 10580 Reno, Nevada 89510-0580	Slot Machines
Mikhon Gaming Corporation 1045 Palms Airport Drive Las Vegas, Nevada 89119	Neon Signs
NEC America, Inc. 365 West Passaic Street Rochelle Park, NJ 07662	Phone Equipment
IBM Credit Corporation 290 Harbor Drive Stamford, CT 06904	Point of Sale System
Peoples Bank P.O. Box Drawer 529 Biloxi, MS 39530	Mortgage on Property Adjacent to the Casino
Ford Motor Credit Company P.O. Box 830339 Birmingham, AL 35283-0339	Van
	Total Payments

(1) Estimate based upon pro rata number of machines remaining
(2) Includes payment of those machines removed from the floor (approx. 50)
(3) Includes a $1 purchase option at the end of the Agreement

Schedule 2.3(h)
Excluded Insurance Policies

Insurance Company	Type of Coverage	Policy Numbers
Scottsdale Ins. Co.	General Liability	CGS 012801 CAS 040831 CLS 0367962
Miss. Windstorm Underwriters Ass'n	Wind	CPF 757004
USF&G	Property	CPR 300254460-01
Hartford Steam Boiler & Inspection Co.	EDP	CSI 944368301
Fidelity & Deposit Ins. Co.	Crime	CCP 0007812-01
Westchester Fire Ins. Co.	Umbrella	CUA 102877-0
Lloyds/St. Paul	Hull/Equipment	Binder No. AGJ 1010
(includes the following:)		
Reliance Ins. Co.	Equipment	
William H. McGee & Co.	Equipment	
Navigators Ins. Co.	Equipment	
John Plumer & Parnter Ltd.	Hull and P&I	
St. Paul Fire & Marine Ins. Co.	Hull and P&I	

EXHIBIT B

EMPLOYMENT AGREEMENT
BY AND BETWEEN
CASINO RESOURCE CORPORATION
AND
JOHN J. PILGER

THIS AGREEMENT, entered into on May 20, 1996, is made by and between Casino Resource Corporation ("CRC") and John J. Pilger ("Pilger").

WHEREAS, CRC and Pilger have been parties to a written employment agreement which has governed the parties' relationship; and

WHEREAS, CRC desires the services of Pilger to assist CRC in its operations as provided herein, and Pilger has agreed to provide such services;

NOW, THEREFORE, CRC and Pilger, in consideration of the mutual promises and covenants contained herein, agree as follows:

I. EMPLOYMENT. CRC agrees to employ Pilger as its Chairman of the Board and Chief Executive Officer. Pilger hereby accepts such employment. Pilger will serve CRC under the direction of its Board of Directors. During the term of this Agreement, Pilger agrees to devote a majority of his business time, skill, energy and attention to the services and business of CRC, and shall perform such services in a diligent, trustworthy, loyal and business-like manner, all for the purpose of advancing the business of CRC.

II. NON-EXCLUSIVITY OF SERVICES. Pilger will devote his best efforts to the performance of his duties hereunder. Pilger will not, without the written consent of the Board of Directors of CRC, engage in any activity which conflicts with the performance of his duties hereunder during the term of this Employment Agreement. Pilger warrants that there exist no undisclosed written or oral arrangements preventing his service to CRC, and that he has not made any undisclosed commitment or performed any undisclosed act, and will not make any commitment or perform any act, in conflict with his duties to CRC.

III. TERM. This Employment Agreement shall have a term of three years and two months ("Initial Term"), beginning on May 20, 1996 and expiring on July 19, 1999. This Employment Agreement will, after expiration of the Initial Term, automatically extend for consecutive additional one year terms ("Succeeding Terms") absent sixty (60) days of written notice from either party to the other, prior to the expiration of either the Initial Term or any Succeeding Term, of the party's intent not to renew the

Employment Agreement. Both the Initial Term and any Succeeding Terms shall be subject to termination before expiration under Section VII hereof.

EXHIBIT B

IV. COMPENSATION. In consideration of Pilger's acceptance of continued employment and performance of duties under this Employment Agreement, including but not limited to the provisions of Sections V and VI, CRC shall pay to Pilger the following:

A. Salary. Pilger shall be paid a salary at an annual rate of Two Hundred Twenty-five Thousand and no/100 ($225,000.00) Dollars ("Base Salary"). Base Salary payments hereunder shall be made in the same manner and number as are the salary payments of other CRC employees. Pilger's base salary shall increase each year as determined by an increase in the consumer price index between January 1st of the prior year and January 1st of the current year.

B. Bonus Compensation. In addition to Base Salary, Pilger shall be entitled to receive a cash bonus for each fiscal year in which CRC generates net income in excess of One Million and no/100 ($1,000,000.00) Dollars, as set forth in CRC's audited consolidated financial statements. The amount of such bonus, if payable, shall be Twenty-five Thousand and no/100 ($25,000.00) Dollars per One Million and no/100 ($1,000,000.00) Dollars in earnings per fiscal year, unless Pilger was not employed by CRC for the full fiscal year, in which case the bonus amount shall be prorated for that portion of the fiscal year Pilger was so employed. The foregoing bonus shall be in addition to any bonus which may be granted to Pilger by the compensation committee of the Board of Directors pursuant to Section VIII of the Agreement.

C. BENEFITS.

1. For such time as Pilger is employed under this Employment Agreement, CRC shall provide for Pilger, at its own expense, life insurance policies providing coverage in the amount of One Million and no/100 ($1,000,000.00) Dollars, subject to availability of such coverage. Pilger may name the beneficiaries of these policies.

2. For such time as Pilger is employed under this Employment Agreement, CRC shall provide for Pilger, at its own expense, a long-term disability policy providing replacement income coverage in the amount of at least One Hundred Thousand and no/100 ($100,000.00) Dollars per year, subject to availability of such coverage.

3. Pilger shall be entitled to four (4) weeks of paid vacation per calendar year, which vacation shall accrue on January 1st of each year. In

lieu of any vacation time not taken, Pilger shall receive cash compensation for any vacation which is not used in the calendar year it is accrued.

EXHIBIT B

4. Pilger shall, for each fiscal year this Employment Agreement remains effective, be entitled to benefits under health plans, pension plans, stock purchase plans, and any other benefit plans, on the same terms as such benefits are available generally to other senior executives of CRC, as well as any benefits which are expressly granted to Pilger by the Board of Directors of CRC.

5. Pilger shall receive an automobile allowance not to exceed Seven Hundred Fifty and no/100 ($750.00) Dollars per month.

D. EXPENSE REIMBURSEMENT.

6. CRC will pay or reimburse Pilger for all reasonable and necessary out-of-pocket expenses incurred by him in the performance of his duties under this Employment Agreement, subject to the presentation of appropriate vouchers in accordance with CRC's normal policies for expense verification.

7. The parties acknowledge that under certain circumstances it shall be to CRC's advantage that Pilger's spouse or significant other accompany him to out-of-town meetings or functions which involve or affect the business of CRC. Accordingly, the parties agree that Pilger's spouse or significant other shall be allowed to accompany him to up to four (4) such functions per year, and CRC shall reimburse Pilger for all reasonable and necessary expenses arising from her travel.

V. COVENANT NOT TO SOLICIT. In partial consideration of the compensation paid under this Employment Agreement, including but not limited to the company-sponsored insurance policies set forth in Paragraph IV C above, Pilger agrees that during the term of this Employment Agreement and for one year following the termination of his employment, whether voluntary or involuntary, provided that any involuntary termination is in compliance with this Employment Agreement, including the provisions of Section VII B, he shall not, either personally, or through an employer, firm, agent, servant, employee, partner, shareholder, representative, affiliate, or any other entity:

A. Deliver products or services, or attempt to deliver products or services, which are of the same nature and type as those which Pilger provided or

offered during his employment under this Employment Agreement, to any customer of CRC, as of the date of Pilger's termination and the twelve (12) months immediately preceding such termination, without the prior written consent of CRC.

E. Employ or offer to employ any individual employed by CRC within the four (4) months preceding the termination of Pilger's employment, Of request, advise or entice any such individual to leave the employment of CRC, without the prior written consent of CRC, with the exception of Pilger's personal assistant.

Pilger further agrees that in the event he breaches any of the covenants contained in this Section V of this Employment Agreement, irreparable injury will result to CRC, that CRC's remedy at law will be inadequate, and that CRC will be entitled to an injunction to restrain the continuing breach of this Employment Agreement by Pilger, his partners, agents, Servants, employees, or representatives, or any other persons or entities acting for or with him. CRC shall, without limitation, be entitled to damages, reasonable attorneys' fees, and all other costs and expenses incurred in connection with the enforcement of this Section V, in addition to any other rights or remedies which CRC may have at law or in equity.

VI. NONDISCLOSURE OF INFORMATION.

F. Pilger agrees that any information related to the business of CRC, or any of its clients or customers, which is acquired by Pilger during his employment by CRC shall be regarded as confidential and solely for the benefit of CRC. Pilger shall not, except as is necessary in the ordinary course of conducting business for CRC, use such information himself or disclose such information to any other person or entity, directly or indirectly, either during the term of this Employment Agreement or at any time thereafter, without the prior written consent of CRC.

G. Pilger shall not remove any records or documents from the premises of CRC or its clients in original, duplicate, or copied form, except as is necessary in the ordinary course of conducting business for CRC and subject to the approval of the CRC management person with authority to act on such matters. Pilger shall immediate deliver to CRC, upon termination of employment with CRC, or at any other time upon CRC's request, any and all such records or documents in Pilger's possession or control.

VII. TERMINATION.

H. Pilger's employment shall be terminated under any of the following circumstances:

8. By mutual agreement of Pilger and CRC;

9. Immediately, upon the death of Pilger;

10. CRC may terminate Pilger's employment hereunder, for Cause, at any time upon written notice to Pilger. For the purposes of this Agreement, CRC shall have "Cause" to terminate Pilger's employment hereunder in cases of gross dereliction of duty or other grave misconduct on the part of Pilger, which is substantially injurious to CRC; or

11. Voluntary termination by Pilger other than for Good Reason or upon change of control.

I. In the event that Pilger's employment is terminated under this Paragraph A1 or A2, Pilger's entitlement to compensation under Section IV hereof shall immediately cease. In termination under A3 Pilger's right to compensation under the terms of the Agreement shall continue until (i) both parties agree to cease payments under this Agreement, or (ii) a Court of competent jurisdiction renders a decision as to the Company's determinations.

J. In the event that Pilger's employment is terminated by CRC other than for Cause or by Pilger for Good Reason, Pilger shall be entitled to receive from CRC a lump-sum payment equal to all compensation payable to him under Section IV hereof through the end of the Initial Term, or if the Initial Term has expired, the end of the current one-year term. The foregoing lump-sum payment shall be made within 10 days of termination. For purposes of this Agreement, "Good Reason" means (i) the assignment of Pilger of any duties or responsibilities which in the reasonable judgment of Pilger are inconsistent in any respect with Pilger's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or any other action by the Company which in the reasonable judgment of Pilger results in a substantial diminishment in such position, authority, duties or responsibilities; (ii) the Company's requiring relocation of Pilger, without his prior written consent, to a place of employment other than Biloxi, Mississippi, except for travel reasonably required in the performance of Pilger's responsibilities; or (iii) the Company's failure to comply substantially with the provisions of Section IV of this Agreement.

K. In the event of a Change of Control of CRC, Pilger may elect to terminate his employment hereunder and receive from CRC the lump-sum payment set forth in Paragraph C. For purposes of this Agreement, "Change of Control" shall mean the dissolution or liquidation of CRC, the reorganization, merger or consolidation of CRC with one or more corporations as a result of which CRC is not the surviving corporation, the sale of substantially all the assets of CRC to another corporation or entity, or the acquisition by any person or entity of more than (25%) or the total voting power of CRC's outstanding capital stock.

VIII. BONUS. The compensation committee of the Board of Directors will determine whether Pilger will receive a bonus in any given year, aside from the bonus discussed in section IV.

IX. CONSENT TO VENUE AND JURISDICTION. Pilger consents to venue and jurisdiction in the District Court of Hennepin County, State of Minnesota, and in the United States District Court for the District of Minnesota, and to service of process under Minnesota law, in any action commenced to enforce this Employment Agreement.

X. ENTIRE AGREEMENT. This Employment Agreement constitutes the entire agreement between the parties, and may not be amended or modified except by mutual written agreement of CRC and Pilger.

XI. SUCCESSORS AND ASSIGNS. Subject to the provisions herein, the benefits and obligations of this Employment Agreement shall be binding upon and inure to the Successors and assigns of CRC.

XII. GOVERNING LAW. This Employment Agreement shall be construed under, and governed by, the laws of the State of Minnesota.

XIII. NOTICE. Any notice or other communications required or permitted to be given to the parties hereto shall be deemed to have been given on the third (3rd) day following deposit in the United States mail, postage prepaid, and addressed to the appropriate party at the address of such party as may be, from time to time, provided in writing to the other.

XIV. SEVERABILITY. If any provisions of this Employment Agreement shall, for any reason, be adjudged to be void, invalid or unenforceable by a court of law, the remainder of this Employment Agreement shall nonetheless continue and remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement.

CASINO RESOURCE CORPORATION

Dated: ---------- By ----------

Its ----------

Dated: ---------- ----------

John J. Pilger

NOTE

$37,078.02 December 31, 1994

FOR VALUE RECEIVED, the undersigned promises to pay to the order of Casino Resource Corporation of Elkhorn, Wisconsin, the principal amount of Thirty-Seven-thousand-seventy-eight-and 02/100 (37,078.02) Dollars with interest thereon at the rate of nine and one-half (9.5%) percent per year. Principal and interest shall be due in 24 monthly payments of One-thousand-seven-hundred-two and 42/100(1,702.42) commencing January 31, 1995 and on the last day of each month thereafter and until paid in full. Any remaining amounts due shall be payable in full on December 31, 1996. If said amounts are not paid when due, interest on the unpaid portion shall accrue at the rate of eleven and 1/2% (11.5%) percent per year. Payments will apply first to interest and then principal.

All makers, endorsers, sureties and guarantors agree to pay all costs of collection, including reasonable fees to the extent not prohibited by law.

Without affecting my liability or the liability of any endorser, surety or guarantor, the holder may, without notice, grant renewals or extensions, accept partial payments, release or impair any collateral security for this Note or agree not to sue any party liable on it. Presentment, protest, demands and notice of dishonor are waived.

The maker of this Note reserves the right to prepay principal at any time in any amounts without penalty.

Maker acknowledges receipt of an exact copy of this Note.

/s/ John J. Pilger

JOHN J. PILGER

NOTE

$145,028.17 October 25, 1995

FOR VALUE RECEIVED and originally executed on March 31,1993, the undersigned promises to pay to the order of Casino Resource Corporation of Biloxi, Mississippi, the principal amount of One Hundred Forty-Five Thousand Twenty-Eight Dollars and 17/100 ($145,028.17) with interest thereon at the rate of seven (7%) percent per year. All amounts of principal and interest shall be due in one payment payable on or before October 1, 1997. If said amount is not paid when due, interest on the unpaid portion shall accrue at the rate of twelve (12%) percent per year.

All makers, endorsers, sureties and guarantors agree to pay all costs of collection, including reasonable attorney's fees to the extent not prohibited by law.

Without affecting my liability or the liability of any endorser, surety or guarantor, the holder may, without notice, grant renewals or extensions, accept partial payments, release or impair any collateral security for this Note or agree not to sue any party liable on it. Presentment, protest, demand and notice of dishonor are waived.

The maker of this Note reserves the right to prepay principal at any time in any amounts without penalty.

Maker acknowledges receipt of an exact copy of this Note.

/s/ John J. Pilger

John J. Pilger

DEMAND NOTE

$35,000 April 8, 1996

FOR VALUE RECEIVED, the undersigned promises to pay to the order of Casino Resource Corporation, a Minnesota corporation, the principal amount of Thirty-five Thousand and no/100 ($35,000.00) Dollars with interest thereon at prime as published from U.S. Banking in the Wall Street Journal this date, plus one (1%) percent, adjusted annually. Principal and interest shall be due upon demand. This and other executed notes are secured by One Hundred Thousand (100,000) shares of Casino Resource Corporation stock.

All makers, endorsers, sureties and guarantors agree to pay all costs of collection, including reasonable fees to the extent not prohibited by law.

Without affecting my liability or the liability of an endorser, surety or guarantor, the holder may, without notice, grant renewals or extensions, accept partial payments, release or impair any collateral security for this Note or agree not to sue any party liable on it. Presentment, protest, demands and notice of dishonor are waived.

The maker of this Note reserves the right to prepay principal at any time in any amounts without penalty.

This note has been executed and delivered in the state of Mississippi and shall be governed and construed in accordance with the laws of the state of Mississippi.

Maker acknowledges receipt of an exact copy of this Note.

/s/ John J. Pilger

John J. Pilger

NON-CIRCUMVENTION
AND
NON-DISCLOSURE AGREEMENT

Casino Resource Corporation (hereinafter "Casino") and Huong "Henry" Le (hereinafter "Le"), for the considerations and mutual promises contained herein, agree as follows, to wit:

1. Casino and Le agree that Casino, for the time period set out hereinbelow, shall have the exclusive right to negotiate a lease and/or purchase of Le's real property adjacent to the Palace Casino. Le agrees that he will not enter into any negotiations or discussions with other prospective lessees or purchasers for his land adjacent to the Palace Casino until the earlier of either ten (10) days after another party other than Casino purchases and is awarded the Palace Casino and its assets, or (ninety (90) days) after the execution of this agreement. Neither Casino nor Le shall divulge each other's named sources and shall not circumvent, either directly or indirectly, this agreement, and shall not disclose any proprietary information obtained hereby specifically, but not limited to, the lease documents negotiated by Casino and Le.

It is understood that Casino has presented Le with a draft of a proposed Lease agreement, the contents of which have not been mutually agreed upon. This lease agreement, with mutually acceptable changes, shall be used in conjunction with any agreement reached by Casino and Le hereunder.

This Agreement shall be governed by the laws of the State of Mississippi.

5. This Agreement shall be binding on the parties hereto, their principals, employees, representatives, agents, and assigns.

Casino shall, within five (5) days from the execution hereof issue Le seventeen thousand (17,500) shares of its common stock; appropriate registration rights shall be granted upon issuance of the stock.

The term of this agreement shall be the earlier of either ten (10) days after another party other than Casino purchases and is awarded the Palace Casino and its assets, or ninety (90) days after the execution of this agreement by Le.

A $10,000 non-refundable cash payment shall be made by Casino to Le within five (5) days from the date of execution of this agreement to help cover costs associated with the completion of the any lease document.

Agreed this _____ day of July, 1996

Agreed and Accepted:

BY: /s/ JOHN J. PILGER

JOHN J. PILGER
Casino Resource Corporation

Agreed and Accepted:

BY: /s/ HUONG LE

HUONG "HENRY" LE

Exhibit 10.59

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT ("Agreement") is made and entered into this _____ day of December, 1995 by and between Casino Resource Corporation, a Minnesota corporation with its principal offices at 1719 Beach Boulevard, Suite 306, Biloxi, Mississippi, 39531 ("CRC" or the "Company") and Monarch Casinos, Inc., an Iowa corporation with its principal offices at 8450 Hickman Road, Suite 14A, Des Moines, Iowa, 50325 ("Monarch"), and acknowledged and agreed to by Willard E. Smith ("Consultant"), an individual residing at 303 LaSalle Court, Ocean Springs, Mississippi, 39564.

BACKGROUND

Monarch is engaged in the business of the identification and development of commercial gaming activities.

The Company is engaged in the business of operating and developing commercial gaming and related hotel and entertainment activities.

The Company and Monarch entered into a Memorandum of Understanding dated January 18, 1995 (the "January 18 Agreement"), subsequently amended by a letter agreement dated May 3, 1995 and by an Amendment and Modification Agreement entered into on even date herewith (collectively, the "CRC-Monarch Agreement"), pursuant to which, among other things, the Company acquired the right to develop certain gaming activities.

The Company is currently finalizing a Technical Assistance and Development Agreement with Harrah's or an affiliate of Harrah's for the Company and Harrah's to jointly pursue one such gaming opportunity (the "Potawatomi Project") (the "CRC-Harrah's Agreement"). In connection with the development of the Potawatomi Project, Harrah's has entered into or intends to enter into certain "Casino Agreements" (as defined in the CRC-Harrah's Agreement) with the Pokagon Band of Potawatomi Indians (the "Pokagons"). The Company has previously delivered to Monarch a current draft dated November 16,1995 of the CRC-Harrah's Agreement.

From the date of the January 18 Agreement, Monarch has provided certain consulting services to the Company relating to analyzing potential gaming ventures. The Company and Monarch have determined that it is in their mutual best interests to continue that relationship, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the above premises, and the mutual

covenants, agreements and representations herein made, and for other good

and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CRC and Monarch, intending to be legally bound, hereby agree as follows:

1. ENGAGEMENT; CONSULTANT.

(a) CRC hereby engages Monarch as a consultant of CRC and Monarch hereby accepts such engagement, upon the terms and conditions hereinafter set forth.

(b) The Company and Monarch agree that the Consulting Services (as hereafter defined) to be provided hereunder by Monarch shall be rendered by Monarch's employee, Willard E. Smith ("Consultant").

2. TERM This agreement shall be deemed effective as of January 18, 1995, and shall continue until the termination of the CRC-Harrah's Agreement (including any extensions thereof),
unless sooner terminated under Paragraph 12.

1. SERVICES.

(a) During the term of this Agreement, Monarch shall cause Consultant to render to the Company such services of an advisory nature as the Company reasonably and in good faith may request from time to time so that the Company may have the benefit of Consultant's knowledge, expertise, skills and experience in the gaming industry (subject to the limitation described in (d) below, the "Consulting Services").

(b) Monarch shall cause Consultant to be available for advice and counsel to the officers of the Company and other employees designated by the Company by telephone, letter, facsimile, or in person, as may be required by the Company. Consultant shall consider all directions and instructions given by the Company, but consultant shall independently determine the time and manner of the performance of his responsibilities and duties hereunder. All communications made by the Consultant concerning the Consulting Services shall be made to the Chairman of the company, or to the employee or officer of the Company deemed appropriate by the Consultant in dealing with the matter involved.

(c) The Consulting Services shall include but not be limited to site selection, acquisition and planning, permitting and licensing, local, state and federal government affairs, tribal affairs, feasibility, design and construction, design and construction budgeting, capital and operating budgeting, and marketing, planning and analysis.

(d) Notwithstanding the above, the Consulting Services to be provided

hereunder shall relate only to the Potawatomi Project and the next two succeeding Indian gaming projects brought to the Company by Monarch under the CRC-Monarch Agreement, and which the Company, in its sole discretion, agrees to pursue (the Potawatomi Project, together with such two additional projects, the "Initial Projects").

(e) The Company recognizes the consultant shall not devote his full business time to the Consulting Services and that the Consultant may continue to participate in his business interests, other consulting services, and those of Monarch, other than as may be prohibited by or contrary to this Agreement or the CRC-Monarch Agreement (including any future amendments thereto).

(f) The Company and Monarch may, in their respective sole discretion, agree to enter into additional consulting agreements in connection with projects other than the Initial Projects (such other projects, "Additional Projects"), on terms and conditions upon which the Company and Monarch may mutually agree.

4. COMPENSATION. As full compensation for all services rendered hereunder, the Company agrees to pay Monarch as follows:

(a) $3,000, upon execution of this Agreement.

(b) $6,000 per month from January 1995, through the end of the month in which all "Casino Agreements" with respect to the Potawatomi Project are executed and delivered (the "Execution Date").

(c) $9,000 per month beginning the next month immediately following the month in which the Execution Date occurs, until the end of the month in which the Company receives its first full "Management Fee" under the CRC-Harrah's Agreement (the "Commencement Date").

(d) $14,750 per month from the Commencement Date until the Termination Date (as defined below).

(e) The Company shall also loan to Monarch the amount of $250,000, upon and subject to the receipt by the Company of a one-time payment in such amount from Harrah's under the CRC-Harrah's Agreement (the "Loan"). The Loan shall be advanced only if; and when within ten (10) days after, the receipt by the Company of the one-time $250,000 payment from Harrah's under the CRC-Harrah's Agreement. The Loan shall accrue interest at the rate of 7% and shall be due on demand at any time after three years and six months from the execution date of this Agreement; provided however, the Loan shall be deemed fully paid (including accrued interest) upon the second anniversary of the opening of the first casino related to the Potawatomi Project.

5. REIMBURSEMENT OF EXPENSES: CERTAIN BENEFITS.

(a) The Company shall reimburse Monarch or Consultant for all

reasonable and necessary expenses incurred by Consultant in connection with his provision of consulting services hereunder; provided, (i) that such expenses were either approved in advance by the Company (if such expenses were in excess of $1,000 or related to business travel), or such expenses were incurred and submitted for reimbursement in accordance with the expense reimbursement policy of the Company then in effect, including if required, the submission of vouchers, receipts or other records in support of the amount and nature of such expenses, and further provided (ii) that such expenses were in an amount and of a nature to permit the Company to include such reimbursement as a permissible expense in accordance with Internal Revenue Code of 1986, as amended, and Internal Revenue Service guidelines.

(b) Provided that the Company's insurance carriers permit non-employees of the Company such as Consultant to participate in the group insurance benefits provided by the Company to its employees and further provided that any such participation shall not increase the cost to the Company (or its employees) of providing such benefits to its employees, the Company shall permit Consultant to participate in such group insurance benefits as Consultant shall choose, and the Company shall pay one-half of the costs for such benefits, with the Consultant paying the remaining one-half.

(c) Notwithstanding (a) above, Monarch (and not the company) shall pay all costs associated with Consultant's moving expenses to Mississippi

if consultant in his sole discretion determines to provide the Consulting Services from Mississippi. If the provision of the Consulting Services require relocation by Consultant (other than to Mississippi) as determined by Consultant in his sole discretion and agreed to by the Company, the Company shall pay for such expenses as provided in (a) above. If Consultant does move to Mississippi, the Company agrees to rent to the Consultant the Company's LaSalle Street Residence in Ocean Springs, Mississippi, for a period of up to ten months from the date of execution of this Agreement for a rental of $500 per month, plus utilities and minor repairs which together shall not exceed an additional $200 per month. If Consultant in his sole discretion determines to maintain a residence in Mississippi, at the request of Consultant, the Company shall use its best efforts to assist Consultant in obtaining mortgage financing for a permanent residence in Mississippi, provided this shall not obligate the Company to provide any financial assistance or guaranty to Consultant or any company which may finance Consultant's mortgage.

6. INDEPENDENT CONTRACTOR. Monarch's and Consultant's relationship to the Company under this Agreement is one of an independent contractor only and nothing herein shall be deemed to make Monarch or Consultant an employee, partner, co-venturer or other ownership participant in the business or activities of the Company. Furthermore, it is understood that the Company shall not withhold any amount from the compensation payable to Monarch or Consultant but shall file a form 1099 with the Internal Revenue Service of the United States of America if required to indicate all compensation paid to Consultant.

7. CONFIDENTIAL INFORMATION. In the course of consulting for Company, Company may provide Consultant with certain financial and other information concerning its business. Consultant acknowledges that such information, whether furnished before or after the date of this Agreement, whether written or oral, together with any analysis, compilations, studies or other documents prepared by Company or its agents, representatives, or employees regarding such information, is the sole property of and is confidential to Company (hereinafter referred to as "Confidential Information"). As used in this paragraph 7, the term Consultant shall include Monarch.

8. LIMITATION ON SOLICITATION BY CONSULTANT. Consultant agrees that, except in good faith compliance with his duties hereunder as requested by the Company, Consultant shall not, without the prior written approval of the Chairman of the Company.

(a) Solicit additional information regarding the Company or its business from or otherwise contact any employees, agents, or representatives of Company;

(b) Contact any customers, visitors, funding sources or employees of Company or any governmental agencies, as they concern Company, or any of their respective representatives, regarding the business of Company, the existence of this Agreement or the subject matter hereof; or

(c) During the term of and for a period of three (3) years following the execution date of this Agreement, solicit for employment or employ or otherwise contract for the services of any person who is now employed by Company in an executive or supervisory position.

As used in this Paragraph 8, the term Consultant shall include Monarch.

9. NONDISCLOSURE. Consultant agrees to hold the Confidential Information in strictest confidence and to use the Confidential Information only for purposes of rendering his services to Company as set forth in Paragraph 3 above. Without limiting the generality of the foregoing, Consultant agrees as follows:

(a) Consultant will not, without the prior written consent of the Chairman of the Company, disclose the Confidential Information to any person, firm or corporation;

(b) Consultant shall obligate all persons who receive, directly or indirectly, any Confidential Information Thorn Consultant to abide by the terms and conditions of this Agreement as if they were parties hereto;

(c) Consultant shall, at Company's request, return to Company or destroy all copies of documents within Consultant's possession or control containing any of the Confidential Information; and

(d) Consultant will not use any of the Confidential Information for any commercial purposes or for any purpose which might be competitively disadvantageous to Company.

As used in this Paragraph 9, the term consultant shall include Monarch.

10. EXCEPTIONS TO NONDISCLOSURE. The nondisclosure obligations of Consultant set forth under Paragraph 9 of this Agreement shall not be deemed to restrict the use and/or disclosure by Consultant or Monarch of any Confidential Information which:

(a) Is or becomes publicly known or within the public domain without the breach of this Agreement by consultant or Monarch or persons permitted to receive such information pursuant to Paragraph 9 above; or

(b) Is disclosed to Consultant by a third person who is not under an obligation of confidence to Company.

11. NON-COMPETITION; RIGHT OF FIRST REFUSAL.

(a) Consultant shall not, during the term of this Agreement, unless acting with the prior written consent of the Board of Directors of the Company, directly or indirectly:

(i) Own, manage, operate, finance, join, control or participate in the ownership, management, operation, financing or control of; or be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise with any business or enterprise engaged in any business engaged in by Company or any of its affiliates in all those geographic areas in which Company or any of its affiliates does business or has indicated an interest to do business; or

(ii) Use or permit his name to be used in connection with, any business or enterprise engaged in the business engaged in by Company or any of its affiliates in all those geographic areas in which Company or any of its affiliates does business or has indicated an interest to do business; or

(iii) Use the name of Company or any name similar thereto.

(b) In no event shall the covenant not to compete described in this Paragraph 11 apply to Consultant's activities with or on behalf of Monarch, provided that such activities are consistent with the CRC-Monarch Agreement

and any subsequent amendments thereto, including but not limited to the Company's right of first refusal on subsequent Monarch gaming ventures, as set forth in the CRC-Monarch Agreement.

(c) The Company shall have a right of first refusal to participate in any gaming, entertainment or hotel venture which the Consultant or Monarch may develop or have the right to participate in during the term of this Agreement.

The Company shall exercise its right of first refusal promptly after it has received sufficient information to competently assess the opportunity.

12. TERMINATION. This Agreement shall terminate upon the earlier of:

(a) sixty days from the execution date of this Agreement if the "Casino Agreements" between Harrah's and the Pokagons are not each executed by such date;

(b) two years after the date of execution of the "Casino Agreements" between Harrah's and the Pokagons if the first casino is not opened for business or under construction within such period;

(c) expiration of the term set forth in Paragraph 2 above;

(d) mutual agreement of CRC and Monarch, on such terms as Monarch and the Company may agree;

(e) this agreement will continue upon the death of Monarch's assign, Willard B. Smith, the same as if the Consultant were living, only payments shall enure to the estate of the Consultant.

(f) notice by the Company of termination "for cause", which shall consist only of: (i) theft, dishonesty, fraudulent misconduct, gross dereliction of duty or other grave misconduct by Consultant or Monarch, which conduct is injurious to the Company; (ii) repeated, demonstrated failure to perform material duties in a competent and efficient manner; (iii) failure to perform material duties in a competent and efficient manner in any instance if such failure is not cured within thirty (30) days after written notice by Company, or if such cure is not initiated within thirty (30) days of such notice and continually maintained until cured if such failure cannot be remedied within thirty days; (iv) material breach of this Agreement by Monarch or consultant, or of the CRC-Monarch Agreement by Monarch; or (v) if the Consultant or Monarch is required by applicable law, regulation or requirement to be licensed, permitted or determined suitable (in any case "Qualified") pursuant to any tribal, local, state or federal law or regulation, or by any partner or venturer in an Initial Project or related agreement with the Company, and Consultant or Monarch is deemed for any reason to be other than fully Qualified. Consultant may be terminated, but the fees due consultant shall remain in full force and effect so long as CRC or its assigns are receiving funds from the Pokagon contract;

(g) upon receipt by the Company of written notice from consultant or Monarch of Consultant's or Monarch's voluntary termination of this Agreement.

Upon termination of this Agreement as provided above (the "Termination Date"), the Company shall pay to Monarch any amounts due hereunder up to such Termination Date, and shall reimburse Consultant for his expenses up to such Termination Date in accordance with Paragraph 5.

13. EQUITABLE RELIEF; SURVIVAL.

(a) Monarch and the Consultant acknowledge that the restrictions contained in paragraphs 7, 8, 9, 10 and 11 hereof are, in view of the nature of the business of the Company, reasonable and necessary to protect the legitimate interests of the Company, and that any violation of any provisions of those Paragraphs will result in irreparable injury to the Company. Monarch and Consultant also acknowledge that the Company shall be entitled to temporary and permanent injunctive relief, without the necessity of proving actual damages, and to an equitable accounting of all earnings, profits and other benefits arising from any such violation, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled. In the event of any such violation, the Company shall be entitled to commence an action for temporary and permanent injunctive relief and other equitable relief in any court of competent jurisdiction and Consultant and Monarch further irrevocably submits to the jurisdiction of any Mississippi court or Federal court sitting in the Southern District of Mississippi over any suit, action or proceeding arising out of or relating to paragraphs 7, 8, 9,10 or 11. Monarch and the Consultant each hereby waives, to the fullest extent permitted by law, any objection that he or it may now or hereafter have to such

jurisdiction or to the venue of any such suit action or proceeding brought in such a court and any claim that such suit, action or proceeding brought in such a court and any claim that such suit, action or proceeding has been brought in any inconvenient forum. Effective service of process may be made upon the Consultant and Monarch by mail under the notice provisions contained in paragraph 15 hereof

(b) The provisions of paragraphs 7, 8, 9, 10 and 11 shall survive the termination of this Agreement.

14. REMEDIES CUMULATIVE; NO WAIVER. No remedy conferred upon the Company by this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission by the Company in exercising any right remedy or power hereunder or existing at law or in equity shall be construed as a waiver thereof, and any such right, remedy or power may be exercised by the Company from time to time and as often as may be deemed expedient or necessary by the Company in its sole discretion.

15. ENFORCEABILITY. If any provision of this Agreement shall be invalid or unenforceable, in whole or in part, then such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision has been originally incorporated herein as so modified or restricted, or as if such provision had

not been originally incorporated herein, as the case maybe.

16. NOTICES. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth in the first paragraph of this Agreement. Any party hereto may also give notice, request, demand, claim or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but such notice, request, demand, claim, or other communication shall be deemed to have been duly given only if it is actually received (or if receipt is refused) by the party for whom it is intended. Any party hereto may change

17. CONTENTS OF AGREEMENT; AMENDMENT AND ASSIGNMENT. This Agreement sets forth the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes and is instead of all other prior or contemporaneous, written or oral, arrangements regarding the same subject matter between the Consultant or Monarch and the Company. This Agreement cannot be changed, modified or terminated except upon written amendment duly executed by the parties hereto. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, representatives, successors and assigns of the parties hereto, including any successor to the business of the Company (whether by merger, consolidation, sale of stock or assets or otherwise) or of any or all of the Company's interest in any of the Initial Projects; except that the duties and responsibilities of the Consultant hereunder are of a personal nature and shall not be assignable in whole or in part by the Consultant. This Agreement is not, however, intended to restrict, limit or otherwise change or modify the rights of any party which are governed by the CRC-Monarch Agreement.

18. INDEMNIFICATION. Each of Monarch and Consultant agree to jointly and severally indemnify and hold Company and its affiliates, control persons, directors, officers, employees and agents harmless from and against all losses, claims, damages, liabilities, costs or expenses, including those resulting from any threatened or pending investigation, action, proceeding or dispute caused by an action of Consultant or Monarch. This indemnity shall also include Company's reasonable attorney's and accountant's fees and out-of-pocket expenses incurred in defending any such action or threatened action.

19. APPLICABLE LAW. This Agreement shall be interpreted and construed under the internal laws of the State of Mississippi without regard to the conflict of laws provision of any state.

20. HEADINGS. The various headings used in this Agreement are inserted for convenience only and will not in any way affect the meaning or construction of this Agreement or any provision hereof .

21. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all such counterparts together will constitute but one agreement.

22. COSTS AND EXPENSES. Each party shall bear their own respective costs and expenses in connection with this Agreement, including any costs or expenses as to the enforcement of any provision hereof.

23. ARBITRATION. Any dispute between the company and Monarch or the Consultant under this Agreement, other than a dispute relating to paragraphs 7, 8, 9 10 or 11, will be submitted to arbitration in Mississippi and such arbitration will be commenced, conducted and concluded in accordance with the rules, and under the auspices, of the American Arbitration Association then in effect. The arbitration panel shall consist of three arbitrators: one selected by company, one by Monarch, and the third pursuant to the rules of the Association. All fees and expenses of the arbitration will be borne equally by Monarch and the Company. The decision of the arbitrators will be final and binding and both parties hereby forever waive and renounce any right either party may have to seek review of such decision in any tribunal.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

CASINO RESOURCE CORPORATION

By:_____

John J. Pilger, Chief Executive Officer

MONARCH CASINOS, INC.

By:_____

Kent A. Williams, Chief Executive Officer

The undersigned hereby acknowledges, agrees and accepts the terms of this Agreement to the extent such terms relate to the undersigned, including as to paragraphs 7, 8, 9, 10 and 11.

Executed and delivered this _____ day of December, 1995.

_____

Willard E. Smith, individually, and as a shareholder of Monarch

Exhibit 10.60

TECHNICAL ASSISTANCE AND CONSULTING AGREEMENT

This Development Funding and Technical Assistance Agreement ("Agreement") is entered into by and between HARRAH'S SOUTHWEST MICHIGAN CASINO CORPORATION ("Harrah's"), a Nevada corporation whose address is 206 North Virginia Street, Re no, Nevada 89501, and CASINO RESOURCE CORPORATION, a Minnesota corporation ("CRC"), whose address is 1719 Beach Boulevard, Suite 306, Biloxi, Mississippi 39531.

1. RECITALS.

1.1 Over the last several months, CRC and Harrah's have cooperated with respect to a proposal involving the development of casino gaming and related facilities (the " Enterprise") to be owned by the Pokagon Band of Potawatomi Indians, a federally recognized Indian Tribe pursuant to the Indian Reorganization Act of 1934 (the "Band"), with service areas in Michigan and Indiana.

1.2 By informal agreement, CRC and Harrah's paid the pre-development costs related to the Enterprise and the parties have submitted a joint proposal to the Band in response to the Band's RFP.

1.3 It is anticipated that a number of costs will be incurred in connection with the development of and on behalf of the Enterprise prior to the effective dates of the various definitive agreements between the Band and Harrah's including, but not limited to, a Development and Construction Agreement, Management Agreement, and all collateral agreements, as that term is defined by the NIGC, (collectively, the "Casino Agreements"), including without limitation, all payments to the Band which are not repaid to Harrah's pursuant to the Casino Agreements, option costs, real estate costs, surveying costs, testing costs, legal fees, consultants' fees, the costs of environmental and other studies and surveys, appraisal costs, real estate commissions and costs, insurance costs, accounting costs, and other incidental and related costs, but excluding those which are personal to Harrah's or any internal or overhead allocations to Harrah's or any of its Affiliates (collectively, the "Submission Costs"). It is further anticipated that a number of other third-party costs will be incurred in connection with securing the approval by the National Indian Gaming Commission ("NIGC") of the Casino Agreements including, without limitation, the continuing Submission Costs and additional legal fees, consultants' fees, the costs of other studies and surveys, appropriate lobbying costs and fees, and other incidental and related costs, for which Harrah's is not reimbursed by the Band (collectively, the "Contract Approval Costs").

1.4 It is anticipated that Harrah's will become obligated, pursuant to certain agreements between it and the Band, to provide all the financing

needed for the development, design, construction, furnishing, and start-up of the Enterprise, including, but not limited to, the Submission Costs and the Contract Approval Costs.

1.5 CRC has been instrumental in the efforts to submit and present the response to the Band's RFP, has expended considerable effort toward the pre-development activities related to the response to the RFP, and wishes to formalize its relationship with Harrah's regarding CRC's ongoing role in the development of the proposed Enterprise.

2. DEVELOPMENT FUNDING.

2.1 CRC is not obligated to fund any obligation of Harrah's to the Band as may be set forth in the Casino Agreements, and Harrah's will be solely responsible for all funding requirements thereunder.

2.2 Some of the advance cash payments to the Band by Harrah's may be recouped by Harrah's from the development funding or subsequent revenues of the Enterprise in accordance with the Management Agreement with the Band and some will not. CRC will pay Harrah's its share (as determined by using the same percentage applicable in determining CRC's fees as described in Exhibit "A"} of such Submission Costs, Contract Approval Costs, and other payments which are not recouped from the Band in accordance with the Casino Agreements. Such repayment to Harrah's will be made in 24 equal monthly installments without interest, and will be withheld from any payments otherwise due to CRC.

2.3 CRC acknowledges that it is not a beneficiary of any of the Casino Agreements. Further, any right of CRC to receive its compensation pursuant to Section 5.1 b, 51(c), or 5.3 is specifically conditioned on Management Fees being paid to Harrah's. If for any reason the Enterprise is not developed, does not open, or if opened, does not perform up to the projections as submitted in Harrah's response to the Band's request for proposal, performs in a manner that results in no Management Fee paid to Harrah's, or the termination of the Casino Agreements or any of them, then CRC shall have no claim against Harrah's for damages, whether in contract or in tort.

2.4 The relationship of CRC to Harrah's created under this Agreement shall be as a general contractor. Neither CRC nor Harrah's shall be construed as joint venturers or partners of each other by reason of this Agreement and neither shall have the power to bind or obligate the other.

3. TECHNICAL SERVICES.

3.1 CRC has provided and will continue, during the term of the Casino Agreements, any renewal and any extension thereof, to provide, within a reasonable time upon written request from Harrah's, technical services related to the development of the proposed Enterprise in the form of advice and consultation including, but not limited to, the following:

Site selection, acquisition, and planning;
Permitting and licensing;
Governmental affairs, Tribal, local, state, and federal;
Feasibility, design, and construction;
Design and construction budgeting;
Capital and operating budgeting; and
Marketing planning and analysis.

3.1.1 CRC agrees that it shall provide such services directly to Harrah's and shall have no right to affect the management decisions made by Harrah's in its negotiations for, or the performance of, the Casino Agreements. Further, CRC shall not interfere in any way or involve itself directly nor will it encourage or in any way involve others to interfere or involve themselves with the operation of the Enterprise unless requested by Harrah's CRC shall not be deemed to violate this Section 3.1.1 in the event that it shall respond in good faith to an inquiry from the Band which was not initiated by CRC, provided that CRC shall notify Harrah's of such inquiry and its response thereto within two (2) business days of the receipt or delivery thereof, as the case may be.

3.2 Any failure on the part of CRC to provide the technical services set forth in Section 3.1a-g shall not be deemed a default or breach of this Agreement, but any breach of 3.1.1 or 9.20 shall be a material breach of this Agreement, if not cured within ninety (90) days of receipt of written notice by Harrah's setting forth with particularity the failure alleged to have caused such breach; provided, however, that any breach of Section 9.20 by CRC shall not be cause to terminate this Agreement, but shall obligate CRC to pay liquidated damages to Harrah's on account of each such breach in the amount of $25,000.

4. HOTEL DEVELOPMENT

4.1 If a hotel is to be developed as part of the Enterprise, then CRC and Harrah's shall cooperate in and Harrah's will strongly advocate a proposal to the Band whereby CRC shall develop, finance, and own the Hotel with same to be managed by Harrah's or CRC, at Harrah's sole discretion, on such terms as may be mutually agreed upon based on general industry standards for such agreements. In addition, the approval of the terms, plans, and specifications of any such development is subject to the approval of the Band and Harrah's as well as that of CRC.

5. COMPENSATION.

5.1 The compensation to CRC under this Agreement shall be as follows:

$250,000 upon execution of this Agreement by the parties; and

If the Casino Agreements are approved by the NIGC and any other regulatory authority whose approval is required, and one or more casinos are actually built and opened, then in consideration of the foregoing, CRC shall, except as provided at Section 5.3, be paid a fee (the "Fee"}, which

shall be based on a percentage of the money actually paid to Harrah's and received by Harrah's as its Management Fee pursuant to Section 6 of the Management Agreement, said Fee shall be as set forth in Exhibit "A" hereto; and

If all the conditions set forth at (b) above have occurred, then Harrah's shall pay CRC $10,000 per month commencing on the twenty-first (21st) day of the first calendar month after the opening of the first Pokagon casino managed by Harrah's and continuing each successive month during the term of the Management Agreement referred to at 1 .3 above. CRC agrees that Harrah's shall deduct from each of the first forty (40) of such payments the sum of $5,000 as reasonable reimbursement for its costs in administering the contracts between the parties hereto. In any event, the obligation to make these payments by either party shall cease upon the payment to CRC of $600,000 less $200,000 paid to Harrah's.

5.2 Harrah's will, beginning upon the satisfaction of the conditions set forth at 5.1b above, cause to be provided 30 complimentary nights (room and room tax only) per year in any Harrah's casino located in the state of Nevada to Bud Smith of Monarch Casinos, Inc., during his lifetime, upon Mr. Smith's request to the Harrah's Indian Gaming Division. Such request must be at least thirty (30) days prior to the date(s) of intended stay. Mr. Smith shall have the right to use the complimentary rooms himself or he may reserve them for members of his immediate family, which shall mean his spouse and his children, but he may not reserve them for other people.

5.3 Should the Band and Harrah's develop and open a casino in Indiana outside the Band's service area in Indiana, which are LaPorte, St. Joseph, Elkhart, Starke, Marshall, and Kosciusko Counties (the "Out-of-Area-Casino"t), and Harrah's does not provide the financing for the development so that its Management Fee is 15 percent (15%) of Net Revenues of the Out-of-Area-Casino, then CRC shall be paid 20 percent (20%) of the money actually received by Harrah's as its Management Fee related to the Out-of-Area-Casino.

5.4 CRC shall be paid its fee pursuant to Sections 5.1(b) and (c), and 5.3 should it become applicable, monthly within five (5) business days of the receipt by Harrah's of its Management Fee.

5.5 Harrah's obligation to pay the fee set forth at Section 5.1(b) shall continue during the term of the Management Agreement, any renewal and any extension thereof, and, subject to the provisions of Section 5.8, shall end upon the termination of the Management Agreement for whatever

reason. Likewise, this provision will control should the possibility set forth at Section 5.3 actually occur. Regardless of the Management Fee percentage negotiated for any renewal term or extension of the initial term of the Casino Agreements, CRC shall be paid in accordance with the terms set forth in this Agreement, the same percent of Harrah's Management Fee as paid pursuant to 5.1b and 5.3. For example, if the Management Fee for the initial

term is 30 percent (30%), CRC would receive 28 percent (28%) of the Management Fee. CRC would also receive 28 percent (28%) of any Management Fee negotiated for any subsequent term regardless of the Management Fee percentage negotiated for such subsequent term.

5.6 Harrah's shall provide CRC monthly reports on the operation of the Enterprise, including operating and balance statements and proof of the Management Fee received. Subject to the prior written approval of the Band, CRC shall be provided, on a monthly basis, with the same financial reports as are provided to the Band. CRC agrees to maintain the confidentiality of such reports.

5.7 CRC shall have the right, at its own expense, to audit, or cause to be audited, the records of Harrah's related to the Enterprise on an annual basis at a reasonable time and in a manner which will not interfere with either Harrah's business operations or with the operation of the Enterprise.

5.8 In the event the Band exercises its option pursuant to Section 9.22 of the Management Agreement or the Casino Agreements terminate or are canceled in any other manner, then CRC shall be paid its Fee based on Exhibit A concurrently with Harrah's receipt of any payment from the Band in satisfaction of its Management Fee under the Casino Agreements. If Harrah's is required to litigate or otherwise engage attorney(s} concerning the recovery of any Management Fee, then CRC shall pay its pro-rata share of any cost of recovery which shall be deducted from any such recovery. For the purposes of this Section, the cost of recovery shall include all outside legal and other professional fees and costs along with all other court costs, investigations, depositions, and any other related costs paid to third parties reasonably incurred by Harrah's in the pursuit of such claim.

6. REGULATORY APPROVALS.

6.1 The parties acknowledge that for the Casino Agreements to be valid, they must have the approval of the NIGC and perhaps other governmental authorities; that the NIGC regulations also require the disclosure of any agreements which are related to the aforementioned agreements ("Collateral Agreements"); that this Agreement is a Collateral Agreement and that it must be and will be disclosed to the Band and the NIGC.

6.2 The parties acknowledge that any loan made to the Band directly by the parties to this Agreement or any loan to the Band which is guaranteed by the parties related to the development of the proposed Enterprise may likewise be a Collateral Agreement which must be submitted to the NIGC and/or may require approval by the Bureau of Indian Affairs (BIA) pursuant to 25 USC 81 in order to be valid.

6.3 The parties acknowledge that any party with a financial interest in the funding or the Management Fee is subject to background investigation by the NIGC as well as possibly other interested tribal, state, and federal regulatory agencies (the "Regulatory Agencies").

6.4 In the event that any Regulatory Agency with the authority to review any of the contracts related to the proposed Enterprise finds the terms of this Agreement unacceptable. Harrah's and CRC shall negotiate in good faith to modify this Agreement in such manner as to satisfy the objections of such Regulatory Agency(s). Such negotiations shall include, but not be limited to, the issue of the acceptance by the parties of changes required to satisfy such objections that do not result in a material increase in cost, risk or obligation to either of the parties or which does not have a materially adverse impact on Harrah's ability to manage the Enterprise. If the parties are unable to reach an agreement acceptable to such Regulatory Agency(s) within ninety (90) days of notice of objection from

any Regulatory Agency(s), then this Agreement shall terminate and, subject to the provisions of Section 7.1.2 hereof, CRC shall have no further rights herein, except, to the extent allowed by any relevant Regulatory Authority, for the right of CRC to receive payment from Harrah's, as provided below, of a sum of money equal to the then present value of CRC's right to receive payments pursuant to this Agreement (the "Present Value Payment") in full satisfaction of CRC's rights hereunder and its full and unconditional release of any further claims related to the Casino Agreements. Such valuation shall be as determined by a nationally or regionally recognized investment banking firm with experience in the valuation of gaming businesses selected by Harrah's with the consent of CRC, which consent shall not be unreasonably withheld; provided, however, that Harrah's may not select any firm that has provided any services to Harrah's, directly or through any Affiliate, within the prior two years and for which it had received fees or other compensation, including underwriting discounts, in excess of $25,000, in the aggregate. The fees of such investment banking firm shall be split equally between CRC and Harrah's. The Present Value Payment shall be paid in thirty-six (36) equal monthly installments of principal plus interest calculated at the same rate used to calculate the Present Value Payment.

6.5 The parties hereto agree to cooperate fully with any investigation of their suitability or that of any of their officers, directors, employees, Affiliates, stockholders, or agents by any tribal, state, or federal regulatory agency charged with that responsibility related to the parties' financial involvement with the Band's proposed Enterprise.

6.6 CRC and Harrah's agree to provide to the other complete copies of any contracts or agreements with any Person(s) or entity(ies) related in any way with the Enterprise including, but not limited to, CRC's agreement with Monarch Casinos, Inc.

9. GAMING QUALIFICATION

7.1 Gaming Qualifications

7.1.1 All officers, employees, or partners of either of the parties hereto, and all Persons owning directly or indirectly any ownership

interest, security interest, other legal or beneficial interests in Harrah's, CRC, Affiliates and their successors and assigns, who are required to be licensed, permitted or determined suitable pursuant to any tribal, state or federal law or regulation shall be so licensed, permitted or determined suitable as and when required, and at all times during the term of this Agreement.

7.1.2 If CRC or a corporation, partnership, trust, limited liability company, limited partnership or other entity or Person that, directly or indirectly, holds any interest in CRC or any beneficial interest in CRC (generally, a "Holding Entity" and specifically with respect to CRC, a "CRC Holding Entity ") is determined by any regulatory authority to be unsuitable, or has an application for a license or permit (including any gaming or alcoholic beverage license, permit, approval, or other entitlement) rejected, or has a previously issued license or permit rescinded, suspended, revoked or not renewed, as the case may be (collectively, an "Unsuitability Determination") as to CRC or a CRC Holding Entity, and the basis for such finding is not resolved within thirty (30) days of the Unsuitability Determination, then CRC agrees that this Agreement shall terminate. However, if CRC or the CRC Holding Entity contest and are successful in curing or reversing such Unsuitability Determination within a period of one (1) year from the date of such Unsuitability Determination, then (i) the termination of this Agreement shall be revoked and CRC restored to its rights and obligations under this Agreement and (ii), to the extent allowed by the regulatory authority involved, CRC shall be paid any Fees which, but for the Unsuitability Determination, would have otherwise been paid to it during such period of termination. The one (1) year period set forth above shall be extended until the conclusion of any relevant proceeding initiated during such period. In the event of a termination of this Agreement pursuant to this Section 7.1.2, to the extent allowed by any relevant Regulatory Authority, CRC shall receive from Harrah's, as set forth in Section 6.4, the payment of a sum of money equal to the then present value of CRC's right to

receive payments pursuant to this Agreement in full satisfaction of CRC's rights hereunder and its full and unconditional release of any further claims related to the Casino Agreements. Such valuation shall be determined and paid as provided in Section 6.4.

8. REPRESENTATIONS AND WARRANTIES. Each party represents and warrants to the other party that:

8.1 Neither it nor its Affiliates is a party to any other agreement or any other arrangement which would interfere with the development or operation of the proposed Enterprise; and

8.2 Its performance under this Agreement will not violate any other material agreement or other arrangement to which it or its Affiliates is a party; and

8.3 It and its Affiliates have not received notice of any claim which

would materially interfere with its performance under this Agreement; and

8.4 To the best of its knowledge, no condition exists which would cause it to be found unsuitable under (a) the gaming or liquor laws or regulations of the state of Michigan and/or Indiana (as such gaming and liquor laws or regulations may be applicable to the proposed Enterprise or any other casino gaming project that the parties may determine, by mutual written agreement, to undertake, either jointly or independently of each other}; (b) the Indian Gaming Regulatory Act or regulations of the NIGC; (c) the gaming laws or regulations of any tribal gaming authority or similar regulatory body which may be created by the Band or any tribe; or (d) the gaming laws or regulations of any other gaming jurisdiction.

9. MISCELLANEOUS.

9.1 This Agreement and the rights of the parties shall be governed by and interpreted in accordance with the laws of the state of Michigan.

9.2 Any Person acquiring or claiming an interest in this Agreement, in any manner whatsoever, shall be subject to and bound by all terms, conditions, and obligations of this Agreement to which that Person or that Person's predecessor in interest was subject or bound, without regard to whether such a Person has executed a counterpart hereof or any other document contemplated hereby. No such Person shall have any rights or obligations greater than those set forth in this Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their permitted successors and assigns.

9.3 Whenever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, the feminine, or the neuter gender shall include the masculine, feminine, and neuter gender as the circumstances require.

9.4 Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

9.5 If any provision of this Agreement, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to Persons or circumstances other than those to which it is held invalid, shall not be affected thereby, and the parties shall attempt to reformulate such invalid provision to give effect to such portions thereof as may be valid without defeating the intent of such provision.

9.6 This Agreement, or any amendment hereto, may be executed in multiple counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument, notwithstanding that all of

the parties are not signatories to the original or the same counterpart. In addition, this Agreement, or any amendment hereto, may be executed by the affixing of the signatures of each of the parties to one of such counterpart signature pages; all of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

9.7 If either party brings any judicial action or proceeding to enforce its rights under this Agreement, the prevailing party shall be entitled, in addition to any other remedy, to recover from the other, regardless of whether such action or proceeding is prosecuted to judgment, all costs and expenses including, without limitation, reasonable attorneys' fees incurred therein by the prevailing party.

9.8 The parties agree as follows:

9.8.1 With the exception of, and subject to, any restrictions contained in the Casino Agreements, either party may engage and possess an interest in any other business venture of any nature, kind or description, including, without limitation, any business venture engaged in the same type of business as that contemplated under this Agreement, even if such other business is competitive with the business venture contemplated under this Agreement.

9.8.2 Except as otherwise agreed in writing by the parties:

No party shall have any right in and to any business venture of the other party permitted under Section 9.8.1 nor to income or profits derived therefrom;

As a natural part of the consideration for the execution of this Agreement by Harrah's, CRC hereby waives, relinquishes, and renounces any right or claim of participation in any other business venture of Harrah's and its Affiliates, including, but not limited to, the venture related to the Eastern Band of Cherokee.

9.9 Each party agrees that it will conduct its activities, and will cause any activities conducted on its behalf to be conducted, in a lawful manner and specifically will not engage in the following transactions:

9.9.1 Pay or offer to pay, directly or indirectly, anything of value to any domestic or foreign government official or employee in order to obtain business, retain business or direct business to others, or for the purpose of inducing such government official or employee to fail to perform or to perform improperly his official functions. This provision shall not be construed to prohibit lobbying or other lawful activities under Michigan or Indiana law, including, without limitation, the Michigan Lobbying Act, 1978 PA 472, as amended, MCLA 4.411 et seq; or

9.9.2 Receive, pay, or offer anything of value, directly or

indirectly, from or to any private party in the form of a commercial bribe, influence payment or kickback for any such purpose; or

9.9.3 Use, directly or indirectly, any funds or other assets held under this Agreement for any unlawful purpose including, without limitation, political contributions in violation of applicable law.

9.10 Harrah's, in the performance of its obligations under the Casino Agreements and this Agreement, and CRC, in the performance of its obligations under this Agreement, shall comply fully with all applicable laws, ordinances, rules, and regulations governing such services as well as Harrah's Compliance Policies as set forth at Exhibit "B" hereto, which CRC acknowledges it has read and understands, as same may be amended from time to time.

9.11 To the fullest extent permitted by law, each party shall indemnify and hold harmless the other party and its Affiliates from and against any and all loss, costs, damage, expense or liability, including, without limitation, fees and expenses of attorneys and other experts and advisors, any and all court costs relating to any breach by such party of its representations and warranties set forth in

Section 8; and CRC does indemnify in the same manner Harrah's and its Affiliates against any claims relating to the

proposed Enterprise by any Person with which or whom CRC or its Affiliates has had any business relationship, association, or dealing prior to January 10, 1995, including, but not limited to, Monarch Casinos, Inc. and its officers, employees, shareholders, and Affiliates. This indemnification shall survive the termination of this Agreement for a period of three (3) years.

9.12 Any amendments to this Agreement may only be made and shall only be effective upon the written consent of each party.

9.13 This Agreement is for the sole and exclusive benefit of the parties and no other Person or entity (including any creditors of the parties) shall, under any circumstances, be deemed to be a beneficiary of any of the rights, remedies, terms, and provisions of this Agreement.

9.14 The parties acknowledge that each is or is owned by a publicly held corporation and that trading in the securities of such corporation based on non-public information or unauthorized disclosure or other use of material developments could expose Harrah's and its Affiliates and CRC to significant penalties. The parties shall take appropriate precautions to inform its employees and agents that trading in the securities of CRC, Harrah's Entertainment, Inc., or their Affiliates based on non-public information or unauthorized disclosure or other use of material developments could expose CRC and Harrah's to significant penalties.

9.15 Each party shall provide all information pertaining to its officers, directors, shareholders, financial sources and associations as shall be required by any Regulatory Authority with jurisdiction over such party or over the proposed Enterprise.

9.16 The parties shall execute and deliver such further instruments and do such further acts and things as may be required to carry out the intent and the purpose of this Agreement.

9.17 All representations, warranties, and agreements herein shall survive until the expiration or termination of this Agreement except to the extent that a representation, warranty, or agreement expressly provides otherwise.

9.18 The Exhibits referred to in this Agreement and attached hereto are incorporated into this Agreement by reference.

9.19 One or more waivers of any provision, covenant, conditions, or warranty of this Agreement shall not be construed as a waiver of a subsequent breach of this same provision, covenant, condition, or warranty or of another or subsequent breach of other provisions, covenants, conditions, or warranties. The consent or approval to or for any act shall not be deemed to render unnecessary the consent or approval to or for any other or subsequent similar act.

9.20 Neither CRC nor Harrah's shall make any public statement regarding the arrangements in this Agreement without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed. Further, CRC will not issue any news release with respect to the Band and the Enterprise without prior approval of Harrah's, unless a party is compelled to make such statements by judicial or administrative process or, in the opinion of its counsel, by the requirements of law or applicable regulations of any relevant stock exchange or other governmental authority, including disclosure requirements of the federal securities laws. Approval shall be deemed given upon Harrah's failure to notify CRC of any disapproval within twenty-four (24) hours (excluding weekends and holidays) of a receipt of a draft release.

9.21 The provisions of this Agreement having been negotiated, it shall be presumed to have been mutually drafted.

9.22 This Agreement shall become effective upon the date of the last signature hereto.

9.23 The parties represent that each has the authority to execute this Agreement and that the same shall be binding by its terms.

9.24 This Agreement shall not be construed to create a partnership or other association or joint venture between the parties; the relationship created by this Agreement is purely contractual and the parties agree that no joint liability to third parties is created hereby. Except as provided in Section

9.11, each party shall continue to be individually liable to third parties for that party's acts or omissions and shall not seek indemnification or contribution from the other party for such third party liability.

9.25 The parties shall undertake, within a reasonable time after the approval of the Casino Agreements by the NIGC, an accounting and reconciliation of the expenses incurred in connection with the proposed Enterprise.

9.26 "Affiliate," as used in this Agreement, means any corporation, partnership, limited liability company, joint venture, trust, department or agency or individual controlled by, under common control with, or which controls, directly or indirectly, Harrah's or CRC.

9.27 "Person," as used in this Agreement, means any natural person, partnership, joint venture, corporation, limited liability company, trust, or other legally recognizable entity.

9.28 "Management Agreement," as used in this Agreement, means the agreement by that name executed by and between Harrah's Southwest Michigan Casino Corporation and the Pokagon Band of Potawatomi Indians on September 15, 1995.

9.29 "Development and Construction Agreement," as used in this Agreement, means the agreement by that name executed by and between Harrah's Southwest Michigan Casino Corporation, Harrah's Operating Company, Inc., and the Pokagon Band of Potawatomi Indians on September 15, 1995.

10. Non-Assignability

10.1 The rights granted CRC by this Agreement are personal to it and may not be assigned, transferred, pledged, hypothecated, or sold by it without the prior written approval of Harrah's, which approval shall not be unreasonably withheld or delayed.

HARRAH'S SOUTHWEST MICHIGAN
CASINO CORPORATION, a Nevada
corporation

Dated: _____ By: _____

Its: _____

CASINO RESOURCE CORPORATION,
a Minnesota corporation

Dated:_____ By: _____

Its: _____

EXHIBIT A

Harrah's will pay to CRC the percentage of management fees actually received by Harrah's pursuant to the Management Agreement described as "CRC Fee" below:

MANAGEMENT FEE AS A % OF NET REVENUES (AS DEFINED IN CASINO AGTS.)	CRC FEE AS A % OF THE MONEY PAID HARRAH'S AS A MANAGEMENT FEE
30.0%	28.0%
29.5%	27.2%
29.0%	26.4%
28.5%	25.6%
28.0%	24.8%
27.5%	24.0%
27.0%	23.2%
26.5%	22.4%
26.0%	21.6%
25.5%	20.8%
25.0%	20.0%
24.5%	19.2%
24.0%	18.4%
23.5%	17.6%
23.0%	16.8%
22.5%	16.0%
22.0%	15.2%
21.5%	14.4%
21.0%	13.6%
20.5%	12.8%
20.0%	12.0%
20.0% or less	12.0%

EXHIBIT B

Harrah's Entertainment, Inc.
Compliance Policies
(Attached)

LEASE AGREEMENT

THIS LEASE AGREEMENT entered into this _____ day of _____, 19__, by and between J. MACDONALD BURKHART, M.D. ("Lessor"), and COUNTRY TONITE THEATRE, L.L.C., a Tennessee limited liability company ("Lessee").

W I T N E S S E T H:

THAT IN CONSIDERATION of the payment of the rents set forth below, and of the keeping of the mutual terms and covenants set forth herein, the parties hereby enter into this Lease Agreement (the "Lease"), by which Lessor leases to Lessee, and Lessee takes as a tenant, the property described on EXHIBIT A hereto which has been improved for use as a theater and parking therefor (the "Premises"), which exhibit is incorporated fully herein by reference, and all of the furniture, equipment, and fixtures which are owned by Lessor and currently used on the Premises, as more particularly described on EXHIBIT B, which exhibit is incorporated fully herein by reference (the "Equipment"), for a term beginning on the 15th day January, 1997 (the "Starting Date"), and ending on the 31st day of December, 2001, unless sooner terminated or extended in accord with the provisions herein. The "Premises" and the "Equipment" are collectively referred to herein as the "Leased Property".

TO HAVE AND TO HOLD the Leased Property, with all rights, privileges and appurtenances thereto belonging, unto Lessee for and during the term as above provided; and Lessor covenants with Lessee to keep Lessee in quiet possession of the Leased Property during the term of the Lease, unless sooner terminated pursuant to any provision of the Lease, provided that Lessee shall promptly pay the rent and keep and perform the covenants and agreements of this Lease.

1. POSSESSION OF LEASED PROPERTY: Lessee acknowledges that it has conducted an inspection of the Leased Property, and the acceptance of possession by Lessee shall be conclusive

evidence that the Leased Property is in acceptable condition and fit for Lessee's purposes. Lessee shall have the right of possession of the Leased Property as of the Starting Date and Lessor shall not permit the condition of the Leased Property to deteriorate between the date hereof and the Starting date, ordinary wear and tear excepted. In addition, upon the prior, written consent of Lessor, which shall not be unreasonably withheld and subject to the rights of third-parties, Lessee shall have the right of access to and entry on the Leased Property prior to the Starting Date, if and to the extent necessary to allow Lessee to prepare for the performance of its obligations as stated herein and consistent with Lessor's rights and obligations to the current tenant and other third parties.

2. USE OF LEASED PROPERTY: Lessee shall use the Leased Property solely for the purpose of operating theatrical and musical productions including the "Country Tonite Show" solely for the exclusive benefit of the Lessee, and also

including complimentary morning and afternoon musical and theatrical shows, and celebrity shows, and for no other purposes without the prior, written consent of Lessor. The parties acknowledge and agree that Lessee has entered into or will enter into a contract with Country Tonite Enterprises providing for performance of the "Country Tonite Show" on the Premises throughout the term of this Lease Agreement, as provided in such contract, a copy of which is attached hereto as Exhibit C (the "CTE Contract"). Lessee shall comply, at its own expense, with all present and future federal, state, and local laws, rules, regulations, ordinances, and/or orders concerning the use of the Leased Property, provided, however, Lessor shall be responsible for correcting any existing violations of such laws existing as of the Starting Date. Lessee shall do nothing, and shall permit nothing to be done, on or about the Leased Property which constitutes waste, nuisance, or interference with the peaceful, quiet enjoyment or use of adjoining or neighboring property. Lessee shall do nothing which would make void or voidable any insurance on the Leased Property. Lessee shall not damage the Leased Property and Lessee shall exercise due

care in and around the Leased Property. Lessee shall preserve and protect the Leased Property and shall be responsible for keeping the Premises clean. Notwithstanding anything herein, Lessee shall not be liable for the cost of any damage actually reimbursed by insurance or any damages that Lessor is required to insure hereunder.

3. RENT: Lessee shall pay Lessor rent on the first day of each month during the term of this Lease, beginning on March 1, 1997 and on the first day of each succeeding month. The amount of such rental shall be as follows:

(a) for the period beginning March 1, 1997 and ending on February 28, 1998, the total sum of Three Hundred Sixty Thousand Dollars ($360,000.00) payable in twelve (12) equal installments of Thirty Thousand Dollars ($30,000.00) each;

(b) for the period beginning on March 1, 1998 and ending on February 28, 1999, the total sum of Four Hundred Eighty Thousand Dollars ($480,000.00) payable in twelve (12) equal installments of Forty Thousand Dollars ($40,000.00) each;

(c) for the period beginning on March 1, 1999 and ending on February 28, 2000, the total sum of Eight Hundred Forty Thousand Dollars ($840,000.00) payable in twelve (12) equal installments of Seventy Thousand Dollars ($70,000.00) each; and

(d) for each subsequent year during the term of this Lease (beginning on each successive March 1 and ending on the following February 28, unless terminated sooner in accordance with the terms of this Lease), the total sum of Eight Hundred Forty Thousand Dollars ($840,000.00) per year, payable in equal monthly installments of Seventy Thousand Dollars ($70,000.00) each.

Rent shall be due and payable on the first day of each month without further notice as to the due date and without set-off or deduction except as otherwise expressly provided herein, at the address of Lessor specified on the signature page of this Lease, or at such other address as the Lessor may from time to time specify by written notice to Lessee.

4. TAXES, UTILITIES, MORTGAGE PAYMENTS, PROPERTY INSURANCE, AND ASSESSMENTS: Lessor shall be responsible for all mortgage payments (if any), property taxes, and assessments (if applicable), and commercial property insurance and his own commercial general liability insurance,

if any, as to the Leased Premises. Lessee shall be responsible for all other costs and expenses, including utilities and all other insurance, including its own commercial general liability insurance, connected with or relating to the Leased Property during the term of this Lease Agreement, beginning on the Starting Date, except to the extent expressly provided herein, as additional rent.

5. REPAIRS AND MAINTENANCE: Lessor warrants that as of the Starting Date, the Equipment will be in good operating condition, and Lessee's acceptance of possession shall be conclusive evidence of such good condition. Lessor assumes responsibility for major repairs that are essential and required as to the roof and structure of the building located on the Premises and for major repairs (not maintenance or minor repairs) as to the HVAC system utilized in such theater building. Lessee shall be responsible for all other repairs, maintenance, upkeep, and cleaning as to the Leased Property. It shall be the responsibility of Lessee to maintain the Leased Property and any and all improvements thereto in good condition, repair, and working order, ordinary wear and tear excepted, and except to the extent Lessor is obligated to make a major repair as required above.

6. INSURANCE: Lessor shall purchase and maintain, at its expense, during the term of the Lease, commercial property insurance covering the Leased Property against at least those risks covered by the Insurance Services Office Special Cause of Loss Form or its equivalent for the full replacement value thereof with an agreed amount endorsement so as to avoid any coinsurance penalty, with a deductible of not more than Twenty-five Thousand Dollars ($25,000.00). The risks of flood and earthquake shall also be insured against either by endorsement to said commercial property policy or by a separate policy specifically insuring against those risks.

Lessee shall purchase and maintain, at its expense, during the term of the Lease commercial general liability insurance covering Lessee's legal liability as respects the Leased Property and any adjacent property which serves the Leased Property. Said insurance shall have limits of not less than

Ten Million Dollars ($10,000,000.00) per occurrence for bodily injury including death, property damage and personal injury. Lessee agrees to name Lessor as an Additional Insured -- Lessee of Premises.

In the event that both Lessor and Lessee agree, the commercial property and commercial general liability required to be carried hereunder by both parties pursuant to this PARAGRAPH 6 may be provided by one or more policies insuring both Lessor, Lessee and their respective owners. In such event, the total limit of the commercial property policy shall be equal to the sum of the limit required to be carried by Lessor and Lessee and the policy shall carry a deductible not to exceed Twenty-Five Thousand Dollars ($25,000.00). The limits of the commercial general liability policy shall not be less than Ten Million Dollars ($10,000,000.00) per occurrence and general aggregate. The premiums for said policy(ies) shall be paid by Lessor and Lessee based on the respective charges made by the insurance company(ies) providing such coverage, with Lessor paying the premiums related to the commercial property insurance on the Leased Property and loss of rental income and landlord's liability if Lessor decides to carry such insurance and with Lessee paying the premiums related to the commercial general liability policy (other than landlord's liability), loss of income insurance and commercial property insurance on Lessee's own property. In the event of a loss under the commercial property policy that is subject to a deductible, Lessor and Lessee shall each bear that portion of the deductible that is equal to a fraction of which the numerator is the amount of their respective insured loss and the denominator of which is equal to the total insured loss incurred. If either party elects to maintain their individual policies for any policy period, they shall notify the other party at least ninety (90) days prior to the expiration of the current policy(ies) period. Both Lessor and Lessee will be named insureds on all said insurance policies.

All insurance required to be maintained by either Lessor or Lessee shall be written by insurance companies licensed to do business in the State of Tennessee and that have A.M. Best Ratings of A-VII or better and such companies must be reasonably acceptable to Lessor. Lessor and Lessee shall each provide the other with certificates of insurance evidencing the insurance required by this PARAGRAPH 6 which must contain provisions that require the insurer to give the certificate holder at least thirty (30) days notice of cancellation or renewal.

7. WAIVER OF SUBROGATION: Lessor and Lessee hereby release the other from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for any loss or damage to property caused by fire or any other covered casualties, even if such fire or other casualty shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible, PROVIDED, HOWEVER, that

this release shall be applicable and in force and effect only with respect to loss or damage fully covered by insurance and occurring during such time as the releasor's insurance policies shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair said policies or prejudice the right of the releasor to recover thereunder.

Lessor and Lessee each agrees that they will request their insurance carriers to include in their policies a waiver of subrogation clause or endorsement. If extra cost shall be charged therefor, each party shall advise the other thereof and of the amount of the extra cost, and the other party, at its election, may pay the same, but shall not be obligated to do so.

8. DAMAGE TO LEASED PROPERTY: In case of damage to the Leased Property or any subsequent improvements by fire or other casualty, Lessee shall give immediate written notice to Lessor, who shall elect to cause the damage to be repaired with reasonable speed (unless the Lease is terminated as provided below), subject to delays beyond the reasonable control of Lessor, and to

the extent the Premises are rendered unfit for Lessee's purpose, the rent shall proportionately abate beginning on the date of such damage. In the event that the damage shall be so extensive that in the written opinion of an independent architect selected by Lessor and reasonably acceptable to Lessee that it is not reasonable for Lessor to repair or rebuild within one (1) year from the date of such damages, this Lease shall be terminated as of the date of such damage by written notice from Lessor to Lessee, given within ninety (90) days after the date of such damage, and the rent shall be adjusted to the date of such damage and Lessee shall promptly vacate the Premises. In the event that the Lease is not terminated in accordance with the terms of this Agreement, and if Lessee reasonably ceases its use of the Premises as a direct result of damage caused by fire or other casualty, then rent shall be abated from the date of the damage until Lessee reasonably may resume use of the Leased Property.

9. CONDEMNATION: If the whole or substantially whole of the Premises shall be lawfully condemned or taken in any manner for any public or quasi-public use or purpose, this Lease shall terminate as of the date of the taking. If less than the whole or substantially the whole of the Premises shall be so condemned or taken, then Lessor or Lessee may, at its option, terminate this Lease as of the date of the taking if such taking materially interferes with Lessee's operations on the Premises. Upon any such condemnation or taking and the continuation of this Lease as to any part of the Premises, the base rental shall be diminished by an amount representing the part of the said rent properly applicable to the portion of the Premises which may be so condemned or taken. Lessor shall be entitled to receive the entire award in any condemnation proceeding, except as provided below, and Lessee shall have no claim against Lessor or against the proceeds of the condemnation. However, Lessee shall not be prohibited from making an appropriate claim against the condemning

authority for the value of the unexpired term of the Lease and/or for any displacement award to which Lessee may be entitled.

10. ALTERATIONS, ADDITIONS, AND IMPROVEMENTS: Lessor shall not be responsible for the making of any decorations, alterations, additions, or improvements to the Leased Property. Lessee may not make decorations, alterations, additions, or improvements (except required repairs, maintenance, and cleaning and except for initial decorations, signs, marquees, and additions deemed reasonably necessary by Lessee to make the Premises operable as a County Tonite Theatre and which shall not cause any structural, permanent or significant damage to the Leased Property or require any cost or expense to Lessor upon termination of this Lease) on or to the Leased Property without the prior consent of Lessor in writing. All permitted decorations, alterations, additions, and improvements shall become the property of Lessor and shall remain with the Leased Property as a part thereof upon the termination of this Lease (except that Lessee may remove its trade fixtures and personal property upon such termination). Further, Lessor, at his option, may require Lessee to remove any decorations, signs, marquees, trade fixtures, personal property and/or additions, at Lessee's sole expense, and require Lessee to promptly and fully repair any damages caused by the removal of any such item(s).

11. SIGNS: Lessor consents to Lessee's use of the stone sign and electronic message reader currently used on the Premises (the "Message Reader") subject to the following terms and conditions:

(a) Lessee shall not display any additional signs or any other outdoor advertising materials on the Premises (except to the extent permitted by PARAGRAPH 10 above) or relocate the existing stone sign, without the prior, written consent of Lessor as to location, size, design, and content. Lessee shall provide Lessor with reasonable specifications, drawings, and descriptions when seeking such consent. Such consent shall not be unreasonably withheld. Lessee shall bear all expenses associated with any signs except for lease payments due in connection with the Message Reader. Any such sign(s) placed upon the Premises in accordance with this provision, shall:

(i) be in compliance with all federal, state, and local laws, regulations, and ordinances;

(ii) not cause any damage to the Premises; and

(iii) promptly be removed by Lessee upon termination of the Lease;

(b) Lessee's use of the stone sign and Message Reader, and any permitted modifications, shall not result in any damage to such sign or Message Reader;

(c) Lessee may acquire an electronic sign or message reader for its use in lieu of the existing Message Reader. In such event, Lessor shall have the right to remove the existing Message Reader and Lessor shall have no further obligation to provide an electronic sign or Message Reader to Lessee. Lessee shall use its best efforts to assist Lessor in selling, trading, or exchanging the Message Reader on terms financially advantageous to Lessor. In that regard, Lessee shall negotiate in good faith with Don Bell Industries, Inc. regarding the acquisition of a replacement electronic sign or message reader, including a possible trade of the existing Message Reader, but notwithstanding the foregoing, Lessee shall not be required to purchase a replacement electronic sign or message reader from Don Bell Industries, Inc. if Lessee determines that it is in its best interests to purchase a replacement electronic sign or message reader from another vendor;

(d) If Lessee acquires a replacement electronic sign or message reader for its use, Lessor shall have the option to acquire such sign and related equipment from Lessee upon termination of this Lease for an amount equal to the lower of:

(i) Lessee's adjusted tax basis in such equipment; or

(ii) sixty percent (60%) of the fair market value of such equipment.

Lessor shall have ninety (90) days following the termination of this Lease to exercise any option provided hereunder and thirty (30) days thereafter to pay the purchase price as computed above.

12. ACCESS BY LESSOR: Lessor and/or its authorized agents shall have the right to enter the Premises at all reasonable times for inspection. Lessor and/or its authorized agents shall have the right to enter the Premises to show the Leased Property to prospective purchasers, tenants, or for any other reasonable purpose upon twenty-four (24) hours advance notice.

13. ASSIGMMENT AND SUBLETTING: Lessee shall not assign, sell, mortgage, or otherwise transfer this Lease, in whole or in part, or sublet all or part of the Premises (except for limited

licenses to third-parties for the purposes of entertainment activities and vendors of items such as souvenirs, refreshments and similar items that compliment the authorized uses of the Premises, that provide revenue solely for the benefit of Lessee, and provided such licenses have terms that are consistent

with the terms of this Lease), without the prior, written consent of Lessor, which consent may be withheld for any reason, reasonable or unreasonable, in Lessor's sole discretion.

14. PARKING: Lessor agrees and covenants that throughout the term of the Lease it shall provide on or adjacent to the Premises one (1) parking space for every three (3) theater seats, together with reasonably sufficient tour bus spaces. Lessee agrees that a total of three hundred fifty (350) parking spaces now exist; provided, however, that Lessor shall correct any drainage problems that prevent the reasonable use of existing parking spaces prior to the Starting Date. Lessor shall provide and gravel a total of one hundred fifty (150) additional such parking spaces prior to March 1, 1997 in an unpaved area until such time as Lessor and Lessee mutually agree that additional paved parking spaces are reasonably required. Such parking spaces need not be on the Premises but shall be located on the property currently owned by the Lessor which adjoins the Premises; the location of such spaces within that adjoining property shall be at the discretion of Lessor but such parking area shall be adjacent to the Premises or connected to the boundary of the Premises by a walkway not to exceed twenty-five (25) feet in length. Such parking spaces shall be in an area reasonably accessible to the theater and the utilities, security, and maintenance of such spaces shall be the duty of Lessee. Such parking, as located from time to time, shall become a part of the Premises for purposes of this Lease Agreement. In the event Lessor fails to construct and gravel such additional parking spaces on or before March 1, 1997, Lessee may construct and gravel such parking spaces and may deduct the cost thereof, with interest thereon at the prime rate published in the WALL STREET JOURNAL (the "Prime Raten), from the rents payable hereunder.

15. ASSUMPTION OF EQUIPMENT LEASES: As of March 1, 1997, Lessee shall assume all of Lessor's obligations under the equipment leases attached hereto as COLLECTIVE EXHIBIT D which is incorporated herein by reference (the "Leased Equipment"). During the term of this Lease, Lessee shall have the right to use the Leased Equipment.

Upon termination of this Lease, regardless of the cause of such termination, all rights associated with the lease of sound and light equipment (Pearson Leasing & Financial Corporation d/b/a Citizens National Leasing), including title to such equipment if the Lease and any purchase option has been paid in full, shall be the sole and exclusive property of Lessor. Lessee shall use its best faith efforts to facilitate and arrange for a reasonable sale of the video equipment currently leased by Pro Lease Funding Group, Inc. to Burkhart Farms, LLC.

Lessee is not assuming any obligations under a lease between Don Bell Industries, Inc. and Burkhart Farms, LLC in connection with the Message Reader. Provided, however, Lessee shall have the right to use the Message Reader in accordance with the terms set forth in PARAGRAGH 11 hereof, and Lessor shall cause Burkhart Farms, LLC to make such Message Reader available to Lessee.

16. EXTENSION AND TERMINATION OF TERM: Provided Lessee is not then in default, and provided that the term of this Lease has not otherwise terminated, and provided that the existence of Lessee has not been dissolved as a result of the wrongful action of either member, Lessee shall have the right, at the expiration of the initial five (5) year term of this Lease, to a series of four (4) consecutive renewal options, each for a term of two (2) years, and each beginning upon the date of expiration of the preceding term. Lessee shall exercise such option by written notice to Lessor, given in accord with the notice provisions of this Lease, not less than one hundred eighty (180) days prior to the expiration of the initial term and not less than ninety (90) days prior to the expiration of any renewal term. In the event the Lessee is dissolved in violation of Lessee's Operating Agreement, this

Lease shall terminate at the option of Lessor if Casino Resource Corporation of Tennessee, Inc. caused such dissolution or by Lessee if Burkhart Ventures, LLC caused such dissolution. Otherwise, if Lessee terminates as a limited liability company in accordance with the terms of its Operating Agreement and such termination is not wrongful, then this Lease shall terminate.

17. DEFAULT: Any of the following shall constitute an event of default by Lessee:

(a) Failure by Lessee to pay, in full, on the dates due, any rental or other sums payable hereunder, including Lessee's obligation to pay for insurance. TIME IS OF THE ESSENCE. Provided, however, Lessee shall have five (5) days following written notice from Lessor to cure such default.

(b) Failure by Lessee to observe or perform any of the terms, covenants, agreements, or conditions contained in this Lease, other than payment of rental, additional rental, or other sums due, for a period of thirty (30) days after written notice from Lessor specifying such default, provided, if any such default cannot be completely cured within such thirty (30) day period, despite Lessee's diligent, best faith effort, commenced immediately, then Lessee shall have a reasonable time to complete the cure of such default, for a period not to exceed ninety (90) days.

(c) The filing by Lessee of a voluntary petition in bankruptcy or a voluntary petition or answer seeking reorganization, arrangement, readjustment of debts, or any other relief under the bankruptcy act, or any other insolvency act, or any action by Lessee indicating consent, approval, or acquiescence in any such proceeding; the making by Lessee of any general assignment for the benefit of its creditors; or the inability of Lessee, or the admission by Lessee of the inability to pay its debts.

(d) The filing of any involuntary petition in bankruptcy or similar proceeding against Lessee, and the continuation of such proceeding for a period of ninety (90) days undismissed, unbonded, or undischarged.

(e) The insolvency of Lessee.

(f) The desertion or abandonment, or failure to use the Leased Property as the "Country Tonite Theatre" for any period (during the contemplated annual operating season) exceeding seven (7) consecutive days, regardless of whether Lessee continues to pay all stipulated rental, unless Lessor provides written consent, which shall not be unreasonably withheld, or unless caused by damage or destruction of the Leased Property.

(g) The occurrence of any unlawful activity on the Premises permitted or tolerated by the Lessee.

(h) Attachment of the Leased Property or Lessee's interest therein, if not satisfied or dissolved within ten (10) days.

(i) The attempted assignment, subletting, or mortgaging of the Leased Property without the prior, written consent of Lessor.

(j) Any construction, change, or alteration to the Leased Property by Lessee or Lessee's agent without the prior, written consent of Lessor unless permitted by this Lease.

The following shall constitute an event of default by Lessor under this Lease:

(a) Failure by Lessor to observe or perform any of the terms, covenants, agreements, or conditions contained in this Lease for a period of thirty (30) days after written notice from Lessee specifying such default. Provided, however, if Lessor has a repair obligation pursuant to PARAGRAPH 5, such repair shall be commenced within ten (10) days after written notice from Lessee and shall be completed as promptly as possible.

18. REMEDIES: Lessor, to the extent permitted by law, may take any one or more of the remedial steps set forth below, when there exists an event of default by Lessee:

(a) Lessor may, at its option, declare the present value of all installments of rent as determined at the time of default for the remainder of the Lease term to be immediately due and payable, less the present value of the reasonably foreseeable rental income from the Leased Property for the remainder of the term.

(b) Lessor may re-enter and take possession of the Leased Property without terminating this Lease, and re-lease the Leased Property in its entirety for the account of Lessee, holding Lessee liable for the difference in rent and other amounts actually paid by the new tenant, and the rents and other amounts payable by Lessee hereunder.

(c) Lessor may terminate the Lease, exclude Lessee from possession of the Leased Property, and use its best efforts to lease the same to another for the account of Lessee, holding Lessee liable for all rent and other amounts payable by Lessee hereunder.

(d) Lessor may take whatever action at law or in equity it may deem necessary or desirable to collect the rent and other amounts then due and thereafter to become due, or to enforce performance of any obligation, agreement, or covenant of the Lease, and in connection with such action, may recover all damages to Lessor for Lessee's violation or breach of the Lease.

(e) No remedy reserved to Lessor hereunder is intended to be exclusive, and each and every remedy shall be cumulative. No delay or omission to exercise any right or power accruing to Lessor upon any default by Lessee shall impair any such right or shall be construed to be a waiver thereof.

(f) Lessee shall pay Lessor as additional damages in the event of breach the reasonable fees of any attorneys employed by Lessor for the collection of rent or the enforcement or performance of the Lease, and all other expenses incurred by Lessor in connection therewith, including but not limited to litigation expenses, court costs, and court reporter's fees.

If an event of default by Lessor shall occur hereunder, in addition to any other remedies granted or permitted by law, Lessee may cure such default and may deduct the cost of such cure, plus interest thereon at the Prime Rate, from the rents payable hereunder, provided, however, Lessee has first provided written notice of such alleged default and Lessor has not commenced to cure such alleged default within thirty (30) days following such notice. Provided, if any such default cannot be completely cured within such thirty (30) day period, despite Lessor's diligent, best faith effort, commenced immediately, then Lessor shall have a reasonable time to complete the cure of such default for a period not to exceed ninety (90) days.

19. NOTICES: All notices required or permitted hereunder shall be given in writing and shall either be personally delivered, sent by facsimile or mailed to the addresses/ facsimile numbers of the parties set forth on the signature page of this Lease, or to such other addresses/facsimile numbers as may be

designated from time to time by either party, by notice given pursuant to this paragraph. When notice is by mail, it shall be sent certified with postage pre-paid and shall be complete upon its deposit in the U.S. mail. Notices personally delivered or sent by facsimile shall be effective upon delivery or transmission. If notices are sent by facsimile, a copy shall also be mailed. Copies of any notices required or permitted hereunder shall also be sent to the following:

If to Lessor: Timothy M. McLemore, Esq.
Gentry, Tipton, Kizer & McLemore, P.C.
800 S. Gay Street, Suite 2610

P.O. Box 1990
Knoxville, Tennessee 37901

If to Lessee: G. Mark Mamantov, Esq.
Bass, Berry & Sims, PLC
900 S. Gay Street, Suite 1700
P.O. Box 1509
Knoxville, Tennessee 37901-1509

20. SUBORDINATION: This Lease shall be subordinate to any mortgage now or hereafter placed upon the Leased Property and to any and all renewals, replacements, and extensions of any such mortgage, but only if Lessor shall deliver to Lessee within ninety (90) days of the date any such mortgage is executed a nondisturbance agreement from any such mortgagee of the Leased Property in a form reasonably satisfactory to Lessee. Lessor also covenants to provide Lessee within thirty (30) days of the date hereof a nondisturbance agreement from any existing mortgagees in a form reasonably satisfactory to Lessee. In the event of foreclosure of any such mortgage, exercise of power of sale thereunder, or deed in lieu of foreclosure, Lessee shall attorn to the purchaser under such foreclosure, exercise of power of sale, or deed in lieu of foreclosure, and recognize such purchaser as the Lessor, provided that such purchaser does not disturb Lessee's right to possession as long as Lessee observes and performs all of the terms and conditions of this Lease.

21. WAIVER: No waiver by Lessor at any time of the breach of any covenant by Lessee shall impair Lessor's rights for any subsequent breach, and acceptance by Lessor of a portion of all rent past due shall not constitute a waiver of the breach of any covenant or condition, or of any damages due to Lessor by Lessee. No waiver of any provision of this Lease shall be binding upon Lessor unless in writing signed by Lessor. This provision may not be orally waived.

22. CERTIFICATE OF GOOD STANDING: Lessor and Lessee agree, at any reasonable time, and from time to time, upon not less than five (5) days notice by the other party, to execute, acknowledge, and deliver to the other party a statement in writing certifying that the Lease is

unmodified and in full force and effect, and certifying the dates to which the rent, rent adjustments, and other charges have been paid, and stating whether or not to the best knowledge of the signers of such certificate, that the other party is in default in performance of any obligation under this Lease, and if so, specifying such default, it being intended that such statement be delivered to and relied upon by any prospective purchaser, tenant, mortgagee of the Premises or any lender to or investor in Lessee. If the other party fails or refuses to provide such certificate within the time allowed, it will be conclusively presumed that the Lease is in full force and effect in accord with its terms and that the other party is not in default.

23. AMENDMENT OF LEASE: This Lease may not be altered, changed, or amended, except by a document in writing, signed by Lessor and Lessee. This Lease contains the entire agreement between the parties as to the Leased Property.

24. RECORDING: Upon the request of either party, the parties will execute a memorandum of lease which may be recorded by either party, at the expense of the party desiring such recordation.

25. GOVERNING LAW: This Lease shall be governed by the substantive, internal laws of the State of Tennessee.

26. SEVERABILITY: If any provision of this Lease be invalid or unenforceable in law, it shall not affect the validity of any other provisions hereof.

27. CAPTIONS: The captions in this Lease are for convenience only, and shall not be construed as a part of the Lease.

28. COUNTERPARTS: This Lease may be executed in several counterparts, each having the full force and effect of an original.

29. SUCCESSORS AND ASSIGNS: This Lease shall be binding upon Lessor's successors and assigns, and upon Lessee's successors and assigns, in the event of any permitted assignment by Lessee.

30. MODIFICATIONS REQUIRED BY MORTGAGEE: Lessee agrees that in the event that Lessor's mortgagee requires modifications or amendments to this Lease (exclusive of economic modifications or amendments), Lessee shall execute such

changes and amendments which may be reasonably required.

31. UTILITY EASEMENTS: Lessor shall be entitled to enter into such easements or agreements with utility companies which are required in order to provide service to any portion of the Premises. Lessee hereby consents to the execution of such easements by Lessor, and agrees to execute any necessary documents and to take such action necessary in order to consummate same.

32. ALL GENDERS AND NUMBERS INCLUDED: Whenever the singular or plural, or masculine, feminine, or neuter is used in this Lease, it shall equally apply to, extend to and include the other.

33. NO PARTNERSHIP: Nothing contained herein shall be deemed or construed by the parties or by any third party as creating the relationship of principal and agent or a partnership or of a joint venture between the parties hereto, it being understood and agreed that the sole relationship between the parties hereto is that of Lessor and Lessee. Lessee shall be solely responsible for all taxes and expenses arising out of the use and occupancy of the theater except as expressly provided herein.

34. ESTATE OF LESSOR: Lessor represents and warrants to Lessee that it has full right and lawful authority to enter into this Lease; that the Leased Property is free and clear of all liens, exceptions, restrictions and encumbrances except those shown on EXHIBIT E attached hereto; and that

Lessor will defend the title to the Leased Property against the claims of all persons. The mechanic's lien filed by Creative Structures, Inc. will be removed by Lessor on or before December 31, 1996.

35. QUIET POSSESSION: Lessor covenants that Lessee, upon performing and observing the covenants to be observed and performed by Lessee under this Lease, shall peaceably hold, occupy and enjoy the Leased Property during the term of this Lease without interference by Lessor or by any other person claiming by, through or under Lessor.

36. HAZARDOUS SUBSTANCES: Lessor represents and warrants that it has not placed or disposed of any Hazardous Substances on the Premises and furthermore represents and warrants that, to the best of its knowledge, no such Hazardous Substances have been placed or disposed of by any other person on the Premises.

"Hazardous Substance" means gasoline, motor oil, fuel oil, waste oil, other petroleum or petroleum-based products, asbestos, polychlorinated biphenyls ("PCBs") and any chemical, material or substance to which exposure is prohibited, limited or regulated by any federal, state, country, local or regional authority or which, even if not so regulated, is known to pose a hazard to health and safety, including but not limited to substances and materials

defined or designated as "hazardous substances", "hazardous materials" or "toxic substances" under applicable law.

37. NO LIENS: Lessee shall not attempt to encumber the Leased Property in any manner and Lessee shall not permit any mechanics', materialmen's, or other lien to be placed upon the Leased Property in connection with any permitted improvements, additions, or any required repairs and maintenance by Lessee.

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

LESSOR:

/s/ J. MACDONALD BURKHART, M.D.

J. MACDONALD BURKHART, M.D.

ADDRESS:

601 Newland Professional Building
2001 Laurel Avenue
Knoxville, Tennessee 37916
Telecopy: (423) 546-2625

LESSEE:

COUNTRY TONITE THEATRE, L.L.C.,
a Tennessee Limited Liability
Company

By:/s/ JOHN J. PILGER

Its: Chief Manager

ADDRESS:

c/o Casino Resource Corporation
1719 Beach Blvd., Suite 306
Biloxi, Mississippi 39531-5396
Telecopy: (601) 374-5935

STATE OF TENNESSEE
COUNTY OF KNOX

Personally appeared before me, Notary Public of said County, J. MacDONALD

BURKHART, M.D., the within named bargainer, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that he executed the within instrument for the purposes therein contained.

Witness my hand, at office, this 25 day of September, 1996.

/s/ CATHERINE A. NUINE

Notary Public

My Commission Expires: 3/3/99

STATE OF MISSISSIPPI

COUNTY OF HARRISON

Before me, a Notary Public of the state and county aforesaid, personally appeared John J. Pilger with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be President (or other officer authorized to execute the instrument) of COUNTRY TONITE THEATRE, L.L.C., the within named bargainor, a Tennessee limited liability company, and that he as such President, executed the foregoing instrument for the purpose therein contained, by signing the name of the limited liability company by himself as President.

Witness my hand, at office, this 24 day of September, 1996.

/s/ ANDREA R. GARCIA

Notary Public

My Comission Expires: 6/6/2000

UNCONDITIONAL GUARANTY OF LEASE

Casino Resource Corporation ("CRC"), a Minnesota corporation, is the sole owner of CRC of Tennessee, Inc., a Tennessee corporation ("CRCT"). CRCT is a Member of Country Tonite Theatre, L.L.C., a Tennessee limited liability company ("Lessee"), and CRCT owns sixty percent (60%) of the membership interests of the Lessee. As an inducement for the execution of the foregoing Lease Agreement (the "Lease"), and as an additional consideration to J. MacDonald Burkhart, M.D. ("Lessor"), CRC covenants and agrees as follows:

1. CRC hereby unconditionally and absolutely guarantees the prompt and full payment of Lessee's rental obligations described in paragraph 3 of the Lease Agreement but only to the extent of Thirty Thousand Dollars ($30,000.00) per month and only through the initial five (5) year term of the Lease.

2. CRC agrees that this Guaranty may be enforced by Lessor without first resorting to or exhausting any other remedy, security, or collateral. Lessor shall provide notice to CRC of any nonpayment of rent and within five (5) days, CRC shall pay to Lessor Thirty Thousand Dollars ($30,000.00) for such month less any partial rental payments for such month timely paid by Lessee. CRC agrees that its obligations pursuant to this Guaranty shall not be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of Lessee or its estate in bankruptcy (including without limitation any rejection of the Lease by Lessee or by any trustee or receiver in bankruptcy resulting from the operation of any present or future provisions of the United States Bankruptcy Code or any similar statute or decision of any court.) The liability of CRC shall not be affected by any repossession of the Leased Property by Lessor.

3. CRC agrees that in the event this Guaranty is placed in the hands of an attorney for enforcement, CRC shall reimburse Lessor for any and all expenses incurred, including reasonable attorney's fees and litigation expenses.

4. CRC agrees that this Guaranty shall inure to the benefit of and may be enforced by Lessor, his successors and assigns, and any mortgagee(s) of the Leased Property, and shall be binding and enforceable against CRC and CRC's successors, and assigns.

5. The execution of this Guaranty by John J. Pilger, President of CRC, has been duly authorized by an appropriate action of the Board of Directors of CRC but no director, officer, or employee of CRC shall have any personal liability for this Guaranty. A copy of the corporate resolution authorizing the execution of this Guaranty shall be promptly delivered to Lessee.

6. This Guaranty contains the entire agreement between the parties hereto with respect to the transactions contemplated by this Guaranty and supersedes all prior written or unwritten arrangements or understandings with respect thereto. This Guaranty shall be governed by and in accordance with the substantive, internal laws of the State of

Tennessee. CRC hereby submits to the jurisdiction and venue of the state and federal courts located in Knox County, Tennessee. The parties agree they have jointly prepared this Guaranty. This Guaranty may not be modified, amended or revoked, except in a writing signed by all parties. This provision may not be orally waived.

IN WITNESS WHEREOF, CRC has executed this Guaranty this day 24 of September, 1996.

CASINO RESOURCE CORPORATION,
a Minnesota corporation

By /s/ JOHN J. PILGER

John J. Pilger
Its: President

STATE OF MISSISSIPPI)

COUNTY OF HARRISON)

Before me, a Notary Public of the state and county aforesaid, personally appeared JOHN J. PILGER, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be President (or other officer authorized to execute the instrument) of CASINO RESOURCE CORPORATION, the within named bargainer, a corporation, and that he as such President, executed the foregoing instrument for the purpose therein contained, by signing the name of the corporation by himself as President.

Witness my hand and seal, at office, this 24 day of September, 1996.

/s/ ANDREA R. GARCIA

Notary Public

My Commission Expires: 6/6/2000

EXHIBIT A

The Premises is a portion of the real property owned by Lessor. The entire tract owned by Lessor is more particularly described on EXHIBIT A-1 attached hereto. The "Premises" is that portion improved as a theater building and the parking therefor. The shaded area on the map attached hereto as EXHIBIT A-2 is an approximate depiction of the Premises.

EXHIBIT A-1

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being a 10.165 acre tract located on the eastern side of U. S. Highway 441, and being more particularly bounded and described as follows:

BEGINNING at an iron pin set in the eastern right-of-way of U. S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U. S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence with the right-of-way of U. S. Highway 441 North 00 deg. 42 min. 48 sec. East passing an iron pin at 55.38 feet, a total distance of 178.16 feet to an iron pin marking the southwestern corner of Lot 7 of Pine Grove Plaza (Map Book 21, Page 173); thence leaving the right-of-way of U. S. Highway 441 and with the line of Pine Grove Plaza the following two calls and distances: North 67 deg. 32 min. 43 sec. East 829.56 feet to an iron pin; North 48 deg. 13 min. 38 sec. East 169.07 feet to an iron pin, corner to Laurel Manor, Inc. (Deed Book 282, Page 15) ; thence with the line of Laurel Manor, Inc. the following two calls and distances: South 54 deg. 40 min. 24 sec. East 349.54 feet to an iron pin; North 43 deg. 24 min. 19 sec. East 247.69 feet to an iron pin, corner to John and Lisa Rauhuff (Deed Book 132, Page 88); thence with the line of Rauhuff and a fence the following two calls and distances: South 56 deg. 20 min. 12 sec. East 136.66 feet to an iron pin; South 51 deg. 15

min. 57 sec. East 21.10 feet to an iron pin, corner to R. DeWitt Shelton, et al. (Deed Book 522, Page 642); thence with the line of R. DeWitt Shelton, et al., the following six calls and distances: South 40 deg. 26 min. 51 sec. West 621.24 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 332.34 feet, a tangent of 60.39 feet, a chord call and distance of North 83 deg. 26 min. 38 sec. West 118.84 feet to an iron pin; thence South 86 deg. 15 min. 24 sec. West 97.00 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 184.40 feet, a tangent of 76.99 feet, a chord call and distance of North 71 deg, 04 min. 59 sec. West 142.09 feet to an iron pin; thence North 48 deg. 25 min. 23 sec. West 20.64 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 75.13 feet, a tangent of 28.51 feet, a chord call and distance of North 69 deg. 12 min. 15 sec. West 53 31 feet to an iron pin, corner to BGA Associates (Deed Book 485, Page 177); thence with the line of BGA Associates the following two calls and distances: North 89 deg. 59 min. 25 sec. West 425.32 feet to an iron pin; South 65 deg. 12 min. 05 sec. West 261.88 feet to an iron pin in the right-of-way of U. S. Highway 441, the POINT OF BEGINNING, as shown by survey of Dean A. Orr, RLS #780, ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job No. 94-398-11.

THERE IS SPECIFICALLY RESERVED from the above-described property an exclusive sign easement which is reserved by the First Parties named herein for the use and benefit of the First Parties, their heirs, devisees and assigns over the following described parcel of property:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the city of Pigeon Forge, Tennessee, being located on the eastern side of U. S. Highway 441, and being more particularly described as follows:

To FIND THE POINT OF BEGINNING start at an iron pin set in the eastern right-of-way of U. S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern rightof-way of U. S. Highway 441 with the northern right-ofway of Sugar Hollow Road; thence running with the eastern right-of-way of U. S. Highway 441 and the western terminus of a 50 foot joint permanent non-exclusive easement North 00 deg. 42 min. 48 sec. East 55.38 feet to an iron pin lying in the northern line of said 50 foot joint permanent non-exclusive easement, said iron pin marking the place of beginning of the sign easement area; thence leaving the right-of-way of U. S. Highway 441 and with northern line of a 50 foot joint permanent nonexclusive easement North 65 deg. 12 min. 05 sec. East 20.00 feet, more or less, to a point; thence leaving the right-of-way of a 50 foot joint permanent non-exclusive easement North 00 deg. 42 min. 48 sec. East 20.00 feet, more or less, to a point; thence South 65 deg. 12 min. 05 sec. West 20.00 feet, more or less, to a point in the eastern right-of-way of U. S. Highway 441; thence with the eastern right-of-way of U. S. Highway 441 South 00 deg. 42 min. 48 sec.

West 20.00 feet, more or less, to an iron pin, the POINT OF BEGINNING, as shown on survey of Dean A. Orr, RLS #780, ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job No. 94-398-11.

The Second Party by joining in the execution of this Correction Warranty Deed, does hereby grant, bargain, sell and convey unto First Parties the exclusive sign easement aforementioned, which sign easement was erroneously omitted from that prior deed of record in Deed Book 522, Page 646, in the Sevier County Register's Office. The spouse of Second Party, Mary N. Burkhart, joins in the execution of this Correction Warranty Deed for the sole purpose of conveying any marital interest which she may have in the above-described property, to First Parties for the purpose of said sign easement.

THERE IS SPECIFICALLY RESERVED by the First Parties named herein a 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities running over, across and under the above-described 10.165 acre tract of property, said 50 foot wide joint permanent nonexclusive easement being more particularly bounded and described as follows:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being more particularly bounded and described as follows:

BEGINNING at an iron pin in the eastern right-of-way of U. S. Highway 441, said iron pin being located 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U. S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence with the right-of-way of U. S. Highway 441 North 00 deg. 42 min. 48 sec. East 55.38 feet to an iron pin; thence leaving the right-of-way of U. S. Highway 441 and running along the northern right-of-way line of the 50 foot wide joint permanent non-exclusive easement the following calls and distances: North 65 deg. 12 min. 05 sec. East 249.02 feet to an iron pin; thence South 89 deg. 59 min. 25 sec. East 436.32 feet to an iron pin; thence running with an arc in a curve to the right in a circle having a radius of 125.13 feet, a tangent of 47.49 feet, a chord call and distance of South 69 deg. 12 min. 15 sec. East 88.79 feet to an iron pin; thence South 48 deg. 25 min. 23 sec. East 20.64 feet to an

iron pin; thence running with an arc in a curve to the left in a circle having a radius of 134.40 feet, a tangent of 56.11 feet, a chord call and distance of South 71 deg. 04 min. 59 sec. East 103.56 feet to an iron pin; thence North 86 deg. 15 min. 24 sec. East 97.00 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 382.34 feet, a tangent of 80.69 feet, a chord call and distance of South 81 deg. 49 min. 36

sec. East 157.90 feet to an iron pin in the line of R. DeWitt Shelton, et al. (Deed Book 522, Page 642); thence with the line of R. DeWitt Shelton, et al. the following six calls and distances: South 40 deg. 26 min. 51 sec. West 53.90 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 332.34 feet, a tangent of 60.39 feet, a chord call and distance of North 83 deg. 26 min. 38 sec. West 118 84 feet to an iron pin; thence South 86 deg. 15 min. 24 sec. West 97.00 feet to an iron pin; thence running with an arc in a curve to the right in a circle having a radius of 184.40 feet, a tangent of 76.99 feet, a chord call and distance of North 71 deg. 04 min. 59 sec. West 142.09 feet to an iron pin; thence North 48 deg. 25 min. 23 sec. West 20.64 feet to an iron pin; thence running with an arc in a curve to the left in a circle having a radius of 75.13 feet, a tangent of 28.51 feet, a chord call and distance of North 69 deg. 12 min. 15 sec. West 53.31 feet to an iron pin, corner to BGA Associates (Deed Book 485, Page 177); thence with the line of BGA Associates the following two calls and distances: North 89 deg. 59 min. 25 sec. West 425.32 feet to an iron pin; thence South 65 deg. 12 min. 05 sec. West 261.88 feet to an iron pin in the eastern right-of-way line of U. S. Highway 441, the POINT AND PLACE OF BEGINNING, as shown by survey of Dean A. Orr, RLS #780, ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job No. 94-398-11.

The Second Party named herein joins in the execution of this deed to grant, bargain, sell and convey to First Parties, their heirs, devisees and assigns, a joint permanent non-exclusive easement for ingress, egress and utilities over, across and under the aforedescribed easement area so as to correct the description of the easement area previously described in Deed Book 522, Page 646, in the Sevier County Register's Office. The easement rights reserved to First Parties named herein are non-exclusive rights and the Second Party, his heirs, devisees and assigns shall have the joint use of said easement area for the purpose of ingress, egress and utilities.

There is further conveyed with the 10.165 acre tract property described above and there is specifically reserved herein an additional joint permanent nonexclusive easement for ingress, egress and utilities running over, across and under the following described property:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being a 50 foot wide right-of-way immediately north of and running parallel with the following described line, which line marks the southern right-of-way line for said 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities:

TO FIND THE POINT OF BEGINNING start at an iron pin set in the eastern right-of-way line of U. S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U. S. Highway 441 with the northern right-of-way of Sugar Hollow Road and said iron pin being corner to BGA Associates (Deed Book 485, Page 177); thence running with the line of BGA Associates the following two calls and distances: North 65 deg. 12 min. 05 sec. East 261-88 feet to an iron pin; thence South 89 deg. 59 min. 25 sec. East 425.32

feet to an iron pin, corner to R. DeWitt Shelton, et al.; thence with the line of Shelton, et al. the following five calls and distances: Running with the arc in a curve to the right in article having a radius of 75.131 feet, a tangent of 28.513 feet, a chord call and distance of South 69 deg. 12 min. 18 sec. East 53.315 feet to an iron pin; thence South 48 deg. 25 min. 23 sec. East 20.64 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 184-400 feet, a tangent of 76.985 feet, a chord call and distance of South 71 deg. 05 min. 00 sec. East 142.085 feet to an iron pin; thence North 86 deg. 15 min. 24 sec. East 97.00 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 332.340 feet, a tangent of 67.162 feet, a chord call and distance of South 82 deg. 19 min. 07 sec. East 131.662 feet to an iron pin, the POINT OF BEGINNING; thence running with the arc in a curve to the right in a circle having a radius of 345.332 feet, a tangent of 96.499 feet, a chord call and distance of South 55 deg. 16 min. 53 sec. East 185.877 feet to an iron pin; thence South 39 deg. 40 min. 08 sec. East 193-90 feet to an iron pin, being corner to property of Barbara Mockus, said iron pin marking the terminus of the easement area and being according to the survey of Ronnie L. Sims, Tennessee Registered Land Surveyor No. 683, 1020 Topside Drive, Sevierville, Tennessee 37862, dated December 20, 1994 and last revised on April 19, 1995.

There is further conveyed with the 10.165 acre tract described above and specifically reserved a joint permanent non-exclusive easement for ingress, egress and utilities running over, across and under the following described parcel of property:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, beginning at an iron pin marking the southeastern terminus of the aforementioned easement described above, and which iron pin lies in the southwestern right-of-way line of the 50 foot wide joint permanent non-exclusive easement area; thence leaving said point and place of beginning and running with the southern terminus of the 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities aforedescribed, North 50 deg. 19 min. 51 sec. East 50.00 feet to an iron pin; thence South 39 deg. 40 min. 08 sec. East 132.93 feet to an iron pin; thence North 79 deg. 28 min. 09 sec. East 110.87 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 50.01 feet, a tangent of 39.94 feet, an arc distance of 67.40 feet to an iron pin lying in the northern right-of-way line of Sugar Hollow Road; thence running with the northern right-of-way line of Sugar Hollow Road and running with the arc in a curve to the left in a circle having a radius of 498.40 feet, a tangent of 25.03 feet, an arc distance of 50.03 feet to an iron pin, being corner to property of C. B. McCarter (Plat Book 5, Page 72); thence running with the line of McCarter South 79 deg. 28 min. 09 sec. West 140.25 feet to an iron pin, being corner to property of Barbara Mockus; thence running with the line of Barbara Mockus North 39 deg. 40 min. 08 sec. West 162.30 feet to an iron pin, marking the POINT AND PLACE OF BEGINNING, and being according to the survey of

Ronnie L. Sims, Tennessee Registered Land Surveyor No. 683, 1020 Topside Drive, Sevierville, Tennessee 37862, dated December 20, 1994 and last revised on April 19, 1995.

BEING part of the same property conveyed to R. DeWitt Shelton and Lela Evelyn Ogle by Quit Claim Deed from R. DeWitt Shelton, Trustee, dated June 16, 1994, of record in Deed Book 522, Page 642, in the Sevier County Register's Office.

EXHIBIT A-2

Diagram of property boundary

EXHIBIT C

Copy of contract with Country Tonite Enterprises providing for performance of the "Country Tonite Show" on the Premises throughout the term of this Lease Agreement

EXHIBIT 2

CONTRACT TO PRODUCE SHOW
BETWEEN
COUNTRY TONITE ENTERPRISES, INC.
AND

This contract to Produce Show ("Contract") is by and between Country Tonite Theatre, L.L.C., hereinafter referred to as "Theater," and Country Tonite Enterprises, Inc., hereinafter referred to as "Producer." Producer agrees to produce and present for Theater a show known as "Country Tonite" hereinafter referred to as "Show," in the Country Tonite Theatre located at 2249 Parkway in Pigeon Forge, Tennessee. Said show will be produced and presented under the terms and conditions of this Contract.

RECITALS

1. CONTRACT TERM. Producer agrees to produce and present the Show for a term that is coextensive with the existence of Country Tonite Theatre, L.L.C., a Tennessee limited liability company, pursuant to its Operating Agreement, dated as of September 24th, 1996 (the "Operating Agreement").

2. THE "SHOW" DEFINED. The Show will have a running time of one-and-one-half to two hours. It will consist of at least five singers, eight dancers and one or two specialty acts performing in a structured Country & Western music variety show. The Show will also consist of live music with a seven to a twelve-piece band. In addition to performers and artists, CTE will provide one (1) administrative person and one (1) wardrobe attendant to facilitate the production of the show (collectively "Producer Personnel.") The Show shall be a first rate production consistent with the quality of other variety shows currently being performed by CTE. Producer may vary the format from time to time in the best interest of the Show and the Theater.

3. WEEK DEFINED. A "week" is herein defined as a six-day period of a calendar week (Sunday through Saturday) plus one nonperformance dark night to be designated by Theater. It is hereby acknowledged that a week will include up to twelve (12) performances per week. The Show times and days will be designated in writing by Theater, provided that Producer shall not be required to present the show between January 1 and March 1 of each year. Producer shall not be required to present the show a minimum number of times per week, but Producer shall be required to present the show an average eight (8) times per week for the period from March 15 through December 31 in each year. Theatre agrees not to do over twelve (12) shows per week without Burkhart Ventures, LLC's consent, which shall not be unreasonably withheld. If show is presented more than twelve (12) times in one week, Producer shall be paid $3,750.00 for each show in a week over twelve (12).

4. RIGHTS IN THE PRODUCTION. Producer will own and retain all rights in and to the title, format, logo, script continuity, choreography, and all other elements of the Show.

Notwithstanding the foregoing, Producer grants to Theater a license for the Term of this Contract, including any extensions thereof to utilize the Show's title, logo, video, or audio excerpts or any other reference to or description of the Show in the Theater, promotion, marketing or public relations materials.

5. EXCLUSIVITY. Producer agrees that during the Term of this contract, and any extensions thereof, Producer shall not compete with the Theater directly or indirectly within Sevier County, Tennessee or any adjoining county. However, from time to time, it is hereby understood that Producer may be airing certain excerpts from the Show for the purpose of marketing, merchandising and advertising the Show. If a taped excerpt of the Show is utilized on television, for purposes other than marketing and advertising, for profit, Producer shall pay a fee of $5,000.00 to Theater.

6. CONSIDERATION AND METHOD OF PAYMENT.

a. Theater shall pay Producer a fee of $42,500 per week during the term, provided that if less than six (6) shows are presented in any week, subject to the next sentence, the amount paid to Producer for such week shall be reduced by $7,083.33 for each show less than six (6) that is presented. If the show is presented for any partial week at the beginning or end of a performance season, such fee shall be pro-rated based on days performed, but in no event shall any payment be made between January 1 and March 1 of any year. Payment shall be made on a weekly basis to Producer and made available to Producer each Monday morning before 10:00 a.m., Knoxville time, following the week's performance. Theater will be in default if payment is not made in full within ten (10) days of written notice of such nonpayment as provided herein.

b. The fee provided for in subparagraph (a) of this paragraph shall be adjusted as of March 1 of each year, beginning March 1, 1998, for "cost of living" changes in accord with the Consumer Price Index for Urban Wage Earners and Clerical Workers (all items) for the Southern United States published by the Southern Office of the United States Department of Labor, Bureau of Labor Statistics (the "index"). Each adjustment shall be made by multiplying the weekly payment for the last full week of the prior calendar year by a fraction, the numerator which shall be the most recent index in effect at the time of such adjustment, and the denominator of which shall be the index for January, 1997. The product shall be the adjusted weekly payment until the next adjustment occurs. If the index changes so that the base (denominator) differs from that originally used, the index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the index is discontinued or revised during the term hereof, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would have been obtained if the index had not been discontinued or revised.

c. As further consideration hereunder, Producer shall have the exclusive right to film and/or video tape the Show or excerpts thereof and shall make such film and/or video tape available to Theatre at Producer's actual cost. All income from sales or rental of such film or video tape sold in Sevier County

shall inure to the benefit of the Theater.

7. PRICE AND REVENUE. Theater shall establish the admission price for the Show and the cost to the audience of any and all beverage and food service and shall retain all revenues therefrom. Theater agrees to pay all taxes on admissions to Show, plus cabaret taxes and sales taxes as well as ASCAP, SESAC and BMI licensing fees.

8. CERTAIN PRODUCTION COSTS.

a. Theater shall provide, at its expense, lighting and sound systems, stage sets, house equipment, related equipment, wardrobe maintenance including storage for same for Show's performers, stage configuration, dressing rooms, and projection system and screen. Theater shall provide the necessary personnel to handle stage functions, including but not limited to stage manager, assistant stage manager, spotlight operators, and lighting and sound technicians. Producer acknowledges that the facilities and equipment located at 2249 Parkway in Pigeon Forge, Tennessee are suitable for the production of the show in accordance with the terms of this Agreement.

b. Producer shall provide, at its sole expense:

(1) All props required for the Show;
(2) All costumes for the Show's performers;
(3) All special effects for the Show which are not standard and ordinarily existent in the Theater's showroom.

9. REHEARSAL AND AUDITIONS.

a. Theater shall make the showroom available to Producer for rehearsals and auditions upon reasonable notice by Producer and shall make such stage lighting and sound personnel as may be reasonably necessary thereto available in connection therewith.

b. The Theater reserves the right to utilize the showroom for entertainment and other purposes during all daytime hours and during any evenings or other times the Show is not presented or when the auditorium is not in use during mutually agreed rehearsal and audition times described in the preceding subparagraph.

c. Theater agrees to make the auditorium available for rehearsal and taping of television commercials.

10. TERMINATION. The Producer may terminate this Agreement if any of the following events shall occur.

a. Failure by Theatre to pay, in full, on the dates due, any payment due hereunder, provided, however, that Theatre shall have ten (10) days following written notice from Producer to cure such default.

b. Failure by Theatre to observe or perform any of the other terms, covenants, agreements or conditions contained in this Agreement for a period of thirty (30) days after written notice from Producer specifying such default, provided, if any such default cannot be completely cured within such 30-day period, despite Theatre's diligent, best-faith effort, commenced immediately, then Theatre shall have a reasonable time to complete the cure of such default, for a period not to exceed ninety (90) days.

c. Either the Lease dated as of the date hereof between J. MacDonald Burkhart, M.D., and the Theatre or the Operating Agreement of the Theatre is terminated.

The Producer's right to terminate this Agreement under this paragraph is in addition to such other rights that the Producer may have at law or equity.

The Theatre may terminate this Agreement if any of the following events shall occur.

a. Failure by Producer to observe or perform any of the other terms, covenants, agreements or conditions contained in this Agreement for a period of thirty (30) days after written notice from Theatre specifying such default, provided, if any such default cannot be completely cured within such 30-day period, despite Producer's diligent, best-faith effort, commenced immediately, then Producer shall have a reasonable time to complete the cure of such default, for a period not to exceed ninety (90) days.

b. Either the Lease dated as of the date hereof between J. MacDonald Burkhart, M.D., and the Theatre or the Operating Agreement of the Theatre is terminated.

The Theater's right to terminate this Agreement under this paragraph is in addition to such other rights that the Theater may have at law or equity.

Any notices given hereunder shall also be given to Burkhart Ventures, LLC, in the manner and at the address provided in the Operating Agreement.

10. CERTAIN PROHIBITIONS. Upon the termination of this Agreement Theatre agrees not to:

a. for a period of one (1) year after termination of this Agreement, produce either directly or indirectly or rent its property to any person or entity producing, a country and eastern rock music variety shown which uses the

word "County" in its name or in any trade name or trademark.

b. for a period of one (1) year after termination of this Agreement, hire any person who was an employee of the Producer or any affiliated entity within the one-year period prior to the termination of this Agreement; or

c. violate any copyright, trademark or common law intellectual property rights of CTE or any affiliated entity.

The provisions of this paragraph shall survive the termination of this Agreement.

12. PRODUCER PERSONNEL. Producer shall require and assure that all Producer Personnel shall at all times perform his/her services in a highly professional manner. While on the premises of the Theatre, Producer Personnel shall conduct themselves in an appropriate and dignified manner, using professional discretion at all times. Producer is responsible for assuring that Producer Personnel and all persons performing services for Producer in connection with this agreement are subject to, and comply fully with, all terms and conditions of this Agreement.

13. CANCELLATION OF PERFORMANCE BY THEATRE. Theatre shall have the right to cancel any performance of the Show, or any portion thereof, should extraordinary conditions exist which include, but are not limited to: riot, civil disorder, act(s) of God, strike, act of any federal, state or local instruments, rebellions, bomb threats, or any natural disaster.

14. PUBLICITY. Producer shall require all performers in the Show to be available to Theater when requested from time to tome, for, among other things, publicity photographs and interview . All such services shall be rendered without any kind of cost or charge to Theater except that the Theater shall reimburse for travel, as required by the Theater or may pay the entertainer a fair market hourly rate for any material time. Producer agrees, for itself and on behalf of all performers in the Show, that such photographs and interview material may be used by Theater for any promotional and publicity purposes as Theater shall determine for the term of this agreement in its sole and absolute discretion; and Producer, for itself and on behalf of its performers, completely releases, Theater from any liability resulting from the use of such material. All promotional and publicity materials created at the expense or through the effort of Theater and approved by the Producer shall be the sole property of Theater, and Producer agrees to sign and to require its performers to sign, as may be reasonably determined, any and all releases, acknowledgements or such other documentations as Theater may request from time to time in connection with.

15. TAXES AND INSURANCE. Producer shall be solely responsible for and

shall pay when due all federal income tax withholding, FICA, social security, payment of workers' compensation where required by law and payroll taxes on behalf of Producer Personnel. Producer shall provide evidence satisfactory to Theater that worker's compensation insurance coverage is being carried by Producer and, when requested by Theater, evidence satisfactory to Theater that payment of all the foregoing payroll burden has been made. Each party to this contract hereby waives its right to subrogation.

16. INDEPENDENT CONTRACTOR. Producer is and shall be in the performance of all work, services and activities under this Agreement an independent contractor. No term or condition under this Agreement nor any method or manner of payment hereunder shall create any relationship between Theater and Producer other than as expressed in this paragraph. Producer personnel shall not in any way, at any time, or under any circumstances, be or be construed to be employees, agents, representatives or personnel of Theater.

17. INDEMNIFICATION. Producer shall defend, indemnity, and hold Theater completely free and harmless from and against any and all claims, demands, suits and actions which are the result of negligence by anyone not a party to this Agreement for loss, injury, damage, or liability from bodily injury and property damage arising directly or indirectly out of Producer's negligence with respect to performance of the Show or of this Agreement. Producer shall carry commercial liability insurance to insure against such risks.

18. PARKING. Theatre shall make parking available for the show to the full extent that parking is available to the Theatre under its lease of the property under which the Show will be permitted.

19. MISCELLANEOUS PROVISIONS

a. Time is of the essence of this Agreement and the performance of each and every provisions hereof.

b. Except as otherwise provided herein, this Agreement shall be binding upon and shall inure to the benefit of the parties, their permitted successors and assigns.

c. Whenever the context so requires, the use of any gender shall be applicable to all genders, the singular number shall include the plural and the plural gender.

d. The law of the State of Tennessee shall govern the validity, performance and enforcement of this Agreement.

e. If either party to this Agreement shall institute any action or proceeding under the provisions of this Agreement, the prevailing party in such

action or proceeding shall be entitled to recover all of its costs and reasonable attorney's fees.

f. The failure of Theater to insist upon performance of any of the provisions of this Agreement in any one or more instances shall not be a waiver thereafter of its right to full performance of all the provisions of this Agreement when any performance is due. No waiver of a breach of any of the covenants, conditions, terms of provisions of this Agreement shall be construed to be a waiver of any succeeding breach of the same of any other covenant, condition, term or provisions. All rights and remedies created by this Agreement are cumulative and the use of one remedy shall not be taken to exclude or waive the right to the use of another.

g. In case provision contained in this Agreement shall be held to be illegal, invalid or unenforceable, the legality, validity and enforceability of all remaining provisions shall not be in any way affected of impaired thereby.

h. Captions and/or headings have been inserted for convenience of reference only and are not to be construed or considered to be a part hereof and shall not in any way modify, restrict or amend any of the terms or provisions hereof.

Executed this 24th day of September, 1996.

COUNTY TONITE THEATRE, LLC.	COUNTY TONITE ENTERPRISES, INC.
/s/ John J. Pilger	/s/ John J. Pilger
John J. Pilger, Chief Manager	John J. Pilger, Chief Manager

EXHIBIT D

LIST OF ASSUMED EQUIPMENT LEASES AND MONTHLY AMOUNTS DUE

<TABLE>

LESSOR	PURPOSE	AMOUNTS	DUE DATE
<S>	<C>	<C>	<C>
Citizens National Bank	Sound & lighting equipment	$16,620.17	20th of month
Citizens National Bank	Computers	$ 510.16	27th of month
Associates Leasing	Walkie-talkies	$ 320.99	27th of month
AT&T Capital Leasing Services, Inc.	Fax/Copier	$ 240.35	28th of month
AT&T Credit Corporation	Telephone	$ 616.18	27th of month

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* Lessee shall have no rights in the video equipment (recorders, cameras, screens, and any and all related equipment) currently used in the theater.

EXHIBIT 2

EXHIBIT E

Encumbrances

1. All encumbrances listed in Lessor's title insurance policy issued by Lawyers Title Insurance Corporation (Policy #113-00-997074) attached hereto as EXHIBIT E-1.

2. A disputed lien asserted by Creative Structures, Inc. filed in the Sevier County Register of Deeds Office on July 2, 1996. Lessor covenants that this item will be released or removed by bond by January 15, 1997.

3. A deed of trust in favor of SunTrust National Bank of East Tennessee

and a deed of trust in favor of Union Planters Bank.

EXHIBIT E

Lawyers Title
Insurance Corporation
National Headquarters
Richmond, Virginia

Owner's Policy Number

113 - 00 - 997074

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, LAWYERS TITLE INSURANCE CORPORATION, a Virginia corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;

2. Any defect in or lien or encumbrance on the title;

3. Unmarketability of the title;

4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

IN WITNESS WHEREOF the Company has caused this policy to be signed and sealed, to be valid when Schedule A is countersigned by an authorized officer or agent of the Company, all in accordance with its By-Laws.

LAWYERS TITLE INSURANCE CORPORATION

Attest: By: Janet A. Alpert
Secretary President

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or penses which arises by reason of:

(a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrances resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrances resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

Defects, liens, encumbrances, adverse claims or other matter:

(a) created, suffered, assumed or agreed to by the insured claimant;

(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;

(c) resulting in no loss or damage to the insured claimant;

(d) attaching or created subsequent to Date of Policy; or

(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws.

CONDITIONS AND STIPULATIONS

1. DEFINITIONS OF TERMS

The following terms when used in this policy mean:

(a) "insured": the insured name in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by, operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors.

(b) "insured claimant": an insured claiming loss or damage.

(c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of the public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.

(d) "land": the land described or referred to in Schedule A, and improvements affixed thereto which by law constitute real property. The term "land" does not include any proerty beyond the lines of the area described or referred to in Schedule A, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is insured by this policy.

(e) "mortgage": mortgage, deed of trust, trust deed, or the other security instrument.

(f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a)(iv) of the Exclusions From Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.

(g) "unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE.

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of convenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the insured of either (i) an estate or interest in the land, or (ii) an indebtedness secured by a purchase money mortgage given to the insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever, the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, it its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these

Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by an authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is neccessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph shall terminate any liability of the Company under this policy as to that claim.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) TO PAY OR TENDER PAYMENT OF THE AMOUNT OF INSURANCE.

To pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) TO PAY OR OTHERWISE SETTLE WITH PARTIES OTHER THAN THE INSURED OR WITH THE INSURED CLAIMANT.

(i) to pay or otherwise settle with other parties for or in the name or an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE.

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A; or,

(ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or

interest subject to the defect, lien or encumbrance insured against by this policy.

(b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:

(i) where no subsequent improvement has been made, as to any

partial loss, the Company shall only pay the loss pro rata in the proportion that the amount of insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or

(ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement.

The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.

(c) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

8. APPORTIONMENT.

If the land described in Schedule A consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the amount of insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

9. LIMITATION OF LIABILITY.

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrances, or cures the lack of a right of access to or from the land, or cures the claim of unmarketability of title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by

the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as insured.

(c) The Company shall not be liable for loss or damage to any insured or liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro rata.

11. LIABILITY NONCUMULATIVE.

It is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule BV or to which the insured has agreed, assumed, or taken subject, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the insured owner.

12. PAYMENT OF LOSS.

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been loss or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damaged has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

13. SUBROGATION UPON PAYMENT OR SETTLEMENT.

(a) THE COMPANY'S RIGHT OF SUBROGATION.
Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant.

The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company,

in that event, shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

(b) THE COMPANY'S RIGHTS AGAINST NON-INSURED OBLIGORS.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

14. ARBITRATION.

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provisiono r other obligation. All arbitrable matters when the Amount of Insurance is $1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitrable matter when the Amount of Insurance is in excess of $1,000,000 shall be arbitrated only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration ismade or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court ot award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract, between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a

Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

16. SEVERABILITY.

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. NOTICES, WHERE SENT.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to its Corporate-Headquarters, 6630 West Broad Street, Richmond, Virginia 23230. Mailing address: P.O. Box 27567, Richmond, Virginia 23261.

POLICY OF TITLE INSURANCE

A WORD OF THANKS . . .

As we make your policy a part of our permanent records, we want to express our appreciation of this evidence of your faith in Lawyers Title Insurance Corporation.
There is no recurring premium.

This policy provides valuable title protection and we suggest you keep it in a safe place where it will be readily available for future reference.

If you have any questions about the protection provided by this policy, contact the office that issued your policy or you may write to:

Consumer Affairs Department
LAWYERS TITLE INSURANCE CORPORATION
P.O. BOX 27567
RICHMOND, VIRGINIA 23261
TOLL FREE NUMBER 1-800-446-7086

LAWYERS TITLE
INSURANCE CORPORATION

NATIONAL HEADQUARTERS
RICHMOND, VIRGINIA
OWNER'S POLICY
SCHEDULE A

****
ENDORSEMENTS:

CASE NUMBER	DATE OF POLICY	AMOUNT OF POLICY	POLICY NUMBER
	June 17, 1994	$2,950,000.00	113-00-997074

Name of Insured:

J. MacDonald Burkhart

The estate or interest in the land which is covered by this policy is;

fee simple

Title to the estate or interest in the land is vested in:

J. MacDonald Burkhart

The land referred to in this policy is described as follows:

SEE ATTACHED DESCRIPTION

NOTE: This property was conveyed to J. MacDonald Burkhart by warranty deed of R. DeWitt Shelton, a 3/4ths undivided interest as tenant in common and Lela Ogle, a 1/4th undivided interest as tenant in common, dated June 16, 1994, filed for record on June 17, 1994, in Warranty Deed Book 522, Page 646, in the Register's Office for Sevier County, Tennessee. Said warranty deed was corrected by Correction Warranty Deed dated May 10, 1995, filed for record on May 10, 1995, in Warranty Deed Book 544, Page 607, in the Register's Office for Sevier County, Tennessee.

DOUGLAS S. YATES

BY: /s/ Douglas S. Yates SEVIERVILLE, TENNESSEE

COUNTERSIGNATURE AUTHORIZED OFFICER OR AGENT

Issued At (Location

Policy 136 - Form No. 035-0136-0000 -- This Policy is invalid unless the cover sheet and Schedule B are attached. --- ALTA Owners Policy (10-17-92)

Lawyers Title
Insurance Corporation

NATIONAL HEADQUARTERS
Richmond, Virginia
OWNER'S POLICY
SCHEDULE B

****

CASE NUMBER: POLICY NUMBER: 113-00-997-074

****

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys fees or expenses) which arise by reason of:

1. Special Exceptions:
   (a) Taxes for the year 1995 and subsequent years.

2. The officials of the City of Pigeon Forge have represented that the 1993 City of Pigeon Forge Taxes have been paid in the amount of $3338.63, #2322, and that there are no taxes owing for prior years. However, no opinion is

expressed and no liability is assumed with regard to these representations since similar representations by officials of the City of Pigeon Forge have proved unreiliable in the past.

3. This property may be subject to an easement in respect to the old abandoned roadbed adjoining Pine Grove Plaza along the northern boundary of the property as shown on map of Ronnie L. Sims, RLS, dated June 8, 1994.

4. Subject to an existing asphalt encroachment along the northern boundary of the property adjoining Pine Grove Plaza and Highway 441, as shown on map of Ronnie L. Sims, RLS, dated Jun 8, 1994.

5. This property is subject to a deed of trust in favor of Third National Bank of East Tennessee, dated June 16, 1994, of record in Trust Deed Book 523, Page 220, in the said Register's Office. Said deed of trust was corrected by Correction Tennessee Deed of Trust dated May 10, 1995, of record in Trust Deed Book 557, Page 322, in the said Register's Office.

EXHIBIT A

TRACT I:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being a 10.165 acre tract located on the eastern side of U.S. Highway 441, and being more particularly bounded and described as follows:

BEGINNING at an iron pin set in the eastern right-of-way of U.S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U.S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence with the right-of-way of U.S. Highway 441 North 00 deg. 42 min. 48 sec. East passing an iron pin at 55.38 feet, a total distance of 178.16 feet to an iron pin marking the southwestern corner of Lot 7 of Pine Grove Plaza (Map Book 21, Page 173); thence leaving the right-of-way of U.S. Highway 441 and with the line of Pine Grove Plaza the following two calls and distances: North 67 deg. 32 min. 43 sec. East 829.56 feet to an iron pin; North 48 deg. 13 min. 38 sec. East 169.07 feet to an iron pin, corner to

Laurel Manor, Inc. (Deed Book 282, Page 15); thence with the line of Laurel Manor, Inc. the following two calls and distances: South 54 deg. 40 min. 24 sec. East 349.54 feet to an iron pin; North 43 deg. 24 min. 19 sec. East 247.69 feet to an iron pin, corner to John and Lisa Rauhuff (Deed Book 132, Page 88); thence with the line of Rauhuff and a fence the following two calls and distances: South 56 deg. 20 min. 12 sec. East 136.66 feet to an iron pin; South 51 deg. 15 min. 57 sec. East 21.10 feet to an iron pin, corner to R. DeWitt Shelton, et al. (Deed Book 522, Page 642); thence with the line of R. DeWitt Shelton, et al., the following six calls and distances: South 40 deg. 26 min. 51 sec. West 621.24 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 332.34 feet, a tangent of 60.39 feet, a chord call and distance of North 83 deg. 26 min. 38 sec. West 118.84 feet to an iron pin; thence South 86 deg. 15 min. 24 sec. West 97.00 feet, a tangent of 76.99 feet, a chord call and distance of North 71 deg. 04 min. 59 sec. West 142.09 feet to an iron pin; thence North 48 deg. 25 min. 23 sec. West 20.64 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 75.13 feet, a tangent of 28.51 feet, a chord call and distance of North 69 deg. 12 min. 15 sec. West 53.31 feet to an iron pin, corner to BGA Associates (Deed Book 485, Page 177); thence with the line of BGA Associates the following two calls and distances: North 89 deg. 59 min. 25 sec. West 425.32 feet to an iron pin; South 65 deg. 12 min. 05 sec. West 261.88 feet to an iron pin in the right-of-way of U.S. Highway 441, the POINT OF BEGINNING, as shown by survey of Dean A. Orr, RLS #780. ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job No. 94-398-11.

THIS CONVEYANCE IS SUBJECT TO an exclusive sign easement as reserved in Correction Warranty Deed dated May 10, 1995, of record in Deed Book 544, Page 607, in the Sevier County Register's Office, said easement encumbering the following described parcel of property:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, being located on the eastern side of U.S. Highway 441, and being more particularly described as follows:

TO FIND THE POINT OF BEGINNING start at an iron pin set in the eastern right-of-way of U.S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U.S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence running with the eastern right-of-way of U.S. Highway 441 and the western terminus of a 50 foot joint permanent non-exclusive easement North 00 deg. 42 min. 48 sec. East 55.38 feet to an iron pin lying in the northern line of said 50 foot joint permanent non-exclusive easement, said iron pin marking the place of beginning of the sign easement area; thence leaving the right-of-way of U.S. Highway 441 and with the northern line of a 50 foot joint permanent non-exclusive easement North 65 deg. 12 min. 05 sec. East 20.00 feet, more or less, to a point; thence

leaving the right-of-way of a 50 foot joint permanent non-exclusive easement North 00 deg. 42 min. 48 sec. East 20.00 feet, more or less, to a point; thence South 65 deg. 12 min. 05 sec. West 20.00 feet, more or less, to a point in the eastern right-of-way of U.S. Highway 441; thence with the eastern right-of-way of U.S. Highway 441 South 00 deg. 42 min. 48 sec. West 20.00 feet, more or less, to an iron pin, the POINT OF BEGINNING, as shown on survey of Dean A. Orr, RLS #780, ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job. No. 94-398-11.

THIS CONVEYANCE IS FURTHER SUBJECT TO a 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities running over, across and under the above-described 10.165 acre tract of property, as reserved in Correction Warranty Deed dated May 10, 1995, of record in Deed Book 544, Page 607, in the Sevier County Register's Office, said 50 foot wide joint permanent non-exclusive easement being more particularly bounded and described as follows:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being more particularly bounded and described as follows:

BEGINNING at an iron pin in the eastern right-of-way of U.S. Highway 441, said iron pin being located 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U.S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence with the right-of-way of U.S. Highway 441 North 00 deg. 42 min. 48 sec. East 55.38 feet to an iron pin; thence leaving the right-of-way of U.S. Highway 441 and running along the northern right-of-way line of the 50 foot wide joint permanent non-exclusive easement the following calls and distances: North 65 deg. 12 min. 05 sec. East 249.02 feet to an iron pin; thence South 89 deg. 59 min. 24 sec. East 436.32 feet to an iron pin; thence running with an arc in a curve to the right in a circle having a radius of 125.13 feet, a tangent of 47.49 feet, a chord call and distance of South 69 deg. 12 min. 15 sec. East 88.79 feet to an iron pin; thence South 48 deg. 25 min. 23 sec. East 20.64 feet to an iron pin; thence running with an arc in a curve to the left in a circle having a radius of 134.40 feet, a tangent of 56.11 feet, a chord call and distance of South 71 deg. 04 min. 59 sec. East 103.56 feet to an iron pin; thence North 86 deg. 15 min. 24 sec. East 97.00 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 382.34 feet, a tangent of 49 min. 36 sec. East 157.90 feet to an iron pin in the line of R. DeWitt Shelton, et al. (Deed Book 522, Page 642); thence with the line of R. DeWitt Shelton, et al. The following six calls and distances: South 40 deg. 26 min. 51 sec. West 53.90 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 332.34 feet, a tangent of 60.39 feet, a chord call and distance of North 83 deg. 26 min. 38 sec. West 118.84 feet to an iron pin; thence South 86 deg. 15 min. 24 sec. West 97.00 feet to an iron pin; thence running with an arc in a curve to the right in a circle having a radius of 184.40 feet, a tangent of 76.99 feet, a chord call and distance of North 71 deg. 04 min. 59 sec. West 142.09 feet to an iron pin; thence North 48 deg. 25 min. 23 sec. West 20.64 feet to an iron pin; thence running with an arc in a curve to the

left in a circle having a radius of 75.13 feet, a tangent of 28.51 feet, a chord call and distance of North 69 deg. 12 min. 15 sec. West 53.31 feet to an iron pin, corner to BGA Associates (Deed Book 485, PGE 177); thence with the line of BGA Associates the following two calls and distances: North 89 deg. 59 min. 25 sec. West 425.32 feet to an iron pin; thence South 65 deg. 12 min. 05 sec. West 261.88 feet to an iron pin in the eastern right-of-way line of U.S. Highway 441, the POINT AND PLACE OF BEGINNING, as shown by survey of Dean A. Orr, RLS #780, ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job No. 94-398-11.

TRACT II:

PARCEL A:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being a 50 foot wide right-of-way immediately north of and running parallel with the following described line, which line marks the southern right-of-way line for said 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities:

TO FIND THE POINT OF BEGINNING start at an iron pin set in the eastern right-of-way line of U.S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U.S. Highway 441 with the northern right-of-way of Sugar Hollow Road and said iron pin being corner to BGA Associates (Deed Book 485, Page 177); thence running with the line of BGA Associates the following two calls and distances: North 65 deg. 12 min. 05 sec. East 261.88 feet to an iron pin; thence South 89 deg. 59 min. 25 sec. East 425.32 feet to an iron pin, corner to R. DeWitt Shelton, et al.; thence with the line of Shelton, et al. the following five calls and distances: Running with the arc in a curve to the right in a circle having a radius of 75.131 feet, a tangent of 28.513 feet, a chord call and distance of South 69 deg. 12 min. 18 sec. East 53.315 feet to an iron pin; thence South 48 deg. 25 min. 23 sec. East 20.64 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 184.400 feet, a tangent of 76.985 feet, a chord call and distance of South 71 deg. 05 min. 00 sec. East 142.085 feet to an iron pin; thence North 86 deg. 15 min. 24 sec. East 97.00 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 332.340 feet, a tangent of 67.162 feet, a chord call and distance of South 82 deg. 19 min. 07 sec. East 131.662 feet to an iron pin, the POINT OF BEGINNING; thence running with the arc in a curve to the right in a circle having a radius of 345.332 feet, a tangent of 96.499 feet, a chord call and distance of South 55 deg. 16 min. 53 sec. East 185.877 feet to an iron pin; thence South 39 deg. 40 min. 08 sec. East 193.90 feet to an iron pin, being corner to property of Barbara Mockus, said iron pin marking the terminus of the easement area and being according to the survey of Ronnie L. Sims, Tennessee Registered Land Survey No. 683, 1020 Topside Drive, Sevierville, Tennessee 37862, dated December 20, 1994 and the last revised on April 19, 1995.

PARCEL B

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and

within the corporate limits of the City of Pigeon Forge, Tennessee, beginning at an iron pin marking the southeastern terminus of the aforementioned easement described above, and which iron pin lies in the southwestern right-of-way line of the 50 foot wide joint permanent non-exclusive easement area; thence leaving said point and place of beginning and running with the southern terminus of the 50 foot wide joint permanent non-exclusive easement for ingress,

egress and utilities afore described, North 50 deg. 19 min. 51 sec. East 50.00 feet to an iron pin; thence South 39 deg. 40 min. 08 sec. East 132.93 feet to an iron pin; thence North 79 deg. 28 min. 09 sec. East 110.87 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 50.01 feet, a tangent of 39.94 feet, an arc distance of 67.40 feet to an iron pin lying in the northern right-of-way line of Sugar Hollow Road; thence running with the northern right-of-way line of Sugar Hollow Road and running with the arc in a curve to the left in a circle having a radius of 498.40 feet, a tangent of 25.03 feet, an arc distance of 50.03 feet to an iron pin, being corner to property of C.B. McCarter (Plat Book 5, Page 72); thence running with the line of McCarter South 79 deg. 28 min. 09 sec. West 140.25 feet to an iron pin, being corner to property of Barbara Mockus; thence running with the line of Barbara Mockus North 39 deg. 40 min. 08 sec. West 162.30 feet to an iron pin, marking the POINT AND PLACE OF BEGINNING, and being according to the survey of Ronnie L. Sims, Tennessee Registered Land Surveyor No. 683, 1020 Topside Drive, Sevierville, Tennessee 37862, dated December 20, 1994 and last revised on April 19, 1995.

BEING the same property conveyed to J. MacDonald Burkhart from R. DeWitt Shelton and Lela Evelyn Ogle by Deed dated June 16, 1994, of record in Deed Book 522, Page 646, as corrected by Deed dated May 10, 1995, of record in Deed Book 544, Page 607, both in the Sevier County Register's Office.

OPERATING AGREEMENT
OF
COUNTRY TONITE THEATRE, L.L.C.

THIS OPERATING AGREEMENT (the "Agreement") among CRC OF TENNESSEE, INC., a Tennessee corporation ("CRCT"), and BURKHART VENTURES, LLC, a Tennessee limited liability company ("BV"; CRCT and BV are collectively referred to herein as the "Members"), is made and entered into as of the 24 day of September, 1996.

ARTICLE I
FORMATION

1.1 FORMATION. The Members hereby form a limited liability company pursuant to the Tennessee Limited Liability Company Act (the "Act").

1.2 NAME. The name of the limited liability company shall be Country Tonite Theatre, L.L.C. (the "Company").

1.3 ARTICLES OF ORGANIZATION. The Articles of Organization (the "Articles") dated as of September 19, 1996, hereof are hereby adopted and ratified by the Members. In the event of a conflict between the terms of this Agreement and the terms of the Articles, the terms of the Articles shall prevail.

1.4 DEFINITIONS. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Act.

1.5 PLACE OF BUSINESS. The principal place of business of the Company shall be at 2249 Parkway, Pigeon Forge, Tennessee 37868, or at such other place(s) as all Members shall from time to time select.

1.6 PERCENTAGE INTERESTS. The Percentage Interest of each Member shall be as follows:

BV	40%
CRCT	60%

The term "Percentage Interest" with respect to each Member shall mean the percentage interest of such partner in the profits, losses, distributions, capital, and assets of the Company. The term "Membership Interest" means a Member's entire interest in the Company, which when expressed as a percentage of all Membership Interests in the Company shall be equal to such Member's Percentage Interest. Membership Interests shall not be altered by any subsequent changes in the capital account(s) of any Member, and notwithstanding any other provision of this Agreement to the

contrary, all distributions (except as specifically provided herein) shall be based upon each member's Percentage Interest and not the relative capital accounts at any given time.

ARTICLE II

PURPOSE AND POWERS

2.1 PURPOSE. The purpose of the Company is to engage in the business of contracting for, producing, managing, and marketing a country music show and related activities to be presented at the music theater building owned by J. MacDonald Burkhart, M.D. located at 2249 Parkway, Pigeon Forge, Tennessee 37868.

2.2 POWERS. In furtherance of the foregoing purpose, the Company shall have the full power and authority to conduct its business as provided by the Act and applicable law.

2.3 INITIAL CONTRACTS, COMMENCEMENT OF OPERATIONS. The Company shall enter into a certain Lease Agreement with J. McDonald Burkhart, M.D., a copy of which is attached hereto as EXHIBIT 1 (the "Lease"), to lease the theater location for the proposed country music show referred to above, and shall enter into a contract with Country Tonite Enterprises ("CTE"), an affiliate of CRCT, to acquire the performance artists and proprietary interests required to present the show, a copy of which is attached hereto as EXHIBIT 2 (the "Contract"). The Members agree to use their good faith best efforts to cause the Company to initiate 1997 marketing efforts in September 1996; to assume pre-opening operation of the theater on or before January 15, 1997; and to open the theater to the public on such date as CRCT deems appropriate in the best interests of the Company, which date is expected to be in the first half of March, 1997.

2.4 ASSUMPTION OF EQUIPMENT LEASES. The Company shall also assume and acquire all interest in certain leases for equipment as provided in Section 15 of the Lease.

ARTICLE III
CAPITAL

3.1 CAPITAL ACCOUNTS. A capital account shall be established on the books of the Company for each Member. Each such capital account shall be credited with the amount of the respective Member's capital contributions as and when they are made and with the respective Member's share of Company income, gains, and profits allocated in accordance with the Member's proportionate Percentage Interest. Each Member's capital account shall be debited with the Member's respective share of losses and distributions in accordance with the Member's proportionate Percentage Interest. Such capital accounts shall be maintained in accordance with the requirements of Section 704 of the Internal Revenue Code of 1986, as amended (the "IRC"), and the regulations promulgated thereunder.

3.2 CAPITAL CONTRIBUTIONS.

(a) As their initial capital contributions, CRCT shall contribute $300,000 to the Company and BV shall contribute $200,000 to the Company, the total of which capital contributions shall be used to establish an operating account for the use of the Company in facilitating the operations of the Company, including the pre-opening activities, management, and marketing of the theater. Such capital contributions shall be made in accordance with and at the times provided in the promissory notes of CRCT and BV to the Company dated as of the date of this Agreement.

(b) By January 1, 1997, each of the Members hereby agree to arrange for and guarantee a line of credit for the use and benefit of the Company, if needed, in an amount up to $300,000 with regard to CRCT and $200,000 with regard to BV. If it is necessary for the Company to use such credit lines, the respective credit lines of both Members shall be drawn upon pro rata in proportion to their Percentage Interests and simultaneously to meet such need.

3.3 ADDITIONAL CAPITAL CONTRIBUTIONS. Neither Member shall be required to make any further capital contributions or loans to the Company except as permitted herein, and any such contributions or loans shall be subject to the prior written approval of all Members except as permitted herein.

3.4 NO RIGHT TO WITHDRAW CAPITAL. No Member shall have the right to demand the return of, or otherwise withdraw his capital or to receive any specific property of the Company, except as specifically provided in this Agreement. No Member shall have the right to demand and receive property other than cash in return for his capital. Provided, however, BV shall have an option to acquire certain equipment related to the stone sign in accordance with paragraph 11 of the Lease, and BV may elect to receive such equipment towards any capital or other distribution to which BV is otherwise entitled.

3.5 RETURN OF CAPITAL. All capital contributions and loans made by the Members shall be repaid as provided in ARTICLE XI hereof. Other than as stated in ARTICLE XI, no interest shall be paid on capital contributions or on balances in capital accounts.

ARTICLE IV
ALLOCATION OF PROFITS AND LOSSES

4.1 ALLOCATIONS OF PROFITS AND LOSSES.

(a) All Company net profits and net losses, and each item of income and expense related thereto, from whatever source derived (except such items with respect to property contributed to the Company by a Member, which shall be allocated pursuant to IRC Section 704(c) and the regulations thereunder), shall be allocated to the Members pro rata based upon their respective Percentage Interests as set forth in SECTION 1.6 above.

(b) Notwithstanding the above or any other term or condition contained in this Agreement to the contrary, the capital accounts of the Members shall, in all events, be maintained

in accordance with IRC Section 704(b) and the regulations promulgated thereunder, now existing or hereafter enacted, including, without limitation, the regulations set forth in Treasury Regulations Section 1.704-1(b)(20(iv) as well as the requirements set forth in IRC Section 704(c) and regulations promulgated thereunder, as to the allocation of the Company's income, loss, gain, deductions and other items to be allocated between the Members.

4.2 REVENUES CALCULATED IN DETERMINING NET PROFITS. In calculating net profits, all revenues of the Company from ticket sales, gift shop sales, concessions sales, sale of videos, tapes and compact discs, entertainer's sundries for resale, and any other revenues from theater operations shall be included, provided, however, that revenues shall not include sales and use

taxes, insurance proceeds relating to the assets of the Company, promotional non-cash revenues (such as complimentary tickets) and uncollectible receivables. Pre-paid revenues and costs associated with the same shall be acknowledged by the Company when earned.

ARTICLE V
MANAGEMENT

5.1 MANAGEMENT BY MEMBERS. The Company shall be a "member-managed" limited liability company as such term is defined in the Act. The business and affairs of the Company shall be managed by the Members. All powers of the Company as a limited liability company under the Act shall be exercised by or under the direction of the Members.

5.2 MANAGEMENT OF DAY-TO-DAY OPERATIONS. The Members hereby agree, in the mutual exercise of their right of control, that CRCT shall have the responsibility for day-to-day management of the Company, including responsibility for the operation, management and marketing of the theater and for paying from the Company's assets all sales and use taxes, payroll taxes, state and federal income taxes, worker's compensation insurance, liability and business interruption insurance, and all other operating expenses arising in the course of the Company's business. CRCT acknowledges that its affiliate, CTE, is a party to the contract with the Company attached hereto as EXHIBIT 2, and CRCT shall arrange for the use (but not the ownership) by the Company of the "Country Tonite Show" and all proprietary and intellectual material associated with the same. Furthermore, CRCT covenants and agrees with BV as follows:

(a) CRCT agrees to use its best efforts to operate the Company and manage the theater in a profitable manner through the use of its expertise and experience in the music theater industry.

(b) CRCT will operate the Company and the theater in substantially the same manner as it operates other theaters presenting the "Country Tonite" concept and shall cause CTE, subject to the limitations of the Contract, to present such number of shows as will maximize the net profit of the Company.

(c) CRCT shall use its best efforts to operate the Company and make Company expenditures in each fiscal year in accordance with the budget with respect to such fiscal year provided to the Members pursuant to SECTION 8.3 below.

(d) CRCT shall at all times operate in a manner with respect to the Company and its assets and property which is for the sole benefit of the Company, and shall refrain from any activity contrary to the best interest of the Company, including among other things, the utilization of Company funds or assets for the sole benefit of CRCT or its affiliates;

(e) (i) CRCT shall not make or approve any transfer of any type of property from the Company to CRCT or any of its affiliates at other than fair market value and only after the prior written consent of BV; (ii) CRCT shall not permit the Company to enter into a loan, lease, purchase, sale or contract with Casino Resource Corporation ("CRC") or any subsidiary, parent or related person or entity of CRC, other than the Contract, without the written consent of BV; (iii) CRCT shall not permit the Company to make any

payment or loan for the benefit of CRC or any subsidiary, parent or related person or entity of CRC directly or indirectly without BV's written consent other than the Contract; or (iv) CRCT shall not permit the Company to modify, alter or amend the Contract without BV's written consent; provided that notwithstanding the foregoing, CRCT may in the course of managing the Company make payments to CTE to the extent permitted in the Contract;

(f) no loans may be made by the Company to CRCT or any of its affiliates nor is CRCT authorized to incur indebtedness, nonrecourse or otherwise, on behalf of the Company except as otherwise permitted herein; and

(g) advance payments to CRCT or any of its affiliates are prohibited.

5.3 NO MUTUAL AGENCY OF THE MEMBERS. Neither Member is authorized or empowered to obligate the other, or to incur any costs on behalf of the other, except that CRCT may obligate the Company and incur costs on behalf of the Company as necessary to operate the theater. The employees or agents of a Member are not, and shall not be considered as, the employees or agents of the other Member.

5.4 ACTIONS REQUIRING THE APPROVAL OF ALL OF THE MEMBERS. Unless authorized by all of the Members, no single Member or group of less than all of the Members shall have authority in the name of or on behalf of the Company to:

(a) dispose of the goodwill of all the business;

(b) do any other act which would make it impossible to carry on the ordinary business of the Company;

(c) confess a judgment on behalf of the Company;

(d) submit a claim or liability to arbitration or reference;

(e) sell, lease, exchange or otherwise dispose of any of the assets of the Company or enter into any agreement to do the same, except for sales of assets in the ordinary course of business in an amount less than 10% of the Company's net assets (as shown on the Company's balance sheet as of the end of its most recently completed fiscal year) in any single transaction or series of related transactions;

(f) purchase, lease or otherwise acquire any assets, or enter into any agreement to do the same, except for the acquisitions of assets in the ordinary course of business in an amount less than 10% of the Company's net assets (as shown on the Company's balance sheet as of the end of its most recently completed fiscal year) in any single transaction or series of related transactions;

(g) borrow money or incur indebtedness or other liabilities or pledge the assets of the Company to secure such borrowing, except that if at any time the amounts available from the initial capital contributions of $500,000 and the lines of credit described in SECTION 3.2 have been expended, the Members may, by unanimous consent, make loans to the Company in increments of $200,000, with CRCT contributing $120,000 and BV contributing $80,000 per increment. If CRCT votes to make such loans and BV votes not to, then CRCT may at its option make the entire additional $200,000 loan. If BV votes to

make such loan and CRCT votes not to, then BV may at its option make the entire additional $200,000 loan. If one of the Members, but not both, makes the additional $200,000 loan, the Member making the loan shall be entitled to interest on such loan at the prime rate of interest in effect from time to time as published in the WALL STREET JOURNAL. The principal and interest on any such loan(s) shall be payable as provided in SECTION 11(d) hereof. Such loan shall be unsecured and nonrecourse as to the other Member(s).

(h) declare or make any distribution to Members except pursuant to ARTICLE XI of this Agreement;

(i) enter into or agree to enter into any other transaction outside of the ordinary course of business of the Company;

(j) take any other action that would require the consent of all of the Members pursuant to this Agreement or the Articles; or

(k) amend, modify, or alter this Agreement.

5.5 LIMITATION ON LIABILITY. A Member shall not be liable for any action taken as a Member, or any failure to take action as a Member, except to the extent that such Member's conduct fails to comply with its obligations under this Agreement or the standards set forth in Section 48-240-102 of the Act or to the extent that such Member may be liable for wrongful distributions under Section 48-237-101 of the Act no later than three years after the distribution.

5.6 COMPENSATION AND REIMBURSEMENT. Except as specifically provided herein, no Member nor any affiliate of any Member shall have any right to compensation for any services performed on behalf of the Company except the following: (a) payments of the Company to CTE under the Contract; (b) documented reasonable expenses of officers of CRC and its affiliates, which may include travel, meals and lodging expenses, incurred directly in connection with the business of the Company, but not wages or compensation; (c) reasonable wages and documented reasonable expenses of non-officer employees of CRC and its affiliates (including employees in the production staff, marketing department, reservations management, giftware purchasing and other operating personnel who will hire and train the staff at the Theater) incurred while such employees are in Pigeon Forge, Tennessee for a purpose directly related to the business of the Company and a proportionate share of reasonable wages and documented reasonable expenses for such persons when

attending trade shows or sales meetings that directly benefit the Company. Certain persons may be employees of both the Company or CRCT and CRC or an affiliate of CRC if it is cost efficient to do so and such employees' duties relate directly to the business of the Company, and in such event such employees' wages shall be allocated proportionately to the Company based upon the percentage of time that such employees' devote to the business of the Company. CRCT shall report to BV in its monthly operating statements the rate, amount and purpose of all wages paid and expenses reimbursed pursuant to this section. Any wages charged to the Company shall be reasonable and at a rate not greater than the rate paid by CRC or its affiliates. CRCT shall cause any such employees to account for all time and expenses charged to the Company, and such records and receipts shall be provided to BV at its request. All professional entertainment staff, as described in the Contract, including the producer, director, performers and choreographers of CTE's

production, shall be the entire financial responsibility of CTE.

5.7 MANAGERS. The Company shall at all times have at least two officers, those being the Chief Manager and the Secretary. The Company may have additional officers who shall perform such duties as may be prescribed by the Members upon their election. Any other officer elected by the Members need not be a Member. The initial Chief Manager of the Company shall be John J. Pilger and the initial Secretary of the Company shall be Noreen Pollman. The Company, and each of the Members, will use their best efforts to place Mr. Ted Burkhart in a suitable position of employment with the Company, if he so desires.

5.8 DUTIES OF THE PERSON HOLDING THE OFFICE OF CHIEF MANAGER. The Chief Manager shall have the duty to manage the day-to-day operations of the Company and to perform other duties customarily performed by a chief executive officer.

5.9 DUTIES OF THE PERSON HOLDING THE OFFICE OF SECRETARY. The Secretary shall have the duty to maintain the records of all proceedings of the Members and to perform other duties customarily performed by a secretary.

5.10 ELECTION OF MANAGERS. All Managers, including the Chief Manager and the Secretary, shall be elected by the Members.

5.11 COMPENSATION OF OFFICERS. No officer, manager, or any Member of the Company or any affiliate shall receive any compensation from the Company without the prior approval of all Members except as provided herein.

5.12 REMOVAL AND RESIGNATION OF OFFICERS. The Members may remove any officer, including the Chief Manager and the Secretary, with or without cause. The Members may eliminate any officer position other than that of the Chief Manager and the Secretary. Any officer may resign upon thirty (30) days prior written notice to the Members. Upon the death, resignation or removal of the Chief Manager, the Members shall immediately vote to appoint another Chief Manager. Upon the death, resignation or removal of the Secretary, the Members shall immediately vote to appoint a substitute Secretary.

5.13 NO EXCLUSIVE DUTY; OTHER ACTIVITIES.

(a) The Members shall devote such time and attention to the business and affairs of the Company as may be necessary for the proper performance of their duties and the conduct of the business and affairs of the Company. It is recognized that each of the Members is otherwise engaged in commercial and business activities which require a substantial part of their time, expertise, talent and efforts.

(b) The Members may engage and hold interests in other business ventures of every kind and description for their own account including, but without limitation, ventures such as those undertaken by the Company. No Member shall incur any liability to the other Member or the Company as a result of engaging in any other business or venture. Neither the Company nor either of the Members shall have any right, by virtue of this Agreement, in and to any of such independent business ventures or the income or profits derived therefrom. Notwithstanding the foregoing, during the term of this Agreement, neither Member shall compete with the Company, directly or indirectly, within

Sevier County, Tennessee or any adjoining county. Operation of a restaurant or hotel facility (that does not have a show which charges admission) shall not be considered to be competing with the Company.

ARTICLE VI
MEMBERS AND VOTING RIGHTS

6.1 MEMBERSHIP VOTING POWER. Each Member shall have voting power equal to such Member's Percentage Interest. At any meeting of the Members, each Member present (in person or by proxy) and entitled to vote shall have a number of votes equal to such Member's Percentage Interest. At any meeting of the Members at which a quorum is present (in person or by proxy), a majority of the Membership voting power present (in person or by proxy) at the time the vote is taken is required to take action on a matter unless a vote of greater proportion is otherwise required by this Agreement, the Articles or the Act.

6.2 MEETINGS. Meetings of all Members may be called by the Chief Manager, Secretary or any Member by mailing notice to all Members no fewer than ten (10) days nor more than two (2) months before the meeting date, stating the purpose or purposes of such meeting. Any such meetings shall be held at the principal place of business of the Company or such other place as may be designated in the notice. When any notice is required to be given to any Member, a waiver thereof in writing signed by the person entitled to such notice, whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice. Attendance by a Member at a meeting is a waiver of notice of such meeting, except if the Member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not otherwise participate in the consideration of any matter at the meeting. A meeting may take place by telephone conference call or any other form of electronic communication through which the Members may simultaneously hear each other. Such meeting shall be deemed to be held at the principal executive office of the Company or at the place properly named in the notice calling the meeting.

6.3 QUORUM REQUIREMENTS FOR MEETINGS. The Members present (in person or by proxy) and holding a majority of the Membership voting power at any meeting shall constitute a quorum for the transaction of business. Once a Member is represented at any meeting, such Member is

deemed to be present for the remainder of that meeting and for any adjournment. A meeting may be adjourned, and notice of an adjourned meeting is not necessary if the date, time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken.

6.4 ACTION WITHOUT A MEETING. Action required or permitted to be taken at a meeting of the Members may be taken without a meeting if the action is evidenced by written consents describing the action taken, signed by all Members and delivered to the Secretary of the Company for filing with the Company records.

6.5 ADMISSION OF NEW MEMBERS. No other person shall be made a Member without the written approval of all of the Members.

ARTICLE VII
INDEMNIFICATION

Except for acts of malfeasance, gross negligence or misrepresentation, the Company shall indemnify all Responsible Persons (as that term is defined in Section 48-243-101(7) of the Act) to the fullest extent of the Act as now in effect or hereafter amended; provided that any indemnification under this Article shall be paid only out of and to the extent of Company assets.

ARTICLE VIII
FISCAL MATTERS

8.1 BOOKS AND RECORDS. At all times during the existence of the Company, CRCT shall keep, or cause to be kept, full and true books of account on a fiscal year basis (such fiscal year ending on September 30 of each year) in which all transactions of the Company shall be entered fully and accurately, using generally accepted accounting principles ("GAAP"), consistently applied. As soon as practical after the end of each fiscal year of the Company (but in no event later than sixty (60) days after the end of such fiscal year), a general accounting and review shall be taken and made by an independent accounting firm selected by CRCT, covering the assets, properties, liabilities, and net worth of the Company, and its dealings, transactions, and operations during the preceding fiscal year, and a copy of such accountant's report shall be promptly provided to both Members. Such books and records shall contain sufficient. information to permit calculation of the amounts distributable to the Members pursuant to this Agreement.

8.2 RIGHT TO INSPECTION. Each Member shall have the right to examine and inspect, at any and all reasonable times, the books, records, and accounts of the Company, and the Company shall provide monthly operating statements to both Members, which shall show revenues and expenditures of the Company for such month within twenty (20) days after the end of such month. BV shall have the right to have the books and records audited by an independent certified public accountant with the cost of such audit being an expense of BV unless such audit reveals appropriate adjustments in excess of $5,000 in BV's favor, in which case, CRCT shall be solely responsible for such costs, including reasonable travel expenses, or for reimbursing BV therefore. Such books of account, together with this Agreement and any amendments hereto, shall at all times be maintained

at the principal office of the Company or CRCT and shall be open to reasonable inspection and examination by the Members or their duly authorized representatives.

8.3 REPORTS TO BV. Each of the following reports shall be prepared by CRCT at the Company's expense, and shall be delivered to the Members:

(a) at least thirty (30) days prior to the commencement of each fiscal year, an annual operating budget for such fiscal year;

(b) within forty-five (45) days after the end of each fiscal quarter, an operating statement showing revenues and expenditures of the Company for such fiscal quarter;

(c) within one hundred twenty (120) days after the end of each fiscal year, an annual report of the activities of the Company, including a balance sheet, income statement and a statement of cash flow; and

(d) within ninety (90) days after the close of the taxable year or period of the Company for which such return is prepared, income tax returns for the Company and a report indicating each respective Member's share of the net profits or losses and capital gains or losses and other items required by federal tax law to be separately allocated to each Member, all as defined and reflected on said Company income tax return.

It is a acknowledged and understood that the Company, through CRCT, will be sharing certain confidential financial, organizational, and administrative records, trade secrets, and other materials pursuant to this SECTION 8.3. During the term of this Agreement, each Member agrees to keep all such information and materials in the strictest confidence and shall refrain from disclosing such information or any portion thereof to any third party except to any lender or professional advisor to the Company or either Member.

8.4 COMMENT PERIOD REGARDING BUDGET. After reviewing the budget provided pursuant to SECTION 8.3(a), BV shall have twenty (20) days to provide CRCT with any objections or comments to such budget or individual line entries which are a part of such budget. CRCT must either revise the budget to correspond with BV's objections and comments or provide BV with a written response to such objections and comments within five (5) days of CRCT's receipt thereof. After providing such response, CRCT may adopt such budget as the budget for the Company.

8.5 FISCAL YEAR. The fiscal year of the Company shall end on September 30 of each year.

8.6 TAX STATUS. Solely for purposes of the United States federal income tax laws, each of the Members hereby recognizes that the Company will be subject to all provisions of Subchapter K of Chapter 1 of Subtitle A of the IRC. However, the filing of U.S. Partnership Returns of Income shall not be construed to extend the purposes of the Company or expand the obligations of liabilities of the Members.

8.7 ACCOUNTING SERVICES. The selection of an accountant or accounting firm for the purposes of preparation of income tax returns, financial statements, or similar financial services to

the Company shall require the mutual agreement of the Members. Until further agreement, the Members shall use the services of B.D.O. Seidman.

8.8 TAX MATTERS MEMBER. CRCT shall be the initial Tax Matters Member ("TMM"). The TMM shall promptly give notice to all Members of any administrative or judicial proceeding pending before the Internal Revenue Service involving any Company item and the progress of any such proceeding. The TMM shall have all the powers provided to a tax matters partner in Sections 6221 through 6233 of the IRC, including the specific power to extend the statute of limitations with respect to any matter which is attributable to any Company item or affecting any item pending before the Internal Revenue Service and to select the forum to litigate any tax issue or liability arising from Company items. The TMM may resign its position by giving thirty (30) days written notice to all Members, whereupon the Members shall promptly vote to designate a new TMM. The Members may, without cause, remove the TMM, whereupon the Members shall promptly vote to designate a new TMM. The TMM

shall be entitled to reimbursement for any and all reason able expenses incurred with respect to any administrative and/or judicial proceedings affecting the Company.

8.9 ELECTIONS. All elections required or permitted to be made by the Company under any applicable tax laws shall be made by Members as directed by the Company's auditors.

ARTICLE IX
TERMINATION OF MEMBERSHIP INTEREST

9.1 TERMINATION OF INTEREST. A Member's Membership in the Company shall terminate upon the:

(a) withdrawal of the Member;

(b) acquisition of the Member's complete Membership Interest by the Company;

(c) assignment of the Member's Governance Rights which leaves the Member with no Governance Rights.

(d) bankruptcy of the Member;

(e) dissolution of the Member; or

(f) a merger in which the Company is not the surviving organization.

9.2 WITHDRAWAL OF A MEMBER. Notwithstanding the foregoing, a Member shall not have the right to withdraw from the Company, to assign its Governance Rights except as provided in ARTICLE X hereof, to dissolve, or to otherwise terminate its Membership Interest by any means, including by declaring or allowing itself to be declared bankrupt, other than in the manner provided in SECTION 11.4 and 12.2(B) and (D) hereof, though it does have the power under the Act to terminate its membership by withdrawing at any time.

9.3 GENERAL EFFECT OF TERMINATION OF INTEREST. The termination of a Member's interest causes dissolution and termination of the Company unless, in cases where the termination is wrongful, the existence and business of the Company is continued by the unanimous consent of the remaining Members provided that such consent is obtained no later than ninety (90) days after the termination of the continued membership. If the termination of a Member's interest is not wrongful, the Company shall be dissolved, terminated and wound up in accordance with Article XII hereof.

9.4 EFFECT OF TERMINATION OF MEMBERSHIP ON GOVERNANCE RIGHTS. If for any reason the Membership Interest of a Member is terminated, unless such termination is wrongful under this Agreement at, then:

(a) if the business of the Company is continued pursuant to SECTION 12.2, the Member whose Membership is terminated loses any and all Governance Rights and will be considered merely an assignee of the Financial Rights owned before the termination; and

(b) if the business of the Company is not continued pursuant to SECTION

12.2, the Member whose Membership terminated retains all Governance Rights owned before such termination and may exercise these through the dissolution and winding up of the Company.

9.5 ADDITIONAL EFFECTS IF TERMINATION OF MEMBERSHIP IS WRONGFUL. If a Member withdraws in violation of this Agreement, in particular SECTION 9.2 above, then such withdrawal has the following additional effects:

(a) The Member who has wrongfully withdrawn forfeits Governance Rights in the winding up and termination process or in the continued business.

(b) The Member who has wrongfully withdrawn is liable to all the other Members and to the Company to the extent damaged, including the loss of foregone profits, by the wrongful withdrawal.

(c) In lieu of establishing damages for lost profits, those Members who have not wrongfully withdrawn may, by the affirmative vote of all of such Members, elect to reduce the value of the interest of the Member who wrongfully withdrew by the goodwill and going concern value attributable to such interest.

(d) If the existence and business of the Company is not continued, the Member that wrongfully Withdrew is entitled to that Member's distribution provided for with respect to dissolution and termination of the Company under ARTICLE XII hereof, provided that the Company may offset against such distribution the amount of damages caused to the Company, including the loss of foregone profits caused by the wrongful withdrawal or, if the Members who have not wrongfully withdrawn have made the election contemplated by subsection (c) above, the Company may reduce such distribution by the goodwill and going concern value attributable to the Member who has wrongfully withdrawn.

(e) If the existence and business of the Company is continued, the Member who has wrongfully withdrawn has the right against the Company to have paid in cash, at the option of the Company, (i) the value of such Member's Membership Interest less any damages caused to the other Members and the Company, or (ii) the value of the Membership Interest less good will and going concern value. The value of such Member's Membership Interest shall be an amount equal to the fair market value of the Company multiplied by the withdrawing Member's Percentage Interest, and such amount shall be paid to the withdrawing Member in equal quarterly installments over a period of three (3) years. The portion of such price remaining unpaid shall accrue interest at the prime rate published in THE WALL STREET JOURNAL. Interest accrued since the previous payment date shall be paid with each quarterly installment payment.

ARTICLE X
ASSIGNMENT OF MEMBERSHIP INTEREST

10.1 RESTRICTIONS ON ASSIGNMENT. No Member shall assign its Membership Interest, Financial Rights, or Governance Rights except as expressly permitted in this Article.

10.2 DEFINITION OF "ASSIGNMENT". For purposes of this Article, the words "assign" or "assignment" shall include any transfer, alienation, sale, assignment, pledge or other encumbrance or other disposition of a Membership

Interest, Financial Rights, or Governance Rights, whether voluntarily or by operation of law.

10.3 PERMITTED ASSIGNMENTS. The following assignments are permitted under this Article: (a) any Member may transfer all or any part of its Membership Interest in the Company to or for the benefit of the other Member of the Company, (b) CRCT may convey all or a portion of its interest to Casino Resource Corporation or any entity that acquires a majority of the stock or substantially all of the assets of Casino Resource Corporation or any entity controlled by either of the foregoing or (c) BV may transfer all or any portion of its Membership Interest to any of the Members of BV, any family member of J. MacDonald Burkhart, to his personal representative, to a trust created by him, or to any entity which he controls directly or indirectly. BV may also pledge its interest as collateral or security for a loan. A conveyance of a portion of CRCT's Membership Interest pursuant to this SECTION 10.3(B) above may be for any purpose, including, but not limited to, the creation of an additional member of the Company immediately prior to an acquisition by CRCT of the Membership Interest of BV or the wrongful termination of the Membership Interest of BV pursuant to ARTICLE IX hereof in order to preserve any tax or organizational benefits belonging to the Company and its members. Transfers permitted under this SECTION 10.3 are subject to the requirement that such transferee signs this Agreement and agrees to be bound by the terms hereof.

10.4 OTHER TRANSFERS - RIGHT OF FIRST REFUSAL. Except as provided in SECTION 10.3 above, in the event that a Member desires to assign, directly or indirectly (during life or at death), any of its Membership Interest, whether now owned or hereafter acquired, the transferring Member must first offer to sell the Membership Interest involved to the other Member in accordance with the following provisions:

(a) RIGHT OF FIRST REFUSAL. The transferring Member shall first offer to sell the Membership interest to the other Member for an amount stated in the offer to sell, and the other Member shall have the right to accept such offer under the terms provided in this section. The right to accept such offer, which shall constitute the right of first refusal referenced in this section, shall be exercisable at any time prior to the expiration of thirty (30) days following the receipt of the offer and the purchase price shall be paid either in cash at the closing or in quarterly installment payments as provided below.

(b) MANNER OF EXERCISE OF RIGHT OF FIRST REFUSAL. The right of first refusal described in this SECTION 10.5 shall be exercised by mailing by certified mail written acceptance by the purchaser of the offer to the transferring Member within the particular period involved.

(c) PAYMENT OF PURCHASE PRICE. Unless the Members agree otherwise, payment shall be made in twelve (12) equal, successive quarterly installments containing principal and interest on the unpaid balance computed at a rate equal to the Applicable Federal Rate with respect to such installment obligation under Section 1274(d) of the IRC at the time the right of first refusal is exercised, said indebtedness to be evidenced by a promissory note signed by the purchaser and secured by either a mortgage or deed of trust lien on all of the Company's real property (except where the creation of such lien or mortgage would result in the acceleration of Company indebtedness secured by prior mortgages or deeds of trust on such properties) or by a lien

on all of the Membership Interests in the Company owned by the purchasing Member, as the case may be. The purchaser shall have the right to prepay the whole or any part of the amount that it owes to the transferring Member at any time or times, and no penalty for the early payment will be imposed.

(d) CLOSING. The purchase of any Membership interest pursuant to the exercise of the right of first refusal described in this SECTION 10.4 shall be closed within thirty (30) days after expiration of the 30 day period described in SECTIONS 10.4(A) above.

(e) PERMITTED TRANSFERS IF RIGHT FIRST REFUSAL NOT EXERCISED. In the event the non-transferring Member elects not to purchase the Membership Interest offered by the transferring Member, then the transferring Member may transfer the Membership interest to such transferees and on such terms as he or she sees fit; provided that the transfer must be made only at a price and on terms which are not more favorable to the transferee than the price and terms at which the Membership Interest was offered to the non-transferring Member. The transfer shall constitute only an assignment of the transferring Member's Financial Rights in the Company unless: (i) the admission of the transferee as a Member is approved by the other Member; and (ii) the transferee signs this Agreement and agrees to be bound by the terms hereof.

10.5 VALUATION OF PROPERTIES. When it is necessary under this Article to determine the fair market value of any properties in which the Company has an interest, whether directly or indirectly, the provisions of this Section shall be controlling. In the event the parties are unable to agree upon the fair market values of such properties, such values shall be as determined by a competent appraiser mutually selected by the Members. The appraised value so determined shall be deemed to be the fair market value of the properties in question. All costs incurred shall be treated as an expense of the Company and shall be borne by the Members according to their respective Percentage Interests.

ARTICLE XI
DISTRIBUTION OF CASH FLOW; RIGHT OF MEMBERS TO TERMINATE ON FAILURE OF COMPANY TO PAY CERTAIN AMOUNTS

11.1 DISTRIBUTION OF CASH FLOW. Subject to the payment of the expenses of the Company, including payments to CTE under the Contract and to the Lessor under the Lease, and retention of any amount of cash operating reserves which CRCT reasonably deems necessary to be retained for tie benefit of the Company, all cash flow from the operations of the Company shall be allocated and paid to the Members in the following order of priority:

(a) REPAYMENT OF LINE OF CREDIT OBLIGATIONS. To reduce the principal amount of the lines of credit described in SECTION 3.2(B) above, unless CRCT determines that such reduction is rot in the best interests of the Company.

(b) PAYMENT OF INTEREST ON INITIAL CAPITAL CONTRIBUTIONS. To each of the Members, interest on their initial capital contributions made under SECTION 3.2(A) above, accruing from the date of this Agreement, at the prime rate of interest in effect from time to time as published in the WALL STREET JOURNAL, payable quarterly, in arrears. If cash flow is not available to the Company to make a payment or payments in accordance with the above schedule, such

unpaid amounts shall be paid as funds become available and prior to the payment of items subsequently listed in this SECTION 11.1.

(c) RETURN OF INITIAL CAPITAL CONTRIBUTIONS. To each of the Members, their initial capital contributions made under SECTION 3.2(A) above.

(d) REPAYMENT OF LOANS UNDER SECTION 5.4(G). To pay accrued interest and principal due under any loans made to the Company by a Member or Members pursuant to SECTION 5.4(G) above.

(e) DISTRIBUTION OF REMAINDER TO MEMBERS. To the Members in proportion to their Percentage Interests; provided, however, that any rent received by BV under the Lease which is in excess of $30,000 per month shall be deemed to be a distribution of cash flow under this Agreement (except for purposes of Section 11.2 hereof) and any distributions to the Members under this Section 11.1(e) shall be adjusted to reflect the treatment of such rent payments as distributions of cash flow.

In any event, and notwithstanding any other provision of this Article to the contrary, the Company shall distribute cash to each Member in an amount equal to such Member's distributive share of the Company's taxable income (as shown on IRS Form 1065) multiplied by the highest federal income tax rate applicable to such income as received by the Company or any of the Members. For example, if BV's distributive share of the Company's taxable income for 1997 is $40,000.00, and the highest federal income tax rate is 39.6% (35% for CRCT and 39.6% for the owners of BV), then the Company shall distribute $15,840 to BV (40,000 x 39.6 % = $15,840). Such amount shall be payable on or before March 15 of each year based on the income for the preceding fiscal year.

11.2 RIGHT OF BV TO TERMINATE.

(a) Notwithstanding any provision herein to the contrary, BV shall have the option, in its sole discretion, to terminate the Company upon written notice to CRCT, between January 15, 1999 and January 25, 1999, if the distributions of cash flow with respect to the period ending December 31, 1998 have not resulted in BV receiving the following on or before January 15, 1999: (i) return of $100,000 of BV's initial capital contribution of $200,000 together with all accrued interest on BV's entire initial capital contribution, (ii) full and final payment of the principal amount and all accrued interest on BV's line of credit described in SECTION 3.2(B) and termination thereof, and (iii) payment of all rent due through such date under the Lease.

(b) Notwithstanding any provision herein to the contrary, BV shall have the option, in its sole discretion, to terminate the Company upon written notice to CRCT, between January 15, 2000 and January 25, 2000, if the distributions of cash flow with respect to the period ending December 31, 1999 have not resulted in BV receiving the following on or before January 15, 2000: (i) return of the remaining $100,000 of BV's initial $200,000 capital contribution together with all accrued interest thereon, (ii) payment of all rent due through such date under the Lease, and (iii) the amount of $540,000 through distributions under SECTION 11.1(E) above.

(c) BV shall have the option, in its sole discretion, to terminate the Company upon written notice to CRCT, between the January 15 and January 25

that follows the end of the initial five year term of the Company or the end of any Renewal Term (as defined in SECTION 12.1 below), if it has not received all rent due during such Renewal Term under the Lease (regardless of whether such rent is deemed to be a distribution of cash flow for purposes of SECTION 11.1(E) above), and, in addition to such rent payments, BV has not received distributions of cash flow under SECTIONS 11.1(E) above in the amounts set forth below for the term or Renewal Term specified:

YEAR	DISTRIBUTION
1/1/2000 through 12/31/2001	$480,000
1/1/2002 through 12/31/2003	$960,000
1/1/2004 through 12/31/2005	$1,440,000
1/1/2006 through 12/31/2007	$1,920,000
1/1/2008 through 12/31/2009	$2,400,000

All distributions of cash flow with respect to any period ending on a December 31 shall be made no later than the following January 15.

(d) If BV does not terminate the Company pursuant to and during the time periods allowed by either SECTIONS 11.2(A), (B) OR (C) above, then such right to terminate shall lapse and the Company shall continue in existence until BV's next option to terminate or until the expiration of, in the case of BV's right to terminate under SECTIONS 11.2(A) AND (B), its initial five year term as set forth in SECTION 12.1 below, or, in the case of BV's right to terminate under SECTION 11.2(C), until expiration of the applicable Renewal Term.

(e) Notwithstanding any other provision herein to the contrary, either Member shall have the option, in its sole discretion, to terminate the Company in the event the other Member breaches its obligations hereunder and such breach is not cured within thirty (30) days after written notice of such breach is given to the breaching Member.

11.3 RIGHT OF CRCT TO TERMINATE.

(a) Subject to SECTION 11.3(B) below, CRCT shall have the option, in its sole discretion, to terminate the Company upon one hundred eighty (180) days written notice, given prior to the expiration of the initial five year term, or upon ninety (90) days written notice given prior to the expiration of any Renewal Term. If CRCT does not terminate the Company pursuant to and during the time periods allowed by this SECTION 11.3(A), then such right to terminate shall lapse and the Company shall continue in existence until expiration of the succeeding Renewal Term.

(b) Notwithstanding, the provisions of SECTION 11.3(A) above, upon the end of the initial five year term, CRCT shall be obligated, at the option of BV, to extend the term of the Company for an additional three year period, and to renew the term of the Lease for such three year period, which extension the lessor shall agree to under the Lease, on the condition that BV's Percentage Interest shall decrease from 40% to 33.33% effective as of the first day of such three year period. If the term of the Company is extended under this SECTION 11.3(b), BV shall not have the right to terminate the Company as provided in Section 11.2(c), but instead shall have the right to terminate the Company only upon the end of any of the Renewal Terms set forth below, or for thirty days thereafter, and only if it has not received all rent due

during such Renewal Term under the Lease (regardless of whether such rent is deemed to be a distribution of cash flow for purposes of SECTION 11.1(E) above) and, in addition to such rent payments, has not received distributions of cash flow under SECTION 11.1(E) above in the amounts set forth below for the Renewal Terms specified:

YEAR	DISTRIBUTION
1/1/2004 through 12/31/2005	$1,040,000
1/1/2006 through 12/31/2007	$1,440,000
1/1/2008 through 12/31/2009	$1,840,000

ARTICLE XII
TERM, TERMINATION, WINDING UP

12.1 TERM. The initial term of the Company shall be a period of five (5) years, beginning March 1, 1997. Provided that the Lease and the Contract shall remain in effect throughout such time and subject to the rights of the parties to terminate the Company under SECTIONS 11.2 and 11.3 above, either Member shall have the option to extend the term of the Company for four (4) consecutive two (2) year periods (each a "Renewal Term"), beginning with the expiration date of the initial term. Such renewal option(s) may be exercised by written notice from one Member to the other Member not less than one hundred eighty (180) days prior to the expiration of the preceding term.

12.2 EVENTS CAUSING DISSOLUTION. The Company shall be dissolved and its affairs wound up upon:

(a) any event that terminates the continued membership of any Member (unless the remaining Member continues the Company as provided in SECTION 9.3);

(b) an election to dissolve the Company made in writing by all Members;

(c) the bulk sale, exchange, or other disposition of all or substantially all of the assets of the Company and the distribution of the net proceeds therefrom;

(d) the election of either Member to terminate the Company pursuant to SECTION 11.2 OR 11.3 hereof;

(e) the termination of the Lease;

(f) the termination of the Contract; or

(g) as may be otherwise provided by law.

12.3 PROCEDURE UPON THE OCCURRENCE OF AN EVENT OF DISSOLUTION. Upon the occurrence of an event of dissolution as set forth in SECTION 12.2, the provisions of SECTION 12.4 hereof shall apply. Such consent must be obtained no later than thirty (30) days after the occurrence of the event of dissolution.

12.4 WINDING UP AFFAIRS UPON DISSOLUTION. Upon a termination of the Company, the remaining Member(s) shall promptly wind up the business and affairs of the Company. The assets of the Company shall be applied as follows:

(a) To the setting up of any reserves which the Members deem reasonable for any contingent or unforeseen liabilities or obligations of the Company arising out of or in connection with the conduct of the Company's business or the termination thereof. Any such reserves may be paid over to a bank or to an attorney at law as escrow agent, to be held for the purposes of disbursing such reserves in payment of the aforementioned contingencies and, at the expiration of such period as shall have been deemed advisable, to distribute the balance thereof in the manner provided in this Section;

(b) To the repayment of Company obligations as provided in ARTICLE XI hereof;

(c) To the repayment of the Members' capital accounts.

(d) The remainder shall be distributed based upon each Member's Percentage Interest.

(e) In the event the assets of the Company are insufficient upon termination to return to the members all or any part of their respective capital contributions, neither Member shall have any claim or recourse against the other Member, except for losses caused by the intentional or negligent actions or the bad faith of such Member.

12.5 TERMINATION. When a winding up of the Company is required, a reasonable time, but not to exceed two (2) months, shall be allowed for the orderly liquidation of such of the assets of the Company as are to be liquidated and the discharge of all liabilities to its creditors, all so as to enable the Company to minimize any losses attendant upon liquidation. The Company shall be terminated when its affairs have been wound up and the distribution of its assets has been completed.

12.6 LIQUIDATION STATEMENT. Each of the Members shall be furnished with a statement which shall set forth the assets and liabilities of the Company as of the date of complete liquidation an in the manner in which the assets of the Company are to be or have been distributed.

12.7 VALUATION OF PROPERTIES. In the event of a liquidating distribution of any of the Company's property in kind, the fair market value of such Property shall be determined by an independent appraiser, approved by the Members, engaged in appraisal work in the immediate vicinity of the Property, selected by the Members, and each Member shall receive an undivided interest in such assets or assets of the Company, as determined by agreement of the Members, equal in value to the portion of the proceeds to which it would be entitled if such asset or assets were sold or otherwise converted to cash at such appraisal price and the cash were then distributed.

12.8 WAIVER OF RIGHT TO PARTITION. As a material inducement to each Member to execute this Agreement, each Member covenants and represents to each other Member that, during the existence of the Company, no Member, nor his heirs, representatives, successors, transferees or assigns, shall attempt to make any partition of any Company assets, whether now owned or hereafter acquired, and each Member waives all rights of partition provided by statute or principles of law or equity, including partition in kind or partition by sale.

12.9 CERTAIN PROHIBITIONS. BV agrees not to (a) during the term hereof or

for one year thereafter, produce at the theater, either directly or indirectly, or rent the theater to any person or entity producing a country and western music variety show which uses the word "Country" in its name or in any trade name or trademark; (b) during the term hereof or for one year thereafter, hire any person who was an employee of the Company, CRCT, CTE or any affiliated entity within the one-year period prior to the termination of the Company; or (c) at any time, violate any copyright, trademark or common law intellectual property rights of CRCT, CTE or any affiliated entity.

ARTICLE XIII
MISCELLANEOUS

13.1 NOTICES. The address for each Member for all purposes shall be the address set forth on the signature page to this Agreement, or such other address of which the Company and other Members shall have received written notice. Any notice, demand or request required or permitted to be given shall be considered made when personally delivered or when deposited, postage prepaid, by certified mail or registered mail, return receipt requested, to such Member at such address or sent by facsimile transmission to such Member at such address. If any notice is sent by facsimile transmission, a copy of such notice shall also be mailed. Copies of any notices required or permitted hereunder shall also be sent to the following addresses:

If to the Lessor: Timothy M. McLemore, Esq.
Gentry, Tipton, Kizer & McLemore, P.C.
800 S. Gay Street, Suite 2610
P.O. Box 1990
Knoxville, Tennessee 37901
Telecopy Number: 423-523-7315

If to the Lessee: G. Mark Mamantov, Esq.
Bass, Berry & Sims PLC
900 S. Gay Street, Suite 1700
P.O. Box 1509
Knoxville, Tennessee 37901-1509
Telecopy Number: 423-521-6234

13.2 INTEGRATION. This Agreement embodies the entire agreement and understanding among the Members and supersedes all prior agreements and understandings, if any, among and between the members relating to the subject matter hereof.

13.3 APPLICABLE LAW. This Agreement and the rights of the Members shall be governed by and construed and enforced in accordance with the laws of the State of Tennessee.

13.4 SEVERABILITY. In case any one or more of the provisions contained in this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and any other application thereof shall i lot in any way be affected or impaired thereby.

13.5 BINDING EFFECT. Except as herein otherwise provided to the contrary, this Agreement shall be binding upon, and inure to the benefit of, the Members and their respective heirs, executors, administrators, successors,

transferees and assigns.

13.6 LITIGATION COSTS. The Members agree that in the event of litigation between them with respect to any alleged breach of this Agreement, the prevailing party shall be entitled to recover its costs of such litigation, including reasonable attorneys' fees, in addition to any damages for such breach.

13.7 ARBITRATION. The Members agree that any dispute between them arising under or with respect to this Agreement shall be settled, if possible, by mutual consultation and negotiation within thirty (30) days after written notice of such dispute or claim has been given by the complaining Member to the other Member. Should the Members fail to resolve the dispute within such period of time, they hereby agree to submit the matter for arbitration in Knoxville, Tennessee, under the then prevailing rules of the American Arbitration Association, before a panel of three arbitrators, one appointed by each Member, and the third appointed by the American Arbitration Association. The decision or award of a majority of the arbitrators shall be final and binding upon the parties, and may be entered as a judgment or order in any court of competent jurisdiction.

13.8 SPECIFIC PERFORMANCE. Notwithstanding any provision herein to the contrary, either Member may be irreparably damaged if this Agreement is not specifically performed. Therefore, if any dispute should arise concerning the obligations of a party to this Agreement, an injunction may be issued restraining such action that is in contravention of this Agreement pending the termination a of such controversy, and the obligations of any party shall be enforceable in a court of equity by a decree of specific performance; provided, however, such remedy shall be cumulative and not exclusive and shall be in addition to any other remedy which the Members may have.

13.9 TERMINOLOGY. As the context may require, all personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, shall include all other genders, and the singular shall include the plural, as appropriate. Titles of Articles and Sections are for convenience only and neither limit nor amplify the provisions of this Agreement itself.

13.10 COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original agreement, and all of which shall constitute but one agreement. Any Member may record a memorandum of agreement of this Agreement and each Member agrees to sign a memorandum of agreement evidencing this Agreement.

13.11 AMENDMENT. This Agreement may be amended, modified or supplemented only by a writing execited by all Members.

IN WITNESS WHEREOF, this Agreement is executed effective as of the date first set forth above.

CRC OF TENNESSEE, INC.,
A TENNESSEE CORPORATION

By: /s/ JOHN J. PILGER

Its: PRES.

ADDRESS:

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1719 Beach Blvd., Suite 306
Biloxi, Mississippi 39531-5396
(Telecopy number: 601/374-5935)

BURKHART VENTURES, LLC.,
A TENNESSEE LIMITED LIABILITY COMPANY

By: /s/ J. MACDONALD BURKHART

Its: CHIEF MANAGER

ADDRESS:

2001 Laurel Avenue
601 Newland Professional Building
Knoxville, Tennessee 37916
(Telecopy number: 423/546-2625)

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EXHIBIT 1

LEASE AGREEMENT

LEASE AGREEMENT

THIS LEASE AGREEMENT entered into this 24th day of September, 1996, by and between J. MACDONALD BURKHART, M.D. ("Lessor"), and COUNTRY TONITE THEATRE, L.L.C., a Tennessee limited liability company ("Lessee").

W I T N E S S E T H:

THAT IN CONSIDERATION of the payment of the rents set forth below, and of the keeping of the mutual terms and covenants set forth herein, the parties hereby enter into this Lease Agreement (the "Lease"), by which Lessor leases to Lessee, and Lessee takes as a tenant, the property described on EXHIBIT A hereto which has been improved for use as a theater and parking therefor (the "Premises"), which exhibit is incorporated fully herein by reference, and all of the furniture, equipment, and fixtures which are owned by Lessor and currently used on the Premises, as more particularly described on EXHIBIT B, which exhibit is incorporated fully herein by reference (the "Equipment"), for a term beginning on the 15th day January, 1997 (the "Starting Date"), and

ending on the 31st day of December, 2001, unless sooner terminated or extended in accord with the provisions herein. The "Premises" and the "Equipment" are collectively referred to herein as the "Leased Property".

TO HAVE AND TO HOLD the Leased Property, with all rights, privileges and appurtenances thereto belonging, unto Lessee for and during the term as above provided; and Lessor covenants with Lessee to keep Lessee in quiet possession of the Leased Property during the term of the Lease, unless sooner terminated pursuant to any provision of the Lease, provided that Lessee shall promptly pay the rent and keep and perform the covenants and agreements of this Lease.

1. POSSESSION OF LEASED PROPERTY: Lessee acknowledges that it has conducted an inspection of the Leased Property, and the acceptance of possession by Lessee shall be conclusive evidence that the Leased Property is in acceptable condition and fit for Lessee's purposes. Lessee shall have the right of possession of the Leased Property as of the Starting Date and Lessor shall not permit the condition of the Leased Property to deteriorate between the date hereof and the Starting date, ordinary wear and tear excepted. In addition, upon the prior, written consent of Lessor, which shall not be unreasonably withheld and subject to the rights of third parties, Lessee shall have the right of access to and entry on the Leased Property prior to the Starting Date, if and to the extent necessary to allow Lessee to prepare for the performance of its obligations as stated herein and consistent with Lessor's rights and obligations to the current tenant and other third parties.

2. USE OF LEASED PROPERTY: Lessee shall use the Leased Property solely for the purpose of operating theatrical and musical productions including the "Country Tonite Show" solely for the exclusive benefit of the Lessee, and also including complimentary morning and afternoon musical and theatrical shows, and celebrity shows, and for no other purposes without the prior, written consent of Lessor. The parties acknowledge and agree that Lessee has entered into or will enter into a contract with Country Tonite Enterprises providing for performance of the "Country Tonite Show" on the Premises throughout the term of this Lease Agreement, as provided in such contract, a copy of which is attached hereto as EXHIBIT C (the "CTE Contract"). Lessee shall comply, at its own expense, with all present and future federal, state, and local laws, rules, regulations, ordinances, and/or orders concerning the use of the Leased Property, provided, however, Lessor shall be responsible for correcting any existing violations of such laws existing as of the Starting Date. Lessee shall do nothing, and shall permit nothing to be done, on or about

the Leased Property which constitutes waste, nuisance, or interference with the peaceful, quiet enjoyment or use of adjoining or neighboring property. Lessee shall do nothing which would make void or voidable any insurance on the Leased Property. Lessee shall not damage the Leased Property and Lessee shall exercise due care in and around the Leased Property. Lessee shall preserve and protect the Leased Property and shall be responsible for keeping the Premises clean. Notwithstanding anything herein, Lessee shall not be liable for the cost of any damage actually reimbursed by insurance or any

damages that Lessor is required to insure hereunder.

3. RENT: Lessee shall pay Lessor rent on the first day of each month during the term of this Lease, beginning on March 1, 1997 and on the first day of each succeeding month. The amount of such rental shall be as follows:

(a) for the period beginning March 1, 1997 and ending on February 28, 1998, the total sum of Three Hundred Sixty Thousand Dollars ($360,000.00) payable in twelve (12) equal installments of Thirty Thousand Dollars ($30,000.00) each;

(b) for the period beginning on March 1, 1998 and ending on February 28, 1999, the total sum of Four Hundred Eighty Thousand Dollars ($480,000.00) payable in twelve (12) equal installments of Forty Thousand Dollars ($40,000.00) each;

(c) for the period beginning on March 1, 1999 and ending on February 28, 2000, the total sum of Eight Hundred Forty Thousand Dollars ($840,000.00) payable in twelve (12) equal installments of Seventy Thousand Dollars ($70,000.00) each; and

(d) for each subsequent year during the term of this Lease (beginning on each successive March 1 and ending on the following February 28, unless terminated sooner in accordance with the terms of this Lease), the total sum of Eight Hundred Forty Thousand Dollars ($840,000.00) per year, payable in equal monthly installments of Seventy Thousand Dollars ($70,000.00) each.

Rent shall be due and payable on the first day of each month without further notice as to the due date and without set-off or deduction except as otherwise expressly provided herein, at the address of Lessor specified on the signature page of this Lease, or at such other address as the Lessor may from time to time specify by written notice to Lessee.

4. TAXES, UTILITIES, MORTGAGE PAYMENTS, PROPERTY INSURANCE, AND ASSESSMENTS: Lessor shall be responsible for all mortgage paymerts (if any), property taxes, and assessments (if applicable), and commercial property insurance and his own commercial general liability insurance, if any, as to the Leased Premises. Lessee shall be responsible for all other costs and expenses, including utilities and all other insurance, including its own commercial general liability insurance, connected with or relating to the Leased Property during the term of this Lease Agreement, beginning on the Starting Date, except to the extent expressly provided herein, as additional rent.

5. REPAIRS AND MAINTENANCE: Lessor warrants that as of the Starting Date, the Equipment will be in good operating condition, and Lessee's acceptance of possession shall be conclusive evidence of such good condition. Lessor assumes responsibility for major repairs that are essential and required as to the roof and structure of the building located on the Premises and for major repairs (not maintenance or minor repairs) as to the HVAC system utilized in such theater building. Lessee shall be responsible for all other repairs, maintenance, upkeep, and Cleaning as to the Leased Property. It shall be the responsibility of Lessee to maintain the Leased Property and any and all improvements thereto in good condition, repair, and working order,

ordinary wear and tear excepted, and except to the extent Lessor is obligated to make a major repair as required above.

6. INSURANCE: Lessor shall purchase and maintain, at its expense, during the term of the Lease, commercial property insurance covering the Leased Property against at least those risks covered by the Insurance Services Office Special Cause of Loss Form or its equivalent for the full replacement value thereof with an agreed amount endorsement so as to avoid any coinsurance penalty, with a deductible of not more than Twenty-five Thousand Dollars

($25,000.00). The risks of flood and earthquake shall also be insured against either by endorsement to said commercial property policy or by a separate policy specifically insuring against those risks.

Lessee shall purchase and maintain, at its expense, during the term of the Lease commercial general liability insurance covering Lessee's legal liability as respects the Leased Property and any adjacent property which serves the Leased Property. Said insurance shall have limits of not less than Ten Million Dollars ($10,000,000.00) per occurrence for bodily injury including death, property damage and personal injury. Lessee agrees to name Lessor as an Additional Insured -- Lessee of Premises.

In the event that both Lessor and Lessee agree, the commercial property and commercial general liability required to be carried hereunder by both parties pursuant to this PARAGRAPH 6 may be provided by one or more policies insuring both Lessor, Lessee, and their respective owners. In such event, the total limit of the commercial property policy shall be equal to the sum of the limit required to be carried by Lessor and Lessee and the policy shall carry a deductible not to exceed Twenty-Five Thousand Dollars ($25,000.00). The limits of the commercial general liability policy shall not be less than Ten Million Dollars ($10,000,000.00) per occurrence and general aggregate. The premiums for said policy(ies) shall be paid by Lessor and Lessee based on the respective charges made by the insurance company(ies) providing such coverage, with Lessor paying the premiums related to the commercial property insurance on the Leased Property and loss of rental income and landlord's liability if Lessor decides to carry such insurance and with Lessee paying the premiums related to the commercial general liabibility policy (other than landlord's liability), loss of income insurance and commercial property insurance on Lessee's own property. In the event of a loss under the commercial property policy that is subject to a

deductible, Lessor and Lessee shall each bear that portion of the deductible that is equal to a fraction of which the numerator is the amount of their respective insured loss and the denominator of which is equal to the total insured loss incurred. If either party elects to maintain their individual policies for any policy period, they shall notify the other party at least ninety (90) days prior to the expiration of the current policy(ies) period. Both Lessor and Lessee will be named insureds on all said insurance policies.

All insurance required to be maintained by either Lessor or Lessee shall be written by insurance companies licensed to do business in the State of Tennessee and that have A.M. Best Ratings of A-VII or better and such companies must be reasonably acceptable to Lessor. Lessor and Lessee shall each provide the other with certificates of insurance evidencing the insurance required by this PARAGRAPH 6 which must contain provisions that require the insurer to give the certificate holder at least thirty (30) days notice of cancellation or renewal.

7. WAIVER OF SUBROGATION: Lessor and Lessee hereby release the other from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for any loss or damage to property caused by fire or any other covered casualties, even if such fire or other casualty shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible, PROVIDED, HOWEVER, that this release shall be applicable and in force and effect only with respect to loss or damage fully covered by insurance and occurring during such time as the releasor's insurance policies shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair said policies or prejudice the right of the releasor to recover thereunder.

Lessor and Lessee each agrees that they will request their insurance carriers to include in their policies a waiver of subrogation clause or endorsement. If extra cost shall be charged

therefor, each party shall advise the other thereof and of the amount of the extra cost, and the other party, at its election, may pay the same, but shall not be obligated to do so.

8. DAMAGE TO LEASED PROPERTY: In case of damage to the Leased Property or any subsequent improvements by fire or other casualty, Lessee shall give immediate written notice to Lessor, who shall elect to cause the damage to be repaired with reasonable speed (unless the Lease is terminated as provided below, subject to delays beyond the reasonable control of Lessor, and to the extent the Premises are rendered unfit for Lessee's purpose, the rent shall proportionately abate beginning on the date of such damage. In the event that the damage shall be so extensive that in the written opinion of an independent architect selected by Lessor and reasonably acceptable to Lessee that it is not reasonable for Lessor to repair or rebuild within one (1) year from the date of such damages, this Lease shall be terminated as of the date of such damage by written notice from Lessor to Lessee, given within ninety (90) days after the date of such damage, and the rent shall be adjusted to the date of such damaged and Lessee shall promptly vacate the Premises. In the event that the Lease is not terminated in accordance with the terms of this Agreement, and if Lessee reasonably ceases its use of the Premises as a direct result of damage caused by fire or other casualty, then rent shall be abated from the date of the damage until Lessee reasonably may resume use of the Leased Property.

9. CONDEMNATION: If the whole or substantially whole of the Premises shall be lawfully condemned or taken in any manner for any public or quasi-public use or purpose, this Lease shall terminate as of the date of the taking. If less than the whole or substantially the whole of the Premises shall be so condemned or taken, then Lessor or Lessee may, at its option, terminate this

Lease as of the date of the taking if such taking materially interferes with Lessee's

operations on the Premises. Upon any such condemnation or taking and the continuation of this Lease as to any part of the Premises, the base rental shall be diminished by an amount representing the part of the said rent properly applicable to the portion of the Premises which may be so condemned or taken. Lessor shall be entitled to receive the entire award in any condemnation proceeding, except as provided below, and Lessee shall have no claim against Lessor or against the proceeds of the condemnation. However, Lessee shall not be prohibited from making an appropriate claim against the condemning authority for the value of the unexpired term of the Lease and/or for any displacement award to which Lessee may be entitled.

10. ALTERATIONS, ADDITIONS, AND IMPROVEMENTS: Lessor shall not be responsible for the making of any decorations, alterations, additions, or improvements to the Leased Property. Lessee may not make decorations, alterations, additions, or improvements (except required repairs, maintenance, and cleaning and except for initial decorations, signs, marquees, and additions deemed reasonably necessary by Lessee to make the Premises operable as a County Tonite Theatre and which shall not cause any structural, permanent or significant damage to the Leased Property or require any cost or expense to Lessor upon termination of this Lease) on or to the Leased Property without the prior consent of Lessor in writing. All permitted decorations, alterations, additions, and improvements shall become the property of Lessor and shall remain with the Leased Property as a part thereof upon the termination of this Lease (except that Lessee may remove its trade fixtures and personal property upon such termination). Further, Lessor, at his option, may require Lessee to remove any decorations, signs, marquees, trade fixtures, personal property and/or additions, at Lessee's sole expense, and require Lessee to promptly and fully repair any damages caused by the removal of any such item(s).

11. SIGNS: Lessor consents to Lessee's use of the stone sign aid electronic message reader currently used on the Premises (the "Message Reader") subject to the following terms and conditions:

(a) Lessee shall not display any additional signs or any other outdoor advertising materials on the Premises (except to the extent permitted by PARAGRAPH 10 above) or relocate the existing stone sign, without the prior, written consent of Lessor as to location, size, design, and content. Lessee shall provide Lessor with reasonable specifications, drawings, and descriptions when seeking such consent. Such consent shall not be unreasonably withheld. Lessee shall bear all expenses associated with any signs except for lease payments due in connection with the Message Reader. Any such sign(s) placed upon the Premises in accordance with this provision, shall:

(i) be in compliance with all federal, state, and local laws, regulations, and ordinances;

(ii) not cause any damage to the Premises; and

(iii) promptly be removed by Lessee upon termination of the Lease;

(b) Lessee's use of the stone sign and Message Reader, and any permitted modifications, shall not result in any damage to such sign or Message Reader;

(c) Lessee may acquire an electronic sign or message reader for its use in lieu of the existing Message Reader. In such event, Lessor shall have the right to remove the existing Message Reader and Lessor shall have no further obligation to provide an electronic sign or Message Reader to Lessee. Lessee shall use its best efforts to assist Lessor in selling, trading, or exchanging the Message Reader on terms financially advantageous to Lessor. In that regard, Lessee shall negotiate in good faith with Don Bell Industries, Inc. regarding the acquisition of a replacement electronic sign or message reader, including a possible trade of the existing Message Reader, but notwithstanding the foregoing, Lessee shall not be required to purchase a replacement electronic sign or message reader from Don Bell Industries, Inc. if Lessee determines that it is in its best interests to purchase a replacement electronic sign or message reader from another vendor;

(d) If Lessee acquires a replacement electronic sign or message reader for its use, Lessor shall have the option to acquire such sign and related equipment from Lessee upon termination of this Lease for an amount equal to the lower of:

(i) Lessee's adjusted tax basis in such equipment; or

(ii) sixty percent (60%) of the fair market value of such equipment.

Lessor shall have ninety (90) days following the termination of this Lease to exercise any option provided hereunder and thirty (30) days thereafter to pay the purchase price as computed above.

12. ACCESS BY LESSOR: Lessor and/or its authorized agents shall have the right to enter the Premises at all reasonable times for inspection. Lessor and/or its authorized agents shall have the right to enter the Premises to show the Leased Property to prospective purchasers, tenants, or for any other reasonable purpose upon twenty-four (24) hours advance notice.

13. ASSIGNMENT AND SUBLETTING: Lessee shall not assign, sell, mortgage, or otherwise transfer this Lease, in whole or in part, or sublet all or part of the Premises (except for limited licenses to third-parties for the purposes of entertainment activities and vendors of items such as souvenirs, refreshments and similar items that compliment the authorized uses of the Premises, that provide revenue solely for the benefit of Lessee, and provided such licenses have terms that are consistent with the terms of this Lease), without the prior, written consent of Lessor, which consent may be withheld for any reason, reasonable or unreasonable, in Lessor's sole discretion.

14. PARKING: Lessor agrees and covenants that throughout the term of the Lease it shall provide on or adjacent to the Premises one (1) parking space

for every three (3) theater seats, togethr with reasonably sufficient tour bus spaces. Lessee agree that a total of three hundred fifty (350) parking spaces now exist; provided, however, that Lessor shall correct any drainage problems that prevent the reasonable use of existing parking spaces prior to the Starting Date. Lessor shall provide and gravel a total of one hundred fifty (150) additional such parking spaces prior to March 1, 1997 in an unpaved area until such time as Lessor and Lessee mutually agree that additional paved parking spaces are reasonably required. Such parking spaces need not be on the Premises but shall be located on the property currently owned by the Lessor which

adjoins the Premises; the location of such spaces within that adjoining property shall be at the discretion of Lessor but such parking area shall be adjacent to the Premises or connected to the boundary of the Premises by a walkway not to exceed twenty-five (25) feet in length. Such parking spaces shall be in an area reasonably accessible to the theater and the utilities, security, and maintenance of such spaces shall be the duty of Lessee. Such parking, as located from time to time, shall become a part of the Premises for purposes of this Lease Agreement. In the event Lessor fails to construct and gravel such additional parking spaces on or before March 1, 1997, Lessee may construct and gravel such parking spaces and may deduct the cost thereof, with interest ther eon at the prime rate published in the WALL STREET JOURNAL (the "Prime Rate"), from the rents payable hereunder.

15. ASSUMPTION OF EQUIPMENT LEASES: As of March 1, 1997, Lessee shall assume all of Lessor's obligations under the equipment leases attached hereto as COLLECTIVE EXHIBIT D which is incorporated herein by reference (the "Leased Equipment"). Durinc the term of this Lease, Lessee shall have the right to use the Leased Equipment.

Upon termination of this Lease, regardless of the cause of such termination, all rights associated with the lease of sound and light equipment (Pearson Leasing & Financial Corporation d/b/a Citizens National Leasing), including title to such equipment if the Lease and any purchase option has been paid in full, shall be the sole and exclusive property of Lessor. Lessee shall use its best faith efforts to facilitate and arrange for a reasonable sale of the video equipment currently leased by Pro Lease Funding Group, Inc. to Burkhart Farms, LLC.

Lessee is not assuming any obligations under a lease between Don Bell Industries, Inc. and Burkhart Farms, LLC in connection with the Message Reader. Provided, however, Lessee shall have the right to use the Message Reader in accordance with the terms set forth in

PARAGRAPH 11 hereof, and Lessor shall cause Burkhart Farms, LLC to make such Message Reader available to Lessee.

16. EXTENSION AND TERMINATION OF TERM: Provided Lessee is not then in default, and provided that the term of this Lease has not otherwise terminated, and provided that the existence of Lessee has not been dissolved

as a result of the wrongful action of eitier member, Lessee shall have the right, at the expiration of the initial five (5) year term of this Lease, to a series of four (4) consecutive renewal options, each for a term of two (2) years, and each beginning upon the date of expiration of the proceeding term. Lessee shall exercise such option by written notice to Lessor, given in accord with the notice provisions of this Lease, not less than one hundred eighty (180) days prior to the expiration of the initial term and not less than ninety (90) days prior to the expiration of any renewal term. In the event the Lessee is dissolved in violation of Lessee's Operating Agreement, this Lease shall terminate at the option of Lessor if Casino Resource Corporation of Tennessee, Inc. caused such dissolution or by Lessee if Burkhart Ventures, LLC caused such dissolution. Otherwise, if Lessee terminates as a limited liability company in accordance with the terms of its Operating Agreement and such termination is not wrongful, then this Lease shall terminate.

17. DEFAULT: Any of the following shall constitute an event of default by Lessee:

(a) Failure by Lessee to pay, in full, on the dates due, any rental or other sums payable hereunder, including Lessee's obligation to pay for insurance. TIME IS OF THE ESSENCE. Provided, however, Lessee shall have five (5) days following written notice from Lessor to cure such default.

(b) Failure by Lessee to observe or perform any of the terms, covenants, agreements, or conditions contained in this Lease, other than payment of rental, additional rental, or other sums due, for a period of thirty (30) days after written notice from Lessor specifying such default, provided, if any such default cannot be completely cured within such thirty (30) day period, despite Lessee's diligent, best faith effort, commenced immediately, then Lessee shall have a reasonable time to complete the cure of such default, for a period not to exceed ninety (90) days.

(c) The filing by Lessee of a voluntary petition in bankruptcy or a voluntary petition or answer seeking reorganization, arrangement, readjustment of debts, or any other relief under the bankruptcy act, or any other insolvency act, or any action by Lessee indicating consent, approval, or acquiescence in any such proceeding; the making by Lessee of any general assignment for the benefit of its creditors; or the inability of Lessee, or the admission by Lessee of the inability to pay its debts.

(d) The filing of any involuntary petition in bankruptcy or similar proceeding against Lessee, and the continuation of such proceeding for a period of ninety (90) days undismissed, unbonded, or undischarged.

(e) The insolvency of Lessee.

(f) The desertion or abandonment, or failure to use the Leased Property as the "Country Tonite Theatre" for any period (during the contemplated annual operating season) exceeding seven (7) consecutive days, regardless of whether Lessee continues to pay all stipulated rental, unless Lessor provides written consent, which shall not be

unreasonably withheld, or unless caused by damage or destruction of the Leased Property.

(g) The occurrence of any unlawful activity on the Premises permitted or tolerated by the Lessee.

(h) Attachment of the Leased Property or Lessee's interest therein, if not satisfied or dissolved within ten (10) days.

(i) The attempted assignment, subletting, or mortgaging of the Leased Property without the prior, written consent of Lessor.

(j) Any construction, change, or alteration to the Leased Property by Lessee or Lessee's agent without the prior, written consent of Lessor unless permitted by this Lease.

The following shall constitute an event of default by Lessor under this Lease:

(a) Failure by Lessor to observe or perform any of the terms, covenants, agreements, or conditions contained in this Lease for a period of thirty (30) days after written notice from Lessee specifying such default. Provided, however, if Lessor has a repair obligation pursuant to PARAGRAPH 5, such repair shall be commenced within ten (10) days after written notice from Lessee and shall be completed as promptly as possible.

18. REMEDIES: Lessor, to the extent permitted by law, may take any one or more of the remedial steps set forth below, when there exists an event of default by Lessee:

(a) Lessor may, at its option, declare the present value of all installments of rent as determined at the time of default for the remainder of the Lease term to be immediately due and payable, less the present value of the reasonably foreseeable rental income from the Leased Property for the remainder of the term.

(b) Lessor may re-enter and take possession of the Leased Property without terminating this Lease, and re-lease the Leased Property in its entirety for the account of Lessee, holding Lessee liable for the difference in rent and other amounts actually paid by the new tenant, and the rents and other amounts payable by Lessee hereunder.

(c) Lessor may terminate the Lease, exclude Lessee from possession of the Leased Property, and use its best efforts to lease the same to another for the account of Lessee, holding Lessee liable for all rent and other amounts payable by Lessee hereunder.

(d) Lessor may take whatever action at law or in equity it may deem necessary or desirable to collect the rent and other amounts then due and thereafter to become due, or to enforce performance of any obligation, agreement, or covenant of the Lease, and in connection with such action, may recover all damages to Lessor for Lessee's violation or breach of the Lease.

(e) No remedy reserved to Lessor hereunder is intended to be exclusive, and each and every remedy shall be cumulative. No delay or omission to exercise any right or power accruing to Lessor upon any default by Lessee shall impair any such right or shall be construed to be a waiver thereof.

(f) Lessee shall pay Lessor as additional damages in the event of breach the reasonable fees of any attorneys employed by Lessor for the collection of rent or the enforcement or performance of the Lease, and all other expenses incurred by Lessor in connection therewith, including but not limited to litigation expenses, court costs, and court reporter's fees.

If an event of default by Lessor shall occur hereunder, in addition to any other remedies granted or permitted by law, Lessee may cure such default and may deduct the cost of such cure, plus interest thereon at the Prime Rate, from the rents payable hereunder, provided, however, Lessee has first provided written notice of such alleged default and Lessor has not commenced to cure such alleged default within thirty (30) days following such notice. Provided, if any such default cannot be completely cured within such thirty (30) day period, despite Lessor's diligent,

best faith effort, commenced immediately, then Lessor shall have a reasonable time to complete the cure of such default for a period not to exceed ninety (90) days.

19. NOTICES: All notices required or permitted hereunder shall be given in writing and shall either be personally delivered, sent by facsimile or mailed to the addresses/facsimile numbers of the parties set forth on the signature page of this Lease, or to such other addresses/facsimile numbers as may be designated from time to time by either party, by notice given pursuant to this paragraph. When notice is by mail, it shall be sent certified with postage pre-paid and shall be complete upon its deposit in the U.S. mail. Notices personally delivered or sent by facsimile shall be effective upon delivery or transmission. If notices are sent by facsimile, a copy shall also be mailed. Copies of any notices required or permitted hereunder shall also be sent to the following:

If to Lessor: Timothy M. McLemore, Esq.
Gentry, Tipton, Kizer & McLemore, P.C.
800 S. Gay Street, Suite 2610
P.O. Box 1990
Knoxville, Tennessee 37901

If to Lessee: G. Mark Mamantov, Esq.
Bass, Berry & Sims, PLC
900 S. Gay Street, Suite 1700
P.O. Box 1509
Knoxville, Tennessee 37901-1509

20. SUBORDINATION: This Lease shall be subordinate to any mortgage now or hereafter placed upon the Leased Property and to any and all renewals, replacements, and extensions of any such mortgage, but only if Lessor shall deliver to Lessee within ninety (90) days of the date any such mortgage is

executed a nondisturbance agreement from any such mortgagee of the Leased Property in a form reasonably satisfactory to Lessee. Lessor also covenants to provide Lessee within thirty (30) days of the date hereof a nondisturbance

agreement from any existing mortgagees in a form reasonably satisfactory to Lessee. In the event of foreclosure of any such mortgage, exercise of power of sale thereunder, or deed in lieu of foreclosure, Lessee shall attorr to the purchaser under such foreclosure, exercise of power of sale, or deed in lieu of foreclosure, and recognize such purchaser as the Lessor, provided that such purchaser does not disturb Lessee's right to possession as long as Lessee observes and performs all of the terms and conditions of this Lease.

21. WAIVER: No waiver by Lessor at any time of the breach of any covenant by Lessee shall impair Lessor's rights for any subsequent breach, and acceptance by Lessor of a portion of all rent last due shall not constitute a waiver of the breach of any covenant or condition, or of any damages due to Lessor by Lessee. No waiver of any provision of this Lease shall be binding upon Lessoi unless in writing signed by Lessor. This provision may not be orally waived.

22. CERTIFICATE OF GOOD STANDING: Lessor and Lessee agree, at any reasonable time, and from time to time, upon not less than five (5) days notice by the other party, to execute, acknowledge, and deliver to the other party a statement in writing certifying that the Lease is unmodified and in full force and effect, and certifying the dates to which the rent, rent adjustments, and other charges have been paid, and stating whether or not to the best knowledge of the signers of such certificate, that the other party is in default in performance of any obligation under this Lease, and if so, specifying such default, it being intended that such Statement be delivered to and relied upon by any prospective purchaser, tenant, mortgagee of the Premises or any lender to or investor in Lessee. If the other party fails or refuses to provide such certificate within the time allowed, it will be conclusively presumed that the Lease is in full force and effect in accord with its terms and that the other party is not in default.

23. AMENDMENT OF LEASE: This Lease may not be altered, changed, or amended, except by a document in writing, signed by Lessor and Lessee. This Lease contains the entire agreement between the parties as to the Leased Property.

24. RECORDING: Upon the request of either party, the parties will execute a memorandum of lease which may be recorded by either party, at the expense of the party desiring such recordation.

25. GOVERNING LAW: This Lease shall be governed by the substantive, internal laws of the State of Tennessee.

26. SEVERABILITY: If any provision of this Lease be invalid or

unenforceable in law, it shall not affect the validity of any other provisions hereof.

27. CAPTIONS: The captions in this Lease are for convenience only, and shall not be construed as a part of the Lease.

28. COUNTERPARTS: This Lease may be executed in several counterparts, each having the full force and effect of an original.

29. SUCCESSORS AND ASSIGNS: This Lease shall be binding upon Lessor's successors and assigns, and upon Lessee's successors and assigns, in the event of any permitted assignment by Lessee.

30. MODIFICATIONS REQUIRED BY MORTGAGEE: Lessee agrees that in the event that Lessor's mortgagee requires modifications or amendments to this Lease (exclusive of economic modifications or amendments), Lessee shall execute such changes and amendments which may be reasonably required.

31. UTILITY EASEMENTS: Lessor shall be entitled to enter into such easements or agreements with utility companies which are required in order to provide service to any portion

of the Premises. Lessee hereby consents to the execution of such easements by Lessor, and agrees to execute any necessary documents and to take such action necessary in order to consummate same.

32. ALL GENDERS AND NUMBERS INCLUDED: Whenever the singular or plural, or masculine, feminine, or neuter is used in this Lease it shall equally apply to, extend to and include the other.

33. NO PARTNERSHIP: Nothing contained herein shall be deemed or construed by the parties or by any third party as creating the relationship of principal and agent or a partnership or of a joint venture between the parties hereto, it being understood and agreed that the sole relationship between the parties hereto is that of Lessor and Lessee. Lessee shall be solely responsible for all taxes and expenses arising out of the use and occupancy of the theater except as expressly provided herein.

34. ESTATE OF LESSOR: Lessor represents and warrants to Lessee that it has full right and lawful authority to enter into this Lease; that the Leased Property is free and clear of all liens, exceptions, restrictions and encumbrances except those shown on EXHIBIT E attached hereto; and that Lessor will defend the title to the Leased Property against the claims of all persons. The mechanic's lien filed by Creative Structures, Inc. will be removed by Lessor on or before December 31, 1996.

35. QUIET POSSESSION: Lessor covenants that Lessee, upon performing and observing the covenants to be observed and performed by Lessee under this Lease, shall peaceably hold, occupy and enjoy the Leased Property during the term of this Lease without interference by Lessor or by any other person claiming by, through or under Lessor.

36. HAZARDOUS SUBSTANCES: Lessor represents and warrants that it has not placed or disposed of any Hazardous Substances on the Premises and furthermore represents and warrants that, to the best of its knowledge, no such Hazardous Substances have been placed or disposed of by any other person on the Premises.

"Hazardous Substance" means gasoline, motor oil, fuel oil, waste oil, other petroleum or petroleum-based products, asbestos, polychlorinated biphenyls ("PCBs") and any chemical, material or substance to which exposure is prohibited, limited or regulated by any federal, state, country, local or regional authority or which, even if no so regulated, is known to pose a hazard to health and safety, including but not limited to substances and materials defined or designated as "hazardous substances", "hazardous materials" or "toxic substances" under applicable law.

37. NO LIENS: Lessee shall not attempt to encumber the Leased Property in any manner and Lessee shall not permit any mechanics', materialmen's, or other lien to be placed upon the Leased Property in connection with any permitted improvements, additions, or any required repairs and maintenance by Lessee.

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

LESSOR:

J. MacDONALD BURKHART, M.D.

ADDRESS:
601 Newland Professional Building
2001 Laurel Avenue
Knoxville, Tennessee 37916
Telecopy: (423) 546-2625

LESSEE:

COUNTRY TONITE THEATRE, L.L.C., A TENNESSEE LIMITED LIABILITY COMPANY

By: /s/ JOHN J. PILGER
Its: Chief Manager

ADDRESS:
c/o Casino Resource Corporation
1719 Beach Blvd., Suite 306
Biloxi, Mississippi 39531-5396
Telecopy: (601) 374-5935

STATE OF TENNESSEE
COUNTY OF KNOX

Personally appeared before me, Notary Public of said County, J. MacDONALD BURKHART, M.D., the within named bargainor, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that he executed the within instrument for the purposes therein contained.

Witness my hand, at office, this day of , 1996.

Notary Public

My Commission Expires:

STATE OF MISSISSIPPI

COUNTY OF HARRISON

Before me, a Notary Public of the state and county aforesaid, personally appeared John J. Pilger with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be President (or other officer authorized to execute the instrument) COURTRY TONITE THEATRE, L.L.C., the within named bargainor, a Tennessee limited liability company, and that he as such President executed the foregoing instrument for the purpose therein contained, by signing the name of the limited liability company by himself as President.

Witness my hand, at office, this 24 day of September, 1996.

/s/ ANDREA R. GARCIA

Notary Public

My Commission Expires: 6/6/2000

UNCONDITIONAL GUARANTY OF LEASE

Casino Resource Corporation ("CRC"), a Minnesota corporation, is the sole owner of CRC of Tennessee, Inc., a Tennessee corporation ("CRCT"). CRCT is a Member of Country Tonite Theatre, L.L.C., a Tennessee limited liability company ("Lessee"), and CRCT owns sixty percent (60%) of the membership interests of the Lessee. As an inducement for the execution of the foregoing Lease Agreement (the "Lease"), and as an additional consideration to J. MacDonald Burkhart, M.D. ("Lessor"), CRC covenants and agrees as follows:

1. CRC hereby unconditionally and absolutely guarantees the prompt and full payment of Lessee's rental obligations described in paragraph 3 of the Lease Agreement but only to the extent of Thirty Thousand Dollars ($30,000.00) per month and only through the initial five (5) year term of the Lease.

2. CRC agrees that this Guaranty may be enforced by Lessor without first resorting to or exhausting any other remedy, security, or collateral. Lessor shall provide notice to CRC of any nonpayment of rent and within five (5) days, CRC shall pay to Lessor Thirty Thousand Dollars ($30,000.00) for such month less any partial rental payments for such month timely paid by Lessee. CRC agrees that its obligations pursuant to this Guaranty shall not be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of Lessee or its estate in bankruptcy (including without limitation any rejection of the Lease by Lessee or by any trustee or receiver in bankruptcy resulting from the operation of any present or future provisions of the United States Bankruptcy Code or any similar statute or decision of any court.) The liability of CRC shall not be affected by any repossession of the Leased Property by Lessor.

3. CRC agrees that in the event this Guaranty is placed in the hands of an attorney for enforcement, CRC shall reimburse Lessor for any and all expenses incurred, including reasonable attorney's fees and litigation expenses.

4. CRC agrees that this Guaranty shall inure to the benefit of and may be enforced by Lessor, his successors and assigns, and any mortgagee(s) of the Leased Property, and shall be binding and enforceable against CRC and CRC's successors, and assigns.

5. The execution of this Guaranty by John J. Pilger, President of CRC, has been duly authorized by an appropriate action of the Board of Directors of CRC but no director, officer, or employee of CRC shall have any personal liability for this Guaranty. A copy of the corporate resolution authorizing the execution of this Guaranty shall be promptly delivered to Lessee.

6. This Guaranty contains the entire agreement between the parties hereto with respect to the transactions contemplated by this Guaranty and supersedes all prior written or unwritten arrangements or understandings with respect thereto. This Guaranty shall be governed by and in accordance with the substantive, internal laws of the State of Tennessee. CRC hereby submits to the jurisdiction and venue

of the state and federal courts located in Knox County, Tennessee. The parties agree they have jointly prepared this Guaranty. This Guaranty may not be modified, amended or revoked, except in a writing signed by all parties. This provision may not be orally waived.

IN WITNESS WHEREOF, CRC has executed this Guaranty this 24 day of September, 1996.

CASINO RESOURCE CORPORATION, a
Minnesota corporation

By:/s/ JOHN J. PILGER

John J. Pilger

Its: President

STATE OF MISSISSIPPI

COUNTY OF HARRISON

Before me, a Notary Public of the state and county aforesaid, personally appeared JOHN J. PILGER, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be President (or other officer authorized to execute the instrument) of CASINO RESOURCE CORPORATION, the within named bargainor, a corporation, and that he as such President, executed the foregoing instrument for the purpose therein contained, by signing the name of the corporation by himself as President.

Witness my hand and seal, at office, this 24 day of September, 1996.

/s/ ANDREA R. GARCIA

Notary Public

My Commission Expires: 6/6/2000

EXHIBIT A

The "Premises" is a portion of the real property owned by Lessor. The entire tract owned by Lessor is more particularly described on EXHIBIT A-1 attached hereto. The "Premises" is that portion improved as a theater building and the parking therefor. The shaded area on the map attached hereto as EXHIBIT A-2 is an approximate depiction of the Premises.

EXHIBIT A-1

Diagram of Property Boundary

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being a 10.165 acre tract located on the eastern side of U. S. Highway 441, and being more particularly bounded and described as follows:

BEGINNING at an iron pin set in the eastern right-of-way of U. S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U. S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence with the right-of-way of U. S. Highway 441 North 00 deg. 42 min. 48 sec. East passing an iron pin at 55.38 feet, a total distance of 178.16 feet to an iron pin marking the southwestern corner of Lot 7 of Pine Grove Plaza (Map Book 21, Page 173); thence leaving the right-of-way of U. S. Highway 441 and with the line of Pine Grove Plaza the following two calls and distances: North 67 deg. 32 min. 43 sec. East 829.56 feet to an iron pin; North 48 deg. 13 min. 38 sec. East 169.07 feet to an iron pin, corner to Laurel Manor, Inc. (Deed Book 282, Page 15); thence with the line of Laurel Manor, Inc. the following two calls and distances: South 54 deg. 40 min. 24 sec. East 349.54 feet to an iron pin; North 43 deg. 24 min. 19 sec. East 247.69 feet to an iron pin, corner to John and Lisa Rauhuff (Deed Book 132, Page 88); thence with the line of Rauhuff and a fence the following two calls and distances: South 56 deg. 20 min. 12 sec. East 136.66 feet to an iron pin; South 51 deg. 15 min. 57 sec. East 21.10 feet to an iron pin, corner to R. DeWitt Shelton, et al. (Deed Book 522, Page 642); thence with the line of R. DeWitt Shelton, et al., the following six calls and distances: South 40 deg. 26 min. 51 sec. West 621.24 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 332.34 feet, a tangent of 60.39 feet, a chord call and distance of North 83 deg. 26 min. 38 sec. West 118.84 feet to an iron pin; thence South 86 deg. 15 min. 24 sec. West 97.00 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 184.40 feet, a tangent of 76.99 feet, a chord call and distance of North 71 deg. 04 min. 59 sec. West 142.09 feet to an iron pin; thence North 48 deg. 25 min. 23 sec. West 20.64 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 75.13 feet, a tangent of 28.51 feet, a chord call and distance of North 69 deg. 12 min. 15 sec. West 53.31 feet to an iron pin, corner to BGA Associates (Deed Book 485, Page 177) ; thence with the line of BGA Associates the following two calls and distances: North 89 deg. 59 min. 25 sec. West 425.32 feet to an iron pin; South 65 deg. 12 min. 05 sec. West 261.88 feet to an iron pin in the right-of-way of U. S. Highway 441, the POINT OF BEGINNING, as shown by survey of Dean A. Orr, RLS #78O, ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job No. 94-398-11.

THERE IS SPECIFICALLY RESERVED from the above-described property an exclusive

sign easement which is reserved by the First Parties named herein for the use and benefit of the First Parties, their heirs, devisees and assigns over the following described parcel of property:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, being located on the eastern side of U. S. Highway 441, and being more particularly described as follows:

TO FIND THE POINT OF BEGINNING start at an iron pin set in the eastern right-of-way of U. S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U. S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence running with the eastern right-of-way of U. S. Highway 441 and the

western terminus of a 50 foot joint permanent non-exclusive easement North 00 deg. 42 min. 48 sec. East 55.38 feet to an iron pin lying in the northern line of said 50 foot joint permanent non-exclusive easement, said iron pin marking the place of beginning of the sign easement area; thence leaving the right-of-way of U. S. Highway 441 and with the northern line of a 50 foot joint permanent nonexclusive easement North 65 deg. 12 min. 05 sec. East 20.00 feet, more or less, to a point; thence leaving the rigbt-of-way of a 50 foot joint permanent non-exclusive easement North 00 deg. 42 min. 48 sec. East 20.00 feet, more or less, to a point; thence South 65 deg. 12 min. 05 sec. West 20.00 feet, more or less, to a point in the eastern right-of-way of U. S. Highway 441; thence with the eastern right-of-way of U. S. Highway 441 South 00 deg. 42 min. 48 sec. West 20.00 feet, more or less, to an iron pin, the POINT OF BEGINNING, as shown on survey of Dean A. Orr, RLS #780, ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job No. 94-398-11.

The Second Party by joining in the execution of this Correction Warranty Deed, does hereby grant, bargain, sell and convey unto First Parties the exclusive sign easement aforementioned, which sign easement was erroneously omitted from that prior deed of record in Deed Book 522, Page 646, in the Sevier County Register's office. The spouse of Second Party, Mary N. Burkhart, joins in the execution of this Correction Warranty Deed for the sole purpose of conveying any marital interest which she may have in the above-described property, to First Parties for the purpose of said sign easement.

THERE IS SPECIFICALLY RESERVED by the First Parties named herein a 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities running over, across and under the above-described 10.165 acre tract of property, said 50 foot wide joint permanent nonexclusive easement being more particularly bounded and described as follows:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being more particularly bounded and described as follows:

BEGINNING at an iron pin in the eastern right-of-way of U. S. Highway 441, said iron pin being located 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U. S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence with the right-of-way of U. S. Highway 441 North 00 deg. 42 min. 48 sec. East 55.38 feet to an iron pin; thence leaving the right-of-way of U. S. Highway 441 and running along the northern right-of-way line of the 50 foot wide joint permanent non-exclusive easement the following calls and distances: North 65 deg. 12 min. 05 sec. East 249.02 feet to an iron pin; thence South 89 deg. 59 min. 25 sec. East 436.32 feet to an iron pin; thence running with an arc in a curve to the right in a circle having a radius of 125.13 feet, a tangent of 47.49 feet, a chord call and distance of South 69 deg. 12 min. 15 sec. East 88.79 feet to an iron pin; thence South 48 deg. 25 min. 23 sec. East 20.64 feet to an iron pin; thence running with an arc in a curve to the left in a circle having a radius of 134.40 feet, a tangent of 56.11 feet, a chord call and distance of South 71 deg. 04 min. 59 sec. East 103.56 feet to an iron pin; thence North 86 deg. 15 min. 24 sec. East 97.00 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 382.34 feet, a tangent of 80.69 feet, a chord call and distance of South 81 deg. 49 min. 36 sec. East 157.90 feet to an iron pin in the line of R. DeWitt Shelton, et al. (Deed Book 522, Page 642); thence with the line of R. DeWitt Shelton, et al. the following six calls and distances: South 40 deg. 26 min. 51 sec. West 53.90 feet to an iron pin; thence running with the arc in a curve to

the left in a circle having a radius of 332.34 feet, a tangent of 60.39 feet, a chord call and distance of North 83 deg. 26 min. 38 sec. West 118.84 feet to an iron pin; thence South 86 deg. 15 min. 24 sec. West 97.00 feet to an iron pin; thence running with an arc in a curve to the right in a circle having a radius of 184.40 feet, a tangent of 76.99 feet, a chord call and distance of North 71 deg. 04 min. 59 sec. West 142.09 feet to an iron pin; thence North 48 deg. 25 min. 23 sec. West 20.64 feet to an iron pin; thence running with an arc in a curve to the left in a circle having a radius of 75.13 feet, a tangent of 28.51 feet, a chord call and distance of North 69 deg. 12 min. 15 sec. West 53.31 feet to an iron pin, corner to BGA Associates (Deed Book 485, Page 177); thence with the line of BGA Associates the following two calls and distances: North 89 deg. 59 min. 25 sec. West 425.32 feet to an iron pin; thence South 65 deg. 12 min. 05 sec. West 261.88 feet to an iron pin in the eastern right-of-way line of U. S. Highway 441, the POINT AND PLACE OF BEGINNING, as shown by survey of Dean A. Orr, RLS #780, ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job No. 94-398-11.

The Second Party named herein joins in the execution of this deed to grant, bargain, sell and convey to First Parties, their heirs, devisees and assigns, a joint permanent non-exclusive easement for ingress, egress and utilities over, across and under the aforedescribed easement area so as to correct the description of the easement area previously described in Deed Book 522, Page 646, in the Sevier County Register's Office. The easement rights reserved to First Parties named herein are non-exclusive rights and the Second Party, his heirs, devisees and assigns shall have the joint use of said easement area for the purpose of ingress, egress and utilities.

There is further conveyed with the 10.165 acre tract property described above and there is specifically reserved herein an additional joint permanent non-exclusive easement for ingress, egress and utilities running over, across and under the following described property:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being a 50 foot wide right-of-way immediately north of and running parallel with the following described line, which line marks the southern right-of-way line for said 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities:

TO FIND THE POINT OF BEGINNING start at an iron pin set in the eastern right-of-way line of U. S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U. S. Highway 441 with the northern right-of-way of Sugar Hollow Road and said iron pin being corner to BGA Associates (Deed Book 485, Page 177); thence running with the line of BGA Associates the following two calls and distances: North 65 deg. 12 min. 05 sec. East 261.88 feet to an iron pin; thence South 89 deg. 59 min. 25 sec. East 425.32 feet to an iron pin, corner to R. DeWitt Shelton, et al.; thence with the line of Shelton, et al. the following five calls and distances: Running with the arc in a curve to the right in a circle having a radius of 75.131 feet, a tangent of 28.513 feet, a chord call and distance of South 69 deg. 12 min. 18 sec. East 53.315 feet to an iron pin; thence South 48 deg. 25 min. 23 sec. East 20.64 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 184.400 feet, a tangent of 76.985 feet, a chord call and distance of South 71 deg. 05 min. 00 sec. East 142.085 feet to an iron pin; thence North 86 deg. 15 min. 24 sec. East 97.00 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 332.340 feet, a tangent of 67.162 feet, a chord call and distance of South 82 deg. 19

min. 07 sec. East 131.662 feet to an iron pin, the POINT OF BEGINNING; thence running with the arc in a curve to the right in a circle having a radius of 345.332 feet, a tangent of 96.499 feet, a chord call and distance of South 55 deg. 16 min. 53 sec. East 185.877 feet to an iron pin; thence South 39 deg. 40 min. 08 sec. East 193.90 feet to an iron pin, being corner to property of Barbara Mockus, said iron pin marking the terminus of the easement area and being according to the survey of Ronnie L. Sims, Tennessee Registered Land Surveyor No. 683, 1020 Topside Drive, Sevierville, Tennessee 37862, dated December 20, 1994 and last revised on April 19, 1995.

There is further conveyed with the 10.165 acre tract described above and specifically reserved a joint permanent non-exclusive easement for ingress, egress and utilities running over, across and under the following described parcel of property:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the city of Pigeon Forge, Tennessee, beginning at an iron pin marking the southeastern terminus of the aforementioned easement described above, and which iron pin lies in the southwestern

right-of-way line of the 50 foot wide joint permanent non-exclusive easement area; thence leaving said point and place of beginning and running with the southern terminus of the 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities aforedescribed, North 50 deg. 19 min. 51 sec. East 50.00 feet to an iron pin; thence South 39 deg. 40 min. 08 sec. East 132.93 feet to an iron pin; thence North 79 deg. 28 min. 09 sec. East 110.87 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 50.01 feet, a tangent of 39.94 feet, an arc distance of 67.40 feet to an iron pin lying in the northern right-of-way line of Sugar Hollow Road; thence running with the northern right-of-way line of Sugar Hollow Road and running with the arc in a curve to the left in a circle having a radius of 498.40 feet, a tangent of 25.03 feet, an arc distance of 50.03 feet to an iron pin, being corner to property of C. B. McCarter (Plat Book 5, Page 72); thence running with the line of MCCarter South 79 deg. 28 min. 09 sec. West 140.25 feet to an iron pin, being corner to property of Barbara Mockus; thence running with the line of Barbara Mockus North 39 deg. 40 min. 08 sec. West 162.30 feet to an iron pin, marking the POINT AND PLACE OF BEGINNING, and being according to the survey of Ronnie L. Sims, Tennessee Registered Land Surveyor No. 683, 1020 Topside Drive, Sevierville, Tennessee 37862, dated December 20, 1994 and last revised on April 19, 1995.

BEING part of the same property conveyed to R. DeWitt Shelton and Lela Evelyn Ogle by Quit Claim Deed from R. DeWitt Shelton, Trustee, dated June 16, 1994, of record in Deed Book 522, Page 642, in the Sevier County Register's Office.

EXHIBIT A-2

Diagram of Property Boundary

EXHIBIT B

Furniture, equipment, and fixtures

<TABLE>
<S> <C>

TAKEN BY: Brad Hinchey		TITLE Con. Manager			
DEPARTMENT: Concessions		DATE: 2-26-96			
ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Popcorn Popper	Serial # EP-1412781A	1			

Popcorn Popper	Serial # EP-1412768A	1	
Popcorn Warmer	Serial # CW-3265	1	
TEC Cash Register	Serial # 5D201659	1	
TEC Cash Register	Serial # 5D201700	1	
TEC Cash Register	Serial # 5D201645	1	
TEC Cash Register	Serial # 5H200668	1	
TEC Cash Register	Serial # 4S200153	1	
Pretzel Cooker	Serial # PWH-00271	1	
Prestzel Cooker	Serial # PWH-00287	1	
Hot Dog Cooker	Serial # 9505010389	1	
Hot Dog Cooker	Serial # 9505010390	1	
Microwave	Serial # 139972	1	
Cookie Oven	Serial # 3915	1	
Bread Warmer	Serial # 45903654	1	
Bread Warmer	Serial # 45903655	1	
Standing Freezer	Serial # 951070088	1	
Standing Freezer	Serial # 951070488	1	
3-Tub Sink	Serial # 94-3-54	1	
Prep Table	Stainless Steel	1	
Shelves	Shelving Units	7	Steel Shelves

Tables	Concession Area	15
???	Steam-Brown ???	4
Small Chopper	Onion Chopper	1
Bun ???	Coffee maker	1
??? Cholate	Choc-o-jet Maker	1
Cappaccino Maker	???/Cappaccino	1
Coca Cola Clock	Quartz Pewndulum	1

*NOTE: Most of the items listed herein are served by vendors (i.e. Cola)

TAKEN BY: Ted Burkhart TITLE
DEPARTMENT: Concessions DATE:

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Desk	??? 90 degree	1			
Computer	Monitor Harddrive Keyboard	1 #14516 1 #BCS1066 1 #59522202931			
Chair	APC ??? Roll-maroon gray-desk	1 1			
Calculator	Sharp EL-71926	1			
ATT Phone	MLS-18D	1			
Refrigerator	1 Coke Cola sld door (glass)	1			
Self Serve System	64 nit. stack sugar-creamer stirs & ***	1			
Rack	Potato Chip	2			
Dispenser Mustard Catsup	Stainless- 3 center onion- pepper-relish	1			
???	Audio Central ???	S/N 3050	1		

???	??? DN514		2		
Composer	Audio Interactive Dynamics ???	Module MDX 2100	5		
??? Equalizer	YDC 2006 Yamaha		2		
Sonic Maximizer	BBE-862		2		

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Clock	Spartus Battery/plug		1		
Chairs	High/gray ???		3		

5280 - Wearer
Metal Scoops - 4

TAKEN BY: Joy Presley
DEPARTMENT: Mail Center/???
TITLE:
DATE:

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
1	UPS Scale				
1	Tom ??? T1-5022 Calculator				
1	8510 Postage Weight Machine				
1	Neopost mail meter				
1	mail box system				
1	letter tray				
1	postage meter carrier				
wood/??? chairs	maroon chairs w/ pattern, wheels	7	maroon/ wood	office door	2
desk chairs	swivel maroon and gray, adjustable	3			

cabinet	4 drawer file cabinet	1			
???	white ??? 5' tall w/paper	1			
pc	486, monitor, ??? printer, keyboard, APC 280 hookup	1	#J9509?234	#RCS1064-harddrive #USFB168196-	
Desk/wall system	Wood (maroon) desk/credenza w/shelves	1			
Side table	table for ??? (used ok'd printer)	1			
???	???	1			
PC	monitor- keyboard- harddrive APC280 Printer	1 1 1 1 1	??? ??? ??? ??? ???		

INVENTORY SHEET

PAGE --- OF ---

TAKEN BY JOHN TAYLOR TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Equalizer	sraphic klark teknik dh360	2			
Remote Lexicon	Controller HRC HiDi Remote 1838/	1			
Receiver Audio	Constream DR200 Digital	1			
Casset Deck	JVCTDW217 Double	1			
Furman PL8	Power Conditioners, Light Module	2			

PROCO	PM 148	3	
Auto Changer	JVCXLF108 Compact Disc	1	
Converter Sony	A7-Hi Density Linear A/B B/A	2	
Pro Audio Receiver	Alesis Adat 8 Tract	2	
Remote Control	Alesis-BRC ADAT Hasters	1	
Furman Power	Conditioner AC Line Reg		
Furman Power	Model RA 117	1	
	Hi-Current Linear Power Supply JBL SSG1	1	

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

	Sound Craft Vienna II	1	(w/one power supply)
	Avolites Diamond II	1	
Fusinon EPT-SE 10D	Robotics for Camera	3	
Cameras	JVC - 3CCD KY 27B	3	

TOTAL COST OF PAGE ___ OF ___ $

Yammaha Professional multi effect processor SPX990 (4)
Lexicon LXP-15II Digital effects processor (1)

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	YELLOW WET flax	1			
red/black	shop vac 1.25 h.p.	1			
	white hand towels	20			
blue/red	Ryobi model IDZ21R SS 95332	1			
	Emergency lint system Quantum Powered	1			
	Safco-Red Dolly	1			
	Dust scop black	1			
	Philips reflector light sign	1 case 300			
	philips-fluorescent long bulbs	2 cases			
150 watts	hako-reflector lamps	8 bulbs			
88009	sylvania reflector lights	6 bulbs			
25 watt	hako incandescent lamps	8 bulbs			
	sylvania par lamps	1 bulb			

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER	TOTAL COST	UNIT RETAIL

			UNIT	PRICE
	chiller juice molecular fluid	3 4 liter	1 20 lter water base hass fluid	

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INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR TITLE

DEPARTMENT STAGE CLOSET DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	concrete stone	5 cans			
	floor lamp adjustable neck yellow	1			
	11 gallon air compressor	1			
	tornado-buffer	1			

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Shure	SM91 Indirect condensed MK				
Shure		1			
Shure	LP-1 Codenser Microphone preamp	4 (Sm98 Preamps)			
PAR	64Q FFP	12			
PAR	64Q NSP	6			
Pyropak	I #24350				
Pyropak	II #3265				
Stage Gerb	10x12 Gold	6 cans			
Stage Gerb	10x12 Silver	8 cans			
Air Burst	Flash Power As	2.5 Box			
Air Burst	Flash Power Bs	2.5 Box			
Gerb Fan	3 Prong Fan				
	New Used	4 4			

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
White back drop	65'	1			
Flag	American	1			
Wood	White Slats	5 multi			
Curtains	Black legs	10			
65'	Border Black	3			
65'	Main-Red	1			
65'	Main-Red	1			
Misc Chairs	folding gray	5			
chairs	folding brown	2			
	folding	5			
	white plastic	3			

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Equalizer	Klark Tenik Graphic	4			
	DN 3601 16646 DN 3601 16645				
	DN 3601 161 DN 3601				
FURMAN	Power Coditioner and Light Module	1			
Composer	Dynamic Processor				
	T80740004 Model	1			
Shore	SC4 Receiver 86DD45G4	1			
Shore	WA 404 Antenna Power				
	Distributor System	2			
Multigate	1400 Interactive	1			

Module	Guad 51186510	
Crown	Macro Tech 36x12 352566	1
Crossover	TDM24CX2 Stireo	1
Pigtail	TOA Processor	5
	Crown Macro Tech 2400	19

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	TDM Quad Crossover 2	2			
	Horizon	Microphone in put Box	1		

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AWP 300 Personnel Lift1

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Sound	Sound	10'			

Cord					
	Sound	50'			
	1 Con-Cord	100'			
	1 electric Con Lights	47			
	2 Elec-can lights	36			
	Cybers	4			
	3 Elec Can	33			
	Cyber	2			
	4 Elec-can	44			
	Cyber	2			
	5 Elec-Can	32	8 Lekos 6 cyc-lights (4 each)		
	Floor Cyber	4			
	Floorcans	24			
	floor 4-light clusters	6			

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INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Misc.	Gray Camera	3			
	Yellow	25'			

	Extension cord	
	WYB-Con Auto Pilot	100'
	Orange Traffice Cones	18
	Furman Power Conditioner	
	AR-117	1
	Yamaha PX 990	LHO-1135 LHO-1525
	Effect Processor	2
	Stage Lights EAW 200	
	Stage Monitor	4
	149 1478 3591 3595	

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INVENTORY SHEET

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TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	Fall wreaths RSAFS	26			

	Fall Tree's	5
	Xmas Tree Stand	2
	Water Trough	1
	Mike Stands	16
	Antenna	4
	Yamaha Mixer MC3210M Console	1
	Table White 6'	1
	Fan 16" Lasio	2
	Fog Machine Lamattie G3000 0507 0589	2
	Clear Com with Headset Ad51560 AD5156 Ad51572 Ad5171	4
	Clear Com Phone AD51557	1
	Stage Monitor EAW	2
	1486 1480	

INVENTORY SHEET

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DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE

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</TABLE>

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<S> <C>

INVENTORY SHEET

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TAKEN BY _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Stage Monitor	EAW 1489 1489 1477 1484 3593 3596	6			
Side Fill	PX 1560B	1601-1			
	PX1560B	1062(1)			
Cable	To stagecart Auto pilot and console	32 (input snake			
	Clear Com SB412A Switch Board	577241			
	Avolites DMX 512 - D1058				
	DFT Xmas Tree's	2			
Flowers	Poinsettas	11			
Microphones	N/D 757B	3			
Sure Shore	Beta 87	1			

	Sm 58-L32	2
	Electrovoice RC 20	1

INVENTORY SHEET

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TAKEN BY _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

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TAKEN BY _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Microphone shore	A98MK	1			
Microphone Stand	25900-57755	5			
	21020-57755	4			
Direct Boxes	Countryman Associates	5			

EV	ND757B	3
Shore	SM 87	1
	SM91A	1
	ADLS	12
MicroP	1000 Par G4Q	
	NSP Par Can Bulbs	38
	MFL Bulbs	5
	WFL	5
	TG Microphone Beta 87 Wireless	1
	Sherry Beta 57 Wireless	1
	Spare Beta 87 Wireless	2
	Spare Beta 87 Wiureless	2
	Microphone Mikropfon Stat IV	5

INVENTORY SHEET

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TAKEN BY _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
TOTAL COST OF PAGE ___ OF ___				$	

AIC Adaptor by Shure PS30-6
Mic-Antenna-Wireless Systems - 16 units
PRSII Power Pack

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Cable	#44 Super	25'			
	14x13 Type Sow A 90 o/c				
	Triangle PWC-1LC	25'			
	12/3 Type So P123 Msh2Q #51	25'			
Cable	#40	100'			
	#41	100'			
	#48	10'			
	#61	6'			
	#52	6'			
	#44	6'			
	#54	6'			
Pigtail Cable	5Q	1			
	#63	1			
	#44	1			
	#62	1			
	#45	1			
	#47	1			
	#48	1			
	#61	1			
	#60	1			
Cable	Horizon Y Conductor cord snake	125'			

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
TOTAL COST OF PAGE ___ OF ___				$	

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Snake Cable	Horizon 4 Conductor Speaker	1-50'			
	1 Horizon 4 Conductor Speaker	1-50'			
	1 - sam Horizon Conductor - speaker	1-50'			
	Horizon 4 Conductor Speaker	1-10'			
	Horizon 4 Conductor Speaker	1-30'			
	2 - Horizon Conductor Speaker	1-30'			
	1213 Type So P-123-Msha	1-9'			

	#53 Type Ms-HQ	1-10'
	#61 S-L Floor Acc	1-25'
	#56 Type 1213 Slow A-90C	1-25'
	P123-70HS HQ #61	1-25
PigTail	#58	1
	#57	1

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	#59	1			
Cable	2 Ken-Horizon Y conductor snake	1-25' 6 chanel			
	Rapco OL Dea +4 conductor	1-10'			
	Horizon Guitar Instrument	1-7'			

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INVENTORY SHEET

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TAKEN BY _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Cable	Cable sound flex by rapco	red-yellow-blue			
	3-6'	18'			
	Pro-plex PC22G1				
	22-Ang Low Cap	125'			
	#43 Tree	25'			
	#63	10'			
	#50	10'			
	#52	10'			
	#49 ACL - N.C.	10'			
	#47	10'			
	#45 Toner	10'			
	#62	10'			
	Horizon 4 conductor speaker	100'			
	#45	4'			
	#60	4'			
	Horizon 4 Conductor speaker	25'			
	Horizon 4 conductor speaker	60'			
TOTAL COST OF PAGE ___ OF ___				$	

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR TITLE

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Cable	Rapco Quad RG-Plus				
	Four Conductor	33'	20 pieces		
	UP Stage Left F1 Cybex1	63'			
	Stage rights - DW	50'			
	PSR Floor Cybeer				
	TO AFL Cyber EX	150'			
	Floor Cyber ASL	150'			
	1273 Type So	25'			
	DSR Cyber 12/3 Pype So NCOPERME	50'			
	#1-upstage L. Flcyber Ex	69'			
	#63 PE, So, 90 o/c	50'			
	Dyna Peeme 3 Conn-12				
	Type So #62	50'			

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER	TOTAL COST	UNIT RETAIL

		UNIT	PRICE
	#54 12/3 Type SoP123-HSH	10'	

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	15 A250V 20GA-W1				
	Plug-125V	50'			
	#47-500V Supercord	7'			
	#48 Type-So P123-MSHA	10'			
	Carol 1413 Type-Sow A-Cul7	50			
	Carol 12/3 Type Sow 90% PL127 70 MSHA	2 7'	14'		
	Pigtail F20 P Conn 2420	1			
	12/3 Type S1	25'			
	Pro-Plex Pg 22512				
	22 Aw7	125'			

	3 Pair					
	WY Bon Auto-Pilot	50'				
Cord	Mil-12-3ST Style-Ext	50'				
	CSA Type 20-90E					

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	FT 2 Carol 12/3	30'			
Sound Cords	Sound	7'			
	"	7'			

TOTAL COST OF PAGE ___ OF ___ $

*Miscellaneous, Assorted Microphone Cables

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Sony QX0040	A-7 Density A/DD/A	1			

76	Conductor #	
Furman PL8	Power Conditioner Conditioner and Light Module	1
	Klark Teknik DN 514 Quad Auto Gate	2
Behringer	Composer Audio Interactive	5 House 1 Monitor
	Dynamic Pro MDX 2000	5
Yamaha	Parametric Equalizer YOP2006	(2)
862	Sonic Maximizer BBF	2
Furman	PL8 Poner Conditoner and Light Module	1
Furman	Regulation AC LINE Module AR-117	1
Eventide Ultra	Harmonizer Model H3000-Disk	1
Yamaha SPX990	Multi-Effect Processor	4

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JOHN TAYLOR _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Lexicon LXP15	Pigtail Effect Processor	1			
	Audio Control	1			

	Industrial SA-3050 Real Time Analyzer	
Hackie Design	CR 1604 16 Channel	
	Micline 1 Mixer	

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY AMY MILLER/FRANCES S. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Desk Organizer	Dark Plastic Desk Organizer	2			
PaperClip Holder	Plastic Paper Clip Holder	1			
paperclip holder	Dark Plastic Pencil Holder	1			
tape dispenser	Scotch Tap Tan Dispenser	2			
wastebasket	Ivory Plastic Wastebasket	5			
36x48 cork	Bulletin Board	1			
24x36 cork	Bulletin Board	1			

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED BUKWIART TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
KeyTranc	VeryBoard V950900231	1			
computer and keyboard	ATT JVP71341	1			
	3099-K440 8004 ATT keyboard	1			
hardrive	480 Globalyst ATT 515	1			
desk	gray/90 degree	2			
filing cabinets	2 drawer file cabinets	2			
refrig.	bar style 3.5 foot white	1			
back up for computer	APC 280	1			
power stick	Multi plug unit surge	1			
	surge arrest	1			

shelf	standing metal (2 shelf) unit	1
garbage can	2.5 feet square	1
	metal creme plastic	1
chair	adjustable office chair	1
	grey metal padded seats	1

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED BUKWIART TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
phone	MT multi line information center mls-18D	2			
paper trays	plastic/desk top	9			
desk directory	plastic organizer	1			
file holder	metal/black	9			
coffee maker	westbend 10 cup	1			
intercom system	clear com (model 500) 2/headset	1			
SLIK Extension cord	Typed for autolights 6ft brown	1			
TOTAL COST OF PAGE ___ OF ___				$	

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Chair	Maroon Fabric Grey Charco frame	2			
Chair	Maroon fabric Gray Frame	1			
Chair	Gray Plastic Stack Chair	2			
Phone	AT&T	1			
	Waste yellow basket	1			
	10 foot white cabinet	1			
	6 fold chair padded	6	3 grey 3 brown		
	gray stack chair	1			
	Gibbson Ref. Freezer LA3402584	1			
	Soapdispenser	1			
	Towel holder	1			
	Coffee Maker Yellow	1			
	Yellow waste basket	2			
	48x48 bulletin board	1			
	First Aid Blue/Red Wall Kits	1			

INVENTORY SHEET

PAGE --- OF ---

TAKEN BY TED B. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	Lasko-Fan 16 inches oscillating fan	1			

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	land carts for moving	1			

TOTAL COST OF PAGE ___ OF ___ $

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INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
wood benches	oak four leg	17 3 m cryroom			
	brown steel aggregate panels	7			
	KF 776 wood	15			
	cherry wood with rod	60			

	custom made formica	1
	lower 310 side chairs	25
	burgundy velvet ropes	16
	gas logs 6'	1 set
	cherry wood ticket/door	2
plants and containers	large 17 inch med 14 inch	12 5
	small 10 inch	18 4
utility lobby)	wet floor yellow	7
mops mop bucket	mops	2 1
dust pale	dust pale and small broom	1
??		1

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
??		2			

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Shampoo	Tornado carpet shampoo	1			
	Husuoina 140B	1			
gas container	red plastic gas tank	1			
shampoo machine	Thermas large shampoo	1			
vacuum cleaner	sharp-EC-12 TXC Sharp-EX-12-TXC Sharp-EC-12TXT7	1 1 1			
dolly	red/two wheel metal	1			
paper towel dispenser	prefile #56700	5	(1 uncased)		
toilet seat dispenser	profile #74250 #74250	7 1 cover 1 case low			

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST	TOTAL	UNIT

			PER UNIT	COST	RETAIL PRICE

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
stove	VB503GV	1			
refrig.	GE GM759104	1			
Couch	Tan Leather 3 pillow 2 dec. pillow	1			
chair	oversize floral green-pink leaf	1			
chair	straight purple back chair	1			
table	oval glasstop iron legs	1			
table	side table made of iron	1			
rug	oriental rug pink floral	1			
table	Inntadf 1 draw maple	1			
table	4 foot x 1 foot maple table wood	1			
lamps	table lamps black/gold, green/white; rust/white	3			
lamp	floor lamp gold and navy	1			
table	iron/glass wall table	1			

stool	bar stool leather/gold	2

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
tv	magnavox color 20" 44168723	1			
DSS	Satelite RCA #527353228	1			
TV	Magnavox with remote 30008717	1			
DMX	Com stream DR200 Digital Audio Receiver	1			
Couch	Green with Oak wood	1			
Chair		1			
Table	Inntable Oak	1			
Table	Coffee Table Oak	1			
Chair	maroon/Black	2			
Lamp	Green/yellow	1			
wastebasket		1			
towel dispenser		1			
Bulletin Board cork	24x24	1			
TOTAL COST OF PAGE ___ OF ___				$	

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JON C. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Desk	Gray wall unit desk with shelf	2			
	smith corona XE 1950 #2127397	1			
	2 drawer letter size cabinets	2			
	jiffy steamer J39450	1			
	double wall shelf metal and press board	2			
	two step-stool #1001 kickstep	1			
	sharp (2 color) #50014815	1			
	CTX 14516 BCS computer (keybaord, monitor, APC 280, surge protector	1			
	Rubbermaid M70-4212-00	1			
	Formica/wood 2 door wallcases	8			
	woodstone base glass cube display cases				
	12 cube large	2			
	12 cube small	2			

INVENTORY SHEET

PAGE --- OF ---

TAKEN BY JON C. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	30 cube small	2			

	8 cube small	2
	40 cube small oval	2
	40 cube glass display	1
	circular glass display 4 cubes high	2
	vertical glass display 6 cubes	2
	formica wood display cases (diff. sizes)	13 2 back case

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Tables	Pressboard top metal base	35			
Chairs	material (maroon) grey (metal)	29			
Christmas supplies					
Gian Christmas Wreaths	Green Christmas Wreath Ribbons	10			
Small Tree and stands	Green 4 kg stand	3			
Candle	candle arrangement	2			
	New Year's party favors	13			
	boxes of decoration	6			
	ribbons for tree toppers	2			
	country garden plow with dec.	4			
	bags of tree ornaments	8			
	shepherd boys and chimney	2			

	lights	1

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	M/M E03600QL	2			
	CTX color	2			
	APC 280	3.5 and tape			
	250mm (BES)	1			
	plug and power supply	2			
	65 robotics fax modem	2			
	HP Laser Jet 4L	1			

	USCC 659254 serial #		
computer	DCS 280 Colorado 350 3.5 dish/cd drive	1	
calculator	sharp 2 color E1-26306II	1	
calculator	Victor 1560	1	
back machine	paymaster hand crank	1	
speakers computer	lab tec LCS-150	2	
speakers	Bose wall speakers (black)	2	
Infotran.	Universal Communications Interface	1	
File cabinet	4 draws	1	

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY FRANCES SVETICH TITLE

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Computer KeyGuard	Model E447AU 4225A001200306 930055107	1 1			
Computer Keyboard	4225A00121893 930037040	1 1			
Computer Keyboard	422A001200295 930036326	1 1			
Computer Keyboard	422A001200295 93003626	1 1			
1BM Lexmark Pr.Nier	FCC:Bj1 2380-001	1			
1BM Lexmark Printer	FRR: BJ1 2380-001	1			
1BM Lexmark Printer	FCC-BJ1 2380-001	1			
1BM Lexmark Printer	FCC BJ1 2380001	1			
Chair	adjustable rust/material grey frame	3			
stands	ticket stands for printers	4			
easy computer systems	to operate ticket computers				

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY FRANCES SVETICH TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE

4	5010073			
3	5010072			
2	5010071			
1	5010074			
Pencil electric sharpner	9781647	1		
4 phones	white mls 1bd att	4		
4 headgear	black KS 23529-L10	4		
Quick printer 250	card machine check veriphone	67000190 56 011510357	680001898 6 017125230	(2) (2)
Texas Instruments	T15032 0395C	1		
TOTAL COST OF PAGE ---	OF ---			$

Trash canscreme plastic (3)

INVENTORY SHEET

PAGE --- OF ---

TAKEN BY TED B. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Desk	Freestanding workstation desk (phone booths)	3			
chair	task chair 790166 maroon fabric/gray frame	3			
chair	vinyl upholstered stacking chairs/brown	1			
phone	A77 telephone	3			
headset	walk and talk portable headset ATT	3			
computers	monitors CTX color	3			
	Keyboards - C168036004	3			
	harddrive 486/60 3.5 drive	3			
	APC 286 Backups	3			

	mouse	3
headset	multiline	3
	word processor XE 1950	1
Boards	cork oak bulletin boards	2

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE

TOTAL COST OF PAGE ___ OF ___ $

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INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE _____

DEPARTMENT _____ DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
safe	brown/tan floor safe 2x2x3.5	1			
	free standing desk with cabinets at top and the drawer at bottom	2			
	desk chair material wood	1			
	straight chair brown material back and seat	1			
	2 drawer file cabinet (grey)	1			
	monitor (CTX color	1			
	keyboard 411019024	1			
	hard drive 424190275	1			
	printer lexmark item 2380	1			
	quick check verfione printer 250	1 1			
	sharp E1-21026 EL-263OGII	2			
	ATI MLS 8D	1			

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE

TOTAL COST OF PAGE --- OF --- $

INVENTORY SHEET

PAGE --- OF ---

TAKEN BY JAN C. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
display racks	chrome glass circular display racks	4			
glass display case	4 shelf enclosed case	1			
postcard stand	black creme	2			
display shelf	large shelf/drawers cubes behind counter	2			
	large shelf behind counter	1			
	jewelry cases formica counters	3 2			

cash register	TEC MA 1300 5D201634 5D201696	2
storage room shelves	shelves metal/wood	1 double 2 single
chair	chair with boot rest gray maroon 917AC	1
chair	office chair in office gray/maroon 11335	1

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY JAN C. _____ TITLE _____

DEPARTMENT _____ DATE _____

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
TV	JVC mts (surround code TIN 208450)	1			
logs	gas logs 6'	1 set			

TOTAL COST OF PAGE ___ OF ___ $

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
Headphones	ATT KS23529-L10 #KS23822-L7 #KS23529-L10	3	Joys office		
Calculator	Sharp EL21926	1			
Desk	module 38852 grey/laminated cherry	1			
speaker	clear com speaker station KB112	1			
desk	module 38080 grey metal/laminated cherry top	1			
phone	ATT MLS 18D	1			
footstool	black/wheels	2			
microphones	shore sm87	3			
	beta 87	1			
	sm81	2			
	sm57	3			
	sm58	2			
	sennheiser/black md4210/nr1156 85 md 4210/nr115936	2			
	EV n/o 757B	3			
	shore sm91	1			

INVENTORY SHEET

PAGE ___ OF ___

TAKEN BY TED B. TITLE

DEPARTMENT DATE

ITEM	DESCRIPTION	UNITS	COST PER UNIT	TOTAL COST	UNIT RETAIL PRICE
	shure A98SPM Shure Beta 87 wireless	4 4			
	sCrown CM 312E	4			
Direct Boxes	Count Associates	Type 85 Fet	4		

TOTAL COST OF PAGE ___ OF ___ $

</TABLE>

EXHIBIT C

Copy of contract with Country Tonite Enterprises providing for performance of the "Country Tonite Show" on the Premises throughout the term of this Lease Agreement.

EXHIBIT 2

CONTRACT TO PRODUCE SHOW
BETWEEN
COUNTRY TONITE ENTERPRISES, INC.
AND
COUNTRY TONITE THEATRE, L.L.C.

This contract to Produce Show ("Contract") is by and between Country

Tonite Theatre, L.L.C., hereinafter referred to as "Theater," and Country Tonite Enterprises, Inc., hereinafter referred to as "Producer." Producer agrees to produce and present for Theater a show known as "Country Tonite" hereinafter referred to as "Show" in the Country Tonite Theatre located at 2249 Parkway in Pigeon Forge, Tennessee. Said show will be produced and presented under the terms and conditions of this Contract.

RECITALS

1. CONTRACT TERM. Producer agrees to produce and present the Show for a term that is coextensive with the existence of Country Tonite Theatre, L.L.C., a Tennessee limited liability company, pursuant to its Operating Agreement, dated as of September 24th, 1996 (the "Operating Agreement").

2. THE "SHOW" DEFINED. The Show will have a running time of one-and-one-half to two hours. It will consist of at least five singers, eight dancers and one or two specialty acts performing in a structured Country & Western music variety show. The Show will also consist of live music with a seven to a twelve-piece band. In addition to performers and artists, CTE will provide one (1) administrative person and one (1) wardrobe attendant to facilitate the production of the show (collectively "Producer Personnel.") The Show shall be a first rate production consistent with the quality of other variety shows currently being performed by CTE. Producer may vary the format from time to time in the best interest of the Show and the Theater.

3. WEEK DEFINED. A "week" is herein defined as a six-day period of a calendar week (Sunday through Saturday) plus one nonperformance dark night to be designated by Theater. It is hereby acknowledged that a week will include up to twelve (12) performances per week. The Show times and days will be designated in writing by Theater, provided that Producer shall not be required to present the show between January 1 and March 1 of each year. Producer shall not be required to present the show a minimum number of times per week, but Producer shall be required to present the show an average eight (8) times per week for the period from March 15 through December 31 in each year. Theatre agrees not to do over twelve (12) shows per week without Burkhart Ventures, LLC's consent, which shall not be unreasonably withheld. If show is presented more than twelve (12) times in one week, Producer shall be paid $3,750.00 for each show in a week over twelve (12).

4. RIGHTS IN THE PRODUCTION. Producer will own and retain all rights in and to the title, format, logo, script continuity, choreography, and all other elements of the Show. Notwithstanding the foregoing, Producer grants to Theater a license for the Term of this

Contract, including any extensions thereof to utilize the Show's title, logo, video, or audio excerpts or any other reference to or description of the Show in the Theater, promotion, marketing or public relations materials.

5. EXCLUSIVITY. Producer agrees that during the Term of this contract, and any extensions thereof, Producer shall not compete with the Theater directly or indirectly within Sevier County, Tennessee or any adjoining county. However, from time to time, it is hereby understood that Producer may be airing certain excerpts from the Show for the purpose of marketing, merchandising and advertising the Show. If a taped excerpt of the Show is utilized on television, for purposes other than marketing and advertising, for profit, Producer shall pay a fee of $5,000.00 to Theater.

6. CONSIDERATION AND METHOD OF PAYMENT.

a. Theater shall pay Producer a fee of $42,500 per week during the term, provided that if less than six (6) shows are presented in any week, subject to the next sentence, the amount paid to Producer for such week shall be reduced by $7,083.33 for each show less than six (6) that is presented. If the show is presented for any partial week at the beginning or end of a performance season, such fee shall be pro-rated based on days performed, but in no event shall any payment be made between January 1 and March 1 of any year. Payment shall be made on a weekly basis to Producer and made available to Producer each Monday morning before 10:00 a.m., Knoxville time, following the week's performance. Theater will be in default if payment is not made in full within ten (10) days of written notice of such nonpayment as provided herein.

b. The fee provided for in subparagraph (a) of this paragraph shall be adjusted as of March 1 of each year, beginning March 1, 1998, for "cost of living" changes in accord with the Consumer Price Index for Urban Wage Earners and Clerical Workers (all items) for the Southern United States published by the Southern Office of the United States Department of Labor, Bureau of Labor Statistics (the "index"). Each adjustment shall be made by multiplying the weekly payment for the last full week of the prior calendar year by a fraction, the numerator which shall be the most recent index in effect at the time of such adjustment, and the denominator of which shall be the index for January, 1997. The product shall be the adjusted weekly payment until the next adjustment occurs. If the index changes so that the base (denominator) differs from that originally used, the index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the index is discontinued or revised during the term hereof, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would have been obtained if the index had not been discontinued or revised.

c. As further consideration hereunder, Producer shall have the exclusive right to film and/or video tape the Show or excerpts thereof and shall make such film and/or video tape available to Theatre at Producer's actual cost. All income from sales or rental of such film or video tape sold in Sevier County shall inure to the benefit of the Theater.

7. PRICE AND REVENUE. Theater shall establish the admission price for the Show and the cost to the audience of any and all beverage and food service and shall retain all revenues therefrom. Theater agrees to pay all taxes on admissions to Show, plus cabaret taxes and sales taxes as well as ASCAP, SESAC and BMI licensing fees.

8. CERTAIN PRODUCTION COSTS.

a. Theater shall provide, at its expense, lighting and sound systems, stage sets, house equipment, related equipment, wardrobe maintenance including storage for same for Show's performers, stage configuration, dressing rooms, and projection system and screen. Theater shall provide the necessary personnel to handle stage functions, including but not limited to stage manager, assistant stage manager, spotlight operators, and lighting and sound technicians. Producer acknowledges that the facilities and equipment located at 2249 Parkway in Pigeon Forge, Tennessee are suitable for the production of the show in accordance with the terms of this Agreement.

b. Producer shall provide, at its sole expense:

(1) All props required for the Show;
(2) All costumes for the Show's performers;
(3) All special effects for the Show which are not standard and ordinarily existent in the Theater's showroom.

9. REHEARSAL AND AUDITIONS.

a. Theater shall make the showroom available to Producer for rehearsals and auditions upon reasonable notice by Producer and shall make such stage lighting and sound personnel as may be reasonably necessary thereto available in connection therewith.

b. The Theater reserves the right to utilize the showroom for entertainment and other purposes during all daytime hours and during any evenings or other times the Show is not presented or when the auditorium is not in use during mutually agreed rehearsal and audition times described in the preceding subparagraph.

c. Theater agrees to make the auditorium available for rehearsal and taping of television commercials.

10. TERMINATION. The Producer may terminate this Agreement if any of the following events shall occur.

a. Failure by Theatre to pay, in full, on the dates due, any payment due hereunder, provided, however, that Theatre shall have ten (10) days following written notice from Producer to cure such default.

b. Failure by Theatre to observe or perform any of the other terms, covenants, agreements or conditions contained in this Agreement for a period of thirty (30) days after written notice from Producer specifying such default, provided, if any such default cannot be completely cured within such 30-day period, despite Theatre's diligent, best-faith effort, commenced immediately, then Theatre shall have a reasonable time to complete the cure of such default, for a period not to exceed ninety (90) days.

c. Either the Lease dated as of the date hereof between J. MacDonald Burkhart, M.D., and the Theatre or the Operating Agreement of the Theatre is terminated.

The Producer's right to terminate this Agreement under this paragraph is in addition to such other rights that the Producer may have at law or equity.

The Theatre may terminate this Agreement if any of the following events shall occur.

a. Failure by Producer to observe or perform any of the other terms, covenants, agreements or conditions contained in this Agreement for a period of thirty (30) days after written notice from Theatre specifying such default, provided, if any such default cannot be completely cured within such 30-day period, despite Producer's diligent, best-faith effort, commenced immediately, then Producer shall have a reasonable time to complete the cure of such default, for a period not to exceed ninety (90) days.

b. Either the Lease dated as of the date hereof between J. MacDonald Burkhart, M.D., and the Theatre or the Operating Agreement of the Theatre is terminated.

The Theater's right to terminate this Agreement under this paragraph is in addition to such other rights that the Theater may have at law or equity.

Any notices given hereunder shall also be given to Burkhart Ventures, LLC, in the manner and at the address provided in the Operating Agreement.

10. CERTAIN PROHIBITIONS. Upon the termination of this Agreement Theatre agrees not to:

a. for a period of one (1) year after termination of this Agreement, produce either directly or indirectly or rent its property to any person or entity producing, a country and eastern rock music variety shown which uses the word "County" in its name or in any trade name or trademark.

b. for a period of one (1) year after termination of this Agreement, hire any person who was an employee of the Producer or any affiliated entity within the one-year period prior to the termination of this Agreement; or

c. violate any copyright, trademark or common law intellectual property rights of CTE or any affiliated entity.

The provisions of this paragraph shall survive the termination of this Agreement.

12. PRODUCER PERSONNEL. Producer shall require and assure that all Producer Personnel shall at all times perform his/her services in a highly professional manner. While on the premises of the Theatre, Producer Personnel shall conduct themselves in an appropriate and dignified manner, using professional discretion at all times. Producer is responsible for assuring that Producer Personnel and all persons performing services for Producer in connection with this agreement are subject to, and comply fully with, all terms and conditions of this Agreement.

13. CANCELLATION OF PERFORMANCE BY THEATRE. Theatre shall have the right to cancel any performance of the Show, or any portion thereof, should extraordinary

conditions exist which include, but are not limited to: riot, civil disorder, act(s) of God, strike, act of any federal, state or local instruments, rebellions, bomb threats, or any natural disaster.

14. PUBLICITY. Producer shall require all performers in the Show to be available to Theater when requested from time to tome, for, among other things, publicity photographs and interview . All such services shall be rendered without any kind of cost or charge to Theater except that the Theater shall reimburse for travel, as required by the Theater or may pay the entertainer a fair market hourly rate for any material time. Producer agrees, for itself and on behalf of all performers in the Show, that such photographs and interview material may be used by Theater for any promotional and publicity purposes as Theater shall determine for the term of this agreement in its sole and absolute discretion; and Producer, for itself and on behalf of its performers, completely releases, Theater from any liability resulting from the use of such material. All promotional and publicity

materials created at the expense or through the effort of Theater and approved by the Producer shall be the sole property of Theater, and Producer agrees to sign and to require its performers to sign, as may be reasonably determined, any and all releases, acknowledgements or such other documentations as Theater may request from time to time in connection with.

15. TAXES AND INSURANCE. Producer shall be solely responsible for and shall pay when due all federal income tax withholding, FICA, social security, payment of workers' compensation where required by law and payroll taxes on behalf of Producerj Personnel. Producer shall provide evidence satisfactory to Theater that worker's compensation insurance coverage is being carried by Producer and, when requested by Theater, evidence satisfactory to Theater that payment of all the foregoing payroll burden has been made. Each party to this contract hereby waives its right to subrogation.

16. INDEPENDENT CONTRACTOR. Producer is and shall be in the performance of all work, services and activities under this Agreement an independent contractor. No term or condition under this Agreement nor any method or manner of payment hereunder shall create any relationship between Theater and Producer other than as expressed in this paragraph. Producer personnel shall not in any way, at any time, or under any circumstances, be or be construed to be employees, agents, representatives or personnel of Theater.

17. INDEMNIFICATION. Producer shall defend, indemnity, and hold Theater completely free and harmless from and against any and all claims, demands, suits and actions which are the result of negligence by anyone not a party to this Agreement for loss, injury, damage, or liability from bodily injury and property damage arising directly or indirectly out of Producer's negligence with respect to performance of the Show or of this Agreement. Producer shall carry commercial liability insurance to insure against such risks.

18. PARKING. Theatre shall make parking available for the show to the full extent that parking is available to the Theatre under its lease of the property under which the Show will be permitted.

19. MISCELLANEOUS PROVISIONS

a. Time is of the essence of this Agreement and the performance of each and every provisions hereof.

b. Except as otherwise provided herein, this Agreement shall be binding upon and shall inure to the benefit of the parties, their permitted successors and assigns.

c. Whenever the context so requires, the use of any gender shall be applicable to all genders, the singular number shall include the plural and the plural gender.

d. The law of the State of Tennessee shall govern the validity, performance and enforcement of this Agreement.

e. If either party to this Agreement shall institute any action or proceeding under the provisions of this Agreement, the prevailing party in such action or proceeding shall be entitled to recover all of its costs and reasonable attorney's fees.

f. The failure of Theater to insist upon performance of any of the provisions of this Agreement in any one or more instances shall not be a waiver thereafter of its right to full performance of all the provisions of this Agreement when any performance is due. No waiver of a breach of any of the covenants, conditions, terms of provisions of this Agreement shall be construed to be a waiver of any succeeding breach of the same of any other covenant, condition, term or provisions. All rights and remedies created by this Agreement are cumulative and the use of one remedy shall not be taken to exclude or waive the right to the use of another.

g. In case provision contained in this Agreement shall be held to be illegal, invalid or unenforceable, the legality, validity and enforceability of all remaining provisions shall not be in any way affected of impaired thereby.

h. Captions and/or headings have been inserted for convenience of reference only and are not to be construed or considered to be a part hereof and shall not in any way modify, restrict or amend any of the terms or provisions hereof.

Executed this 24th day of September, 1996.

COUNTY TONITE THEATRE, LLC.	COUNTY TONITE ENTERPRISES, INC.
/s/ JOHN J. PILGER	/s/ JOHN J. PILGER
John J. Pilger, Chief Manager	John J. Pilger, Chief Manager

EXHIBIT D

LIST OF ASSUMED EQUIPMENT LEASES AND MONTHLY AMOUNTS DUE

LESSOR	PURPOSE	AMOUNTS	DUE DATE
Citizens National Bank	Sound & lighting equipment	$16,620.17	20th of month
Citizens National Bank	Computers	$ 510.16	27th of month
Associates Leasing	Walkie-talkies	$ 320.99	27th of month
AT&T Capital Leasing Services, Inc.	Fax/Copier	$ 240.35	28th of month
AT&T Credit Corporation	Telephone	$ 616.18	27th of month

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* Lessee shall have no rights in the video equipment (recorders, cameras, screens, and any and all related equipment) currently used in the theater.

EXHIBIT E

Encumbrances

1. All encumbrances listed in Lessor's title insurance policy issued by Lawyers Title Insurance Corporation (Policy #113-00-997074) attached hereto as EXHIBIT E-1.

2. A disputed lien asserted by Creative Structures, Inc. filed in the Sevier County Register of Deeds Office on July 2, 1996. Lessor covenants that this item will be released or removed by bond by January 15, 1997.

3. A deed of trust in favor of SunTrust National Bank of East Tennessee and a deed of trust in favor of Union Planters Bank.

EXHIBIT E-1

Lawyers Title
Insurance Corporation
National Headquarters
Richmond, Virginia

Owner's Policy Number

113 - 00 - 997074

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, LAWYERS TITLE INSURANCE CORPORATION, a Virginia corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;

2. Any defect in or lien or encumbrance on the title;

3. Unmarketability of the title;

4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

IN WITNESS WHEREOF the Company has caused this policy to be signed and sealed, to be valid when Schedule A is countersigned by an authorized officer or agent of the Company, all in accordance with its By-Laws.

LAWYERS TITLE INSURANCE CORPORATION

Attest: By: /s/ Janet A. Alpert
Secretary President

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arises by reason of:

(a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrances resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrances resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

Defects, liens, encumbrances, adverse claims or other matter:

(a) created, suffered, assumed or agreed to by the insured claimant;

(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;

(c) resulting in no loss or damage to the insured claimant;

(d) attaching or created subsequent to Date of Policy; or

(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal

bankruptcy, state insolvency, or similar creditors' rights laws.

CONDITIONS AND STIPULATIONS

1. DEFINITIONS OF TERMS

The following terms when used in this policy mean: (a) "insured": the insured name in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by, operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors.

(b) "insured claimant": an insured claiming loss or damage.

(c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of the public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.

(d) "land": the land described or referred to in Schedule A, and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule A, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is insured by this policy.

(e) "mortgage": mortgage, deed of trust, trust deed, or the other security instrument.

(f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a)(iv) of the Exclusions From Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.

(g) "unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE.

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the insured of

either (i) an estate or interest in the land, or (ii) an indebtedness secured by a purchase money mortgage given to the insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case knowledge shall come to an insured hereunder of any claim of tittle or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever, the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, it its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever requested by the Company, the insured, at the Company's expense, shall give

the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by an authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph shall terminate any liability of the Company under this policy as to that claim.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) TO PAY OR TENDER PAYMENT OF THE AMOUNT OF INSURANCE.

To pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or

tender of payment and which the Company is obligated to pay.

Upon the exercise the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) TO PAY OR OTHERWISE SETTLE WITH PARTIES OTHER THAN THE INSURED OR WITH THE INSURED CLAIMANT.

(i) to pay or otherwise settle with other parties for or in the name or an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE.

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A; or,

(ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy.

(b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:

(i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the amount of insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or

(ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement.

The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.

(c) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

8. APPORTIONMENT.

If the land described in Schedule A consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the amount of insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

9. LIMITATION OF LIABILITY.

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrances, or cures the lack of a right of access to or from the land, or cures the claim of of unmarketability of title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as insured.

(c) The Company shall not be liable for loss or damage to any insured or liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro rata.

11. LIABILITY NONCUMULATIVE.

It is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule BV or to which the insured

has agreed, assumed, or taken subject, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the insured owner.

12. PAYMENT OF LOSS.

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been loss or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damaged has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

13. SUBROGATION UPON PAYMENT OR SETTLEMENT.

(a) THE COMPANY'S RIGHT OF SUBROGATION.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant.

The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

(b) THE COMPANY'S RIGHTS AGAINST NON-INSURED OBLIGORS.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

14. ARBITRATION.

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are

not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when he Amount of Insurance is $1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitratable matter when the Amount of Insurance is in excess of $1,000,000 shall be arbitrated

only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered into any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract, between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

16. SEVERABILITY.

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. NOTICES, WHERE SENT.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to its Corporate-Headquarters, 6630 West Broad Street, Richmond, Virginia 23230. Mailing address: P.O. Box 27567, Richmond, Virginia 23261.

POLICY OF TITLE INSURANCE

A WORD OF THANKS . . .

As we make your policy a part of our permanent records, we want to express our appreciation of this evidence of your faith in Lawyers Title Insurance Corporation.

There is no recurring premium.

This policy provides valuable title protection and we suggest you keep it in a safe place where it will be readily available for future reference.

If you have any questions about the protection provided by this policy, contact the office that issued your policy or you may write to:

Consumer Affairs Department
LAWYERS TITLE INSURANCE CORPORATION
P.O. BOX 27567
RICHMOND, VIRGINIA 23261
TOLL FREE NUMBER 1-800-446-7086

LAWYERS TITLE
INSURANCE CORPORATION

NATIONAL HEADQUARTERS
RICHMOND, VIRGINIA
OWNER'S POLICY
SCHEDULE A

****
ENDORSEMENTS:

****

CASE NUMBER	DATE OF POLICY	AMOUNT OF POLICY	POLICY NUMBER
	June 17, 1994	$2,950,000.00	113-00-997074

1. Name of Insured:

J. MacDonald Burkhart

2. The estate or interest in the land which is covered by this policy is;

fee simple

3. Title to the estate or interest in the land is vested in:

J. MacDonald Burkhart

4. The land referred to in this policy is described as follows:

SEE ATTACHED DESCRIPTION

NOTE: This property was conveyed to J. MacDonald Burkhart by warranty deed of R. DeWitt Shelton, a 3/4ths undivided interest as tenant in common and Lela Ogle, a 1/4th undivided interest as tenant in common, dated June 16, 1994, filed for record on June 17, 1994, in Warranty Deed Book 522, Page 646, in the Register's Office for Sevier County, Tennessee. Said warranty deed was corrected by Correction Warranty Deed dated May 10, 1995, filed for record on May 10, 1995, in Warranty Deed Book 544, Page 607, in the Register's Office for Sevier County, Tennessee.

DOUGLAS S. YATES

By: /s/ DOUGLAS S. YATES — Sevierville, Tennessee

COUNTERSIGNATURE AUTHORIZED OFFICER OR AGENT — Issued At (Location)

Policy 136 - Form No. 035-0136-0000 -- This Policy is invalid unless the cover sheet and Schedule B are attached. --- ALTA Owners Policy (10-17-92)

Lawyers Title
Insurance Corporation

NATIONAL HEADQUARTERS
Richmond, Virginia
OWNER'S POLICY
SCHEDULE B

****

CASE NUMBER: POLICY NUMBER: 113-00-997-074

****

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys fees or expenses) which arise by reason of:

1. Special Exceptions:
   (a) Taxes for the year 1995 and subsequent years.

2. The officials of the City of Pigeon Forge have represented that the 1993 City of Pigeon Forge Taxes have been paid in the amount of $3338.63, #2322, and that there are no taxes owing for prior years. However, no opinion is expressed and no liability is assumed with regard to these representations since similar representations by officials of the City of Pigeon Forge have proved unreliable in the past.

3. This property may be subject to an easement in respect to the old abandoned roadbed adjoining Pine Grove Plaza along the northern boundary of the property as shown on map of Ronnie L. Sims, RLS, dated June 8, 1994.

4. Subject to an existing asphalt encroachment along the northern boundary of the property adjoining Pine Grove Plaza and Highway 441, as shown on map of Ronnie L. Sims, RLS, dated Jun 8, 1994.

5. This property is subject to a deed of trust in favor of Third National Bank of East Tennessee, dated June 16, 1994, of record in Trust Deed Book 523, Page 220, in the said Register's Office. Said deed of trust was corrected by Correction Tennessee Deed of Trust dated May 10, 1995, of record in Trust Deed Book 557, Page 322, in the said Register's Office.

Policy 136 Litho in U.S.A. - Form No. 035-0-136-0001 --- ALTA Owners Policy (10-17-92)

EXHIBIT A

TRACT I:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being a 10.165 acre tract located on the eastern side of U.S. Highway 441, and being more particularly bounded and described as follows:

BEGINNING at an iron pin set in the eastern right-of-way of U.S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U.S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence with the right-of-way of U.S. Highway 441 North 00 deg. 42 min. 48 sec. East passing an iron pin at 55.38 feet, a total distance of 178.16 feet to an iron pin marking the southwestern corner of

Lot 7 of Pine Grove Plaza (Map Book 21, Page 173); thence leaving the right-of-way of U.S. Highway 441 and with the line of Pine Grove Plaza the following two calls and distances: North 67 deg. 32 min. 43 sec. East 829.56 feet to an iron pin; North 48 deg. 13 min. 38 sec. East 169.07 feet to an iron pin, corner to Laurel Manor, Inc. (Deed Book 282, Page 15); thence with the line of Laurel Manor, Inc. the following two calls and distances: South 54 deg. 40 min. 24 sec. East 349.54 feet to an iron pin; North 43 deg. 24 min. 19 sec. East 247.69 feet to an iron pin, corner to John and Lisa Rauhuff (Deed Book 132, Page 88); thence with the line of Rauhuff and a fence the following two calls and distances: South 56 deg. 20 min. 12 sec. East 136.66 feet to an iron pin; South 51 deg. 15 min. 57 sec. East 21.10 feet to an iron pin, corner to R. DeWitt Shelton, et al. (Deed Book 522, Page 642); thence with the line of R. DeWitt Shelton, et al., the following six calls and distances: South 40 deg. 26 min. 51 sec. West 621.24 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 332.34 feet, a tangent of 60.39 feet, a chord call and distance of North 83 deg. 26 min. 38 sec. West 118.84 feet to an iron pin; thence South 86 deg. 15 min. 24 sec. West 97.00 feet, a tangent of 76.99 feet, a chord call and distance of North 71 deg. 04 min. 59 sec. West 142.09 feet to an iron pin; thence North 48 deg. 25 min. 23 sec. West 20.64 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 75.13 feet, a tangent of 28.51 feet, a chord call and distance of North 69 deg. 12 min. 15 sec. West 53.31 feet to an iron pin, corner to BGA Associates (Deed Book 485, Page 177); thence with the line of BGA Associates the following two calls and distances: North 89 deg. 59 min. 25 sec. West 425.32 feet to an iron pin; South 65 deg. 12 min. 05 sec. West 261.88 feet to an iron pin in the right-of-way of U.S. Highway 441, the POINT OF BEGINNING, as shown by survey of Dean A. Orr, RLS #780. ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job No. 94-398-11.

THIS CONVEYANCE IS SUBJECT TO an exclusive sign easement as reserved in Correction Warranty Deed dated May 10, 1995, of record in Deed Book 544, Page 607, in the Sevier County Register's Office, said easement encumbering the following described parcel of property:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, being located on the eastern side of U.S. Highway 441, and being more particularly described as follows:

TO FIND THE POINT OF BEGINNING start at an iron pin set in the eastern right-of-way of U.S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U.S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence running with the eastern right-of-way of U.S. Highway 441 and the western terminus of a 50 foot joint permanent non-exclusive easement North 00 deg. 42 min. 48 sec. East 55.38 feet to an iron pin lying in the northern line of said 50 foot

joint permanent non-exclusive easement, said iron pin marking the place of beginning of the sign easement area; thence leaving the right-of-way of U.S. Highway 441 and with the northern line of a 50 foot joint permanent non-exclusive easement North 65 deg. 12 min. 05 sec. East 20.00 feet, more or less, to a point; thence leaving the right-of-way of a 50 foot joint permanent non-exclusive easement North 00 deg. 42 min. 48 sec. East 20.00 feet, more or less, to a point; thence South 65 deg. 12 min. 05 sec. West 20.00 feet, more or less, to a point in the eastern right-of-way of U.S.

Highway 441; thence with the eastern right-of-way of U.S. Highway 441 South 00 deg. 42 min. 48 sec. West 20.00 feet, more or less, to an iron pin, the POINT OF BEGINNING, as shown on survey of Dean A. Orr, RLS #780, ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job. No. 94-398-11.

THIS CONVEYANCE IS FURTHER SUBJECT TO a 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities running over, across and under the above-described 10.165 acre tract of property, as reserved in Correction Warranty Deed dated May 10, 1995, of record in Deed Book 544, Page 607, in the Sevier County Register's Office, said 50 foot wide joint permanent non-exclusive easement being more particularly bounded and described as follows:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being more particularly bounded and described as follows:

BEGINNING at an iron pin in the eastern right-of-way of U.S. Highway 441, said iron pin being located 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U.S. Highway 441 with the northern right-of-way of Sugar Hollow Road; thence with the right-of-way of U.S. Highway 441 North 00 deg. 42 min. 48 sec. East 55.38 feet to an iron pin; thence leaving the right-of-way of U.S. Highway 441 and running along the northern right-of-way line of the 50 foot wide joint permanent non-exclusive easement the following calls and distances: North 65 deg. 12 min. 05 sec. East 249.02 feet to an iron pin; thence South 89 deg. 59 min. 24 sec. East 436.32 feet to an iron pin; thence running with an arc in a curve to the right in a circle having a radius of 125.13 feet, a tangent of 47.49 feet, a chord call and distance of South 69 deg. 12 min. 15 sec. East 88.79 feet to an iron pin; thence South 48 deg. 25 min. 23 sec. East 20.64 feet to an iron pin; thence running with an arc in a curve to the left in a circle having a radius of 134.40 feet, a tangent of 56.11 feet, a chord call and distance of South 71 deg. 04 min. 59 sec. East 103.56 feet to an iron pin; thence North 86 deg. 15 min. 24 sec. East 97.00 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 382.34 feet, a tangent of 49 min. 36 sec. East 157.90 feet to an iron pin in the line of R. DeWitt Shelton, et al. (Deed Book 522, Page 642); thence with the line of R. DeWitt Shelton, et al. The following six calls and distances: South 40 deg. 26 min. 51 sec. West 53.90 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 332.34 feet, a tangent of 60.39 feet, a chord call and distance of North 83 deg. 26 min. 38 sec. West 118.84 feet to an iron pin; thence South 86 deg. 15 min. 24 sec. West 97.00 feet to an iron pin; thence running with an arc in a curve to the right in a circle having a radius of 184.40 feet, a tangent of 76.99 feet, a chord call and distance of North 71 deg. 04 min. 59 sec. West 142.09 feet to an iron pin; thence North 48 deg. 25 min. 23 sec. West 20.64 feet to an iron pin; thence running with an arc in a curve to the left in a circle having a radius of 75.13 feet, a tangent of 28.51 feet, a chord call and distance of North 69 deg. 12 min. 15 sec. West 53.31 feet to an iron pin, corner to BGA Associates (Deed Book 485, PGE 177); thence with the line of BGA Associates the following two calls and distances: North 89 deg. 59 min. 25 sec. West 425.32 feet to an iron pin; thence South 65 deg. 12 min. 05 sec. West 261.88 feet to an iron pin in the eastern right-of-way line of U.S. Highway 441, the POINT AND PLACE OF BEGINNING, as shown by survey of Dean A. Orr, RLS #780, ETE Consulting Engineering, Inc., 311 Oak Ridge Turnpike, Oak Ridge, Tennessee 37830, dated April 28, 1995, bearing Job No. 94-398-11.

TRACT II:

PARCEL A:

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, and being a 50 foot wide right-of-way immediately north of and running parallel with the following described line, which line marks the southern right-of-way line for said 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities:

TO FIND THE POINT OF BEGINNING start at an iron pin set in the eastern right-of-way line of U.S. Highway 441, said iron pin being 300 feet, more or less, in a northerly direction from the intersection of the eastern right-of-way of U.S. Highway 441 with the northern right-of-way of Sugar Hollow Road and said iron pin being corner to BGA Associates (Deed Book 485, Page 177); thence running with the line of BGA Associates the following two calls and distances: North 65 deg. 12 min. 05 sec. East 261.88 feet to an iron pin; thence South 89 deg. 59 min. 25 sec. East 425.32 feet to an iron pin, corner to R. DeWitt Shelton, et al.; thence with the line of Shelton, et al. the following five calls and distances: Running with the arc in a curve to the right in a circle having a radius of 75.131 feet, a tangent of 28.513 feet, a chord call and distance of South 69 deg. 12 min. 18 sec. East 53.315 feet to an iron pin; thence South 48 deg. 25 min. 23 sec. East 20.64 feet to an iron pin; thence running with the arc in a curve to the left in a circle having a radius of 184.400 feet, a tangent of 76.985 feet, a chord call and distance of South 71 deg. 05 min. 00 sec. East 142.085 feet to an iron pin; thence North 86 deg. 15 min. 24 sec. East 97.00 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 332.340 feet, a tangent of 67.162 feet, a chord call and distance of South 82 deg. 19 min. 07 sec. East 131.662 feet to an iron pin, the POINT OF BEGINNING; thence running with the arc in a curve to the right in a circle having a radius of 345.332 feet, a tangent of 96.499 feet, a chord call and distance of South 55 deg. 16 min. 53 sec. East 185.877 feet to an iron pin; thence South 39 deg. 40 min. 08 sec. East 193.90 feet to an iron pin, being corner to property of Barbara Mockus, said iron pin marking the terminus of the easement area and being according to the survey of Ronnie L. Sims, Tennessee Registered Land Survey No. 683, 1020 Topside Drive, Sevierville, Tennessee 37862, dated December 20, 1994 and the last revised on April 19, 1995.

PARCEL B

SITUATED in the Fifth (5th) Civil District of Sevier County, Tennessee, and within the corporate limits of the City of Pigeon Forge, Tennessee, beginning at an iron pin marking the southeastern terminus of the aforementioned easement described above, and which iron pin lies in the southwestern right-of-way line of the 50 foot wide joint permanent non-exclusive easement area; thence leaving said point and place of beginning and running with the southern terminus of the 50 foot wide joint permanent non-exclusive easement for ingress, egress and utilities afore described, North 50 deg. 19 min. 51 sec. East 50.00 feet to an iron pin; thence South 39 deg. 40 min. 08 sec. East 132.93 feet to an iron pin; thence North 79 deg. 28 min. 09 sec. East 110.87 feet to an iron pin; thence running with the arc in a curve to the right in a circle having a radius of 50.01 feet, a tangent of 39.94 feet, an arc distance of 67.40 feet to an iron pin lying in the northern right-of-way line of Sugar Hollow Road; thence running with the northern right-of-way line of Sugar Hollow Road and running with the arc in a curve to the left in a circle having a radius of 498.40 feet, a tangent of 25.03 feet, an arc distance of 50.03 feet to an iron pin, being corner to

property of C.B. McCarter (Plat Book 5, Page 72); thence running with the line of McCarter South 79 deg. 28 min. 09 sec. West 140.25 feet to an iron pin, being corner to property of Barbara Mockus; thence running with the line of Barbara Mockus North 39 deg. 40 min. 08 sec. West 162.30 feet to an iron pin, marking the POINT AND PLACE OF BEGINNING, and being according to the survey of Ronnie L. Sims, Tennessee Registered Land Surveyor No. 683, 1020 Topside Drive, Sevierville, Tennessee 37862, dated December 20, 1994 and last revised on April 19, 1995.

BEING the same property conveyed to J. MacDonald Burkhart from R. DeWitt Shelton and Lela Evelyn Ogle by Deed dated June 16, 1994, of record in Deed Book 522, Page 646, as corrected by Deed dated May 10, 1995, of record in Deed Book 544, Page 607, both in the Sevier County Register's Office.

EXHIBIT 2

CTE CONTRACT

EXHIBIT 2

CONTRACT TO PRODUCE SHOW
BETWEEN
COUNTRY TONITE ENTERPRISES, INC.
AND
COUNTRY TONITE THEATRE, L.L.C.

This contract to Produce Show ("Contract") is by and between Country Tonite Theatre, L.L.C, hereinafter referred to as "Theater," and Country Tonite Enterprises, Inc., hereinafter referred to as "Producer." Producer agrees to produce and present for Theater a show known as "Country Tonite" hereinafter referred to as "Show" in the Country Tonite Theatre located at 2249 Parkway in Pigeon Forge, Tennessee. Said show will be produced and presented under the terms and conditions of this Contract.

RECITALS

1. CONTRACT TERM. Producer agrees to produce and present the Show for a term that is coextensive with the existence of Country Tonite Theatre, L.L.C., a Tennessee limited liability company, pursuant to its Operating Agreement, dated as of September 24th, 1996 (the "Operating Agreement").

2. THE "SHOW" DEFINED. The Show will have a running time of one-and-one-half to two hours. It will consist of at least five singers, eight dancers and one or two specialty acts performing in a structured Country & Western music variety show. The Show will also consist of live music with a seven to a twelve-piece band. In addition to performers and artists, CTE will provide one (1) administrative person and one (1) wardrobe attendant to facilitate the production of the show (collectively "Producer Personnel.") The Show shall be a first rate production consistent with the quality of other variety shows currently being performed by CTE. Producer may vary the format from time to time in the best interest of the Show and the Theater.

3. WEEK DEFINED. A "week" is herein defined as a six-day period of a calendar week (Sunday through Saturday) plus one nonperformance dark night to be designated by Theater. It is hereby acknowledged that a week will include up to twelve (12) performances per week. The Show times and days will be designated in writing by Theater, provided that Producer shall not be required to present the show between January 1 and March 1 of each year. Producer shall not be required to present the show a minimum number of times per week, but Producer shall be required to present the show an average eight (8) times per week for the period from March 15 through December 31 in each year. Theatre agrees not to do over twelve (12) shows per week without Burkhart Ventures, LLC's consent, which shall not be unreasonably withheld. If show is presented more than twelve (12) times in one week, Producer shall be paid $3,750.00 for each show in a week over twelve (12).

4. RIGHTS IN THE PRODUCTION. Producer will own and retain all rights in and to the title, format, logo, script continuity, choreography, and all other elements of the Show. Notwithstanding the foregoing, Producer grants to Theater a license for the Term of this Contract, including any extensions thereof to utilize the Show's title, logo, video, or audio excerpts or any other reference to or description of the Show in the Theater, promotion, marketing or public relations materials.

5. EXCLUSIVITY. Producer agrees that during the Term of this contract, and any extensions thereof, Producer shall not compete with the Theater directly or indirectly within Sevier County, Tennessee or any adjoining county. However, from time to time, it is hereby understood that Producer may be airing certain excerpts from the Show for the purpose of marketing, merchandising and advertising the Show. If a taped excerpt of the Show is utilized on television, for purposes other than marketing and advertising, for profit, Producer shall pay a fee of $5,000.00 to Theater.

6. CONSIDERATION AND METHOD OF PAYMENT.

a. Theater shall pay Producer a fee of $42,500 per week during the term, provided that if less than six (6) shows are presented in any week, subject to the next sentence, the amount paid to Producer for such week shall be reduced by $7,083.33 for each show less than six (6) that is presented. If the show is presented for any partial week at the beginning or end of a performance

season, such fee shall be pro-rated based on days performed, but in no event shall any payment be made between January 1 and March 1 of any year. Payment shall be made on a weekly basis to Producer and made available to Producer each Monday morning before 10:00 a.m., Knoxville time, following the week's performance. Theater will be in default if payment is not made in full within ten (10) days of written notice of such nonpayment as provided herein.

b. The fee provided for in subparagraph (a) of this paragraph shall be adjusted as of March 1 of each year, beginning March 1, 1998, for "cost of living" changes in accord with the Consumer Price Index for Urban Wage Earners and Clerical Workers (all items) for the Southern United States published by the Southern Office of the United States Department of Labor, Bureau of Labor Statistics (the "index"). Each adjustment shall be made by multiplying the weekly payment for the last full week of the prior calendar year by a fraction, the numerator which shall be the most recent index in effect at the time of such adjustment, and the denominator of which shall be the index for January, 1997. The product shall be the adjusted weekly payment until the next adjustment occurs. If the index changes so that the base (denominator) differs from that originally used, the index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the index is discontinued or revised during the term hereof, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would have been obtained if the index had not been discontinued or revised.

c. As further consideration hereunder, Producer shall have the exclusive right to film and/or video tape the Show or excerpts thereof and shall make such film and/or video tape available to Theatre at Producer's actual cost. All income from sales or rental of such film or video tape sold in Sevier County shall inure to the benefit of the Theater.

7. PRICE AND REVENUE. Theater shall establish the admission price for the Show and the cost to the audience of any and all beverage and food service and shall retain all revenues therefrom. Theater agrees to pay all taxes on admissions to Show, plus cabaret taxes and sales taxes as well as ASCAP, SESAC and BMI licensing fees.

8. CERTAIN PRODUCTION COSTS.

a. Theater shall provide, at its expense, lighting and sound systems, stage sets, house equipment, related equipment, wardrobe maintenance including storage for same for Show's performers, stage configuration, dressing rooms, and projection system and screen. Theater shall provide the necessary personnel to handle stage functions, including but not limited to stage manager, assistant stage manager, spotlight operators, and lighting and sound technicians. Producer acknowledges that the facilities and equipment located at 2249 Parkway in Pigeon Forge, Tennessee are suitable for the production of the show in accordance with the terms of this Agreement.

b. Producer shall provide, at its sole expense:

(1) All props required for the Show;
(2) All costumes for the Show's performers;
(3) All special effects for the Show which are not standard and ordinarily existent in the Theater's showroom.

9. REHEARSAL AND AUDITIONS.

a. Theater shall make the showroom available to Producer for rehearsals and auditions upon reasonable notice by Producer and shall make such stage lighting and sound personnel as may be reasonably necessary thereto available in connection therewith.

b. The Theater reserves the right to utilize the showroom for entertainment and other purposes during all daytime hours and during any evenings or other times the Show is not presented or when the auditorium is not in use during mutually agreed rehearsal and audition times described in the preceding subparagraph.

c. Theater agrees to make the auditorium available for rehearsal and taping of television commercials.

10. TERMINATION. The Producer may terminate this Agreement if any of the following events shall occur.

a. Failure by Theatre to pay, in full, on the dates due, any payment due hereunder, provided, however, that Theatre shall have ten (10) days following written notice from Producer to cure such default.

b. Failure by Theatre to observe or perform any of the other terms, covenants, agreements or conditions contained in this Agreement for a period of thirty (30) days after written notice from Producer specifying such default, provided, if any such default cannot be completely cured within such 30-day period, despite Theatre's diligent, best-faith effort, commenced immediately, then Theatre shall have a reasonable time to complete the cure of such default, for a period not to exceed ninety (90) days.

c. Either the Lease dated as of the date hereof between J. MacDonald Burkhart, M.D., and the Theatre or the Operating Agreement of the Theatre is terminated.

The Producer's right to terminate this Agreement under this paragraph is in addition to such other rights that the Producer may have at law or equity.

The Theatre may terminate this Agreement if any of the following events shall occur.

a. Failure by Producer to observe or perform any of the other terms, covenants, agreements or conditions contained in this Agreement for a period of thirty (30) days after written notice from Theatre specifying such default, provided, if any such default cannot be completely cured within such 30-day period, despite Producer's diligent, best-faith effort, commenced immediately, then Producer shall have a reasonable time to complete the cure of such default, for a period not to exceed ninety (90) days.

b. Either the Lease dated as of the date hereof between J. MacDonald Burkhart, M.D., and the Theatre or the Operating Agreement of the Theatre is terminated.

The Theater's right to terminate this Agreement under this paragraph is in

addition to such other rights that the Theater may have at law or equity.

Any notices given hereunder shall also be given to Burkhart Ventures, LLC, in the manner and at the address provided in the Operating Agreement.

10. CERTAIN PROHIBITIONS. Upon the termination of this Agreement Theatre agrees not to:

a. for a period of one (1) year after termination of this Agreement, produce either directly or indirectly or rent its property to any person or entity producing, a country and eastern rock music variety shown which uses the word "County" in its name or in any trade name or trademark.

b. for a period of one (1) year after termination of this Agreement, hire any person who was an employee of the Producer or any affiliated entity within the one-year period prior to the termination of this Agreement; or

c. violate any copyright, trademark or common law intellectual property rights of CTE or any affiliated entity.

The provisions of this paragraph shall survive the termination of this Agreement.

12. PRODUCER PERSONNEL. Producer shall require and assure that all Producer Personnel shall at all times perform his/her services in a highly professional manner. While on the premises of the Theatre, Producer Personnel shall conduct themselves in an appropriate and dignified manner, using professional discretion at all times. Producer is responsible for assuring that Producer Personnel and all persons performing services for Producer in connection with this agreement are subject to, and comply fully with, all terms and conditions of this Agreement.

13. CANCELLATION OF PERFORMANCE BY THEATRE. Theatre shall have the right to cancel any performance of the Show, or any portion thereof, should extraordinary conditions exist which include, but are not limited to: riot, civil disorder, act(s) of God, strike, act of any federal, state or local instruments, rebellions, bomb threats, or any natural disaster.

14. PUBLICITY. Producer shall require all performers in the Show to be available to Theater when requested from time to tome, for, among other things, publicity photographs and interview . All such services shall be rendered without any kind of cost or charge to Theater except that the Theater shall reimburse for travel, as required by the Theater or may pay the entertainer a fair market hourly rate for any material time. Producer agrees, for itself and on behalf of all performers in the Show, that such photographs and interview material may be used by Theater for any promotional and publicity purposes as Theater shall determine for the term of this agreement in its sole and absolute discretion; and Producer, for itself and on behalf of its performers, completely releases, Theater from any liability resulting from the use of such material. All promotional and publicity materials created at the expense or through the effort of Theater and approved by the Producer shall be the sole property of Theater, and Producer agrees to sign and to require its performers to sign, as may be reasonably determined, any and all releases, acknowledgements or such other documentations as Theater may request from time to time in connection with.

15. TAXES AND INSURANCE. Producer shall be solely responsible for and shall pay when due all federal income tax withholding, FICA, social security, payment of workers' compensation where required by law and payroll taxes on

behalf of Producerj Personnel. Producer shall provide evidence satisfactory to Theater that

worker's compensation insurance coverage is being carried by Producer and, when requested by Theater, evidence satisfactory to Theater that payment of all the foregoing payroll burden has been made. Each party to this contract hereby waives its right to subrogation.

16. INDEPENDENT CONTRACTOR. Producer is and shall be in the performance of all work, services and activities under this Agreement an independent contractor. No term or condition under this Agreement nor any method or manner of payment hereunder shall create any relationship between Theater and Producer other than as expressed in this paragraph. Producer personnel shall not in any way, at any time, or under any circumstances, be or be construed to be employees, agents, representatives or personnel of Theater.

17. INDEMNIFICATION. Producer shall defend, indemnity, and hold Theater completely free and harmless from and against any and all claims, demands, suits and actions which are the result of negligence by anyone not a party to this Agreement for loss, injury, damage, or liability from bodily injury and property damage arising directly or indirectly out of Producer's negligence with respect to performance of the Show or of this Agreement. Producer shall carry commercial liability insurance to insure against such risks.

18. PARKING. Theatre shall make parking available for the show to the full extent that parking is available to the Theatre under its lease of the property under which the Show will be permitted.

19. MISCELLANEOUS PROVISIONS

a. Time is of the essence of this Agreement and the performance of each and every provisions hereof.

b. Except as otherwise provided herein, this Agreement shall be binding upon and shall inure to the benefit of the parties, their permitted successors and assigns.

c. Whenever the context so requires, the use of any gender shall be applicable to all genders, the singular number shall include the plural and the plural gender.

d. The law of the State of Tennessee shall govern the validity, performance and enforcement of this Agreement.

e. If either party to this Agreement shall institute any action or proceeding under the provisions of this Agreement, the prevailing party in such action or proceeding shall be entitled to recover all of its costs and reasonable attorney's fees.

f. The failure of Theater to insist upon performance of any of the provisions of this Agreement in any one or more instances shall not be a waiver thereafter of its right to full performance of all the provisions of this Agreement when any performance is due. No waiver of a breach of any of the covenants, conditions, terms of provisions of this Agreement shall be construed

to be a waiver of any succeeding breach of the same of any other covenant, condition, term or provisions. All rights and remedies created by this Agreement are cumulative and the use of one remedy shall not be taken to exclude or waive the right to the use of another.

g. In case provision contained in this Agreement shall be held to be illegal, invalid or unenforceable, the legality, validity and enforceability of all remaining provisions shall not be in any way affected of impaired thereby.

h. Captions and/or headings have been inserted for convenience of reference only and are not to be construed or considered to be a part hereof and shall not in any way modify, restrict or amend any of the terms or provisions hereof.

Executed this 24th day of September, 1996.

COUNTY TONITE THEATRE, LLC.	COUNTY TONITE ENTERPRISES, INC.
/s/ JOHN J. PILGER	/s/ JOHN J. PILGER
John J. Pilger, Chief Manager	John J. Pilger, Chief Manager

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

OF

NEW PALACE CASINO, LLC
A MISSISSIPPI LIMITED LIABILITY COMPANY

NEW PALACE CASINO, LLC
A MISSISSIPPI LIMITED LIABILITY COMPANY

OPERATING AGREEMENT

This Operating Agreement (the "Agreement") is made and entered into, effective as of , _____ 1996, by and between Robert Low and Lawana Low, as joint tenants, and not as tenants-in-common ("Low"), and Casino Resource Corporation, a Mississippi corporation ("CRC").

RECITALS

New Palace Casino, LLC (hereinafter called "Palace", or "Company") was formed pursuant to the provisions of the Mississippi Limited Liability Company Act as set forth in Section 79-29-101 et. seq. of the Mississippi Code Annotated (the "Statute").

In consideration of the covenants and the promises made herein, the parties hereto hereby agree as follows:

ARTICLE I
INTRODUCTORY MATTERS

1.1 FORMATION OF PALACE. The parties have formed Palace pursuant to the provisions of the Statute by filing the Certificate of Formation(1) with the Secretary of State.

1.2 NAME. The name of the company is "New Palace Casino, LLC." The Members shall operate the Business of Palace under such name or use such other or additional names as the Members may deem necessary or desirable provided that: (1) no such name shall contain the words "bank," "insurance," "trust," "trustee," "incorporated," "inc.," "corporation," "corp.," or any similar name

or variation thereof; (ii) the Members shall have reasonably determined, before use of any such name, that Palace is entitled to use such name and will not by reason of such use infringe upon any rights of any other Person, or violate any applicable laws or governmental regulations; and (iii) the Members shall register such name under assumed or fictitious name statutes or similar laws of the states in which Palace operates.

1.3 PRINCIPAL OFFICE. Palace shall maintain its principal place of business at a location to be designated by Vote of the Members, or at any other location agreed upon by Vote of the Members.

1.4 AGENT FOR SERVICE OF PROCESS. The name and address of Palace's agent

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(1) See ARTICLE 14 for definitions of capitalized items not otherwise defined in this Agreement.

for service of process shall be Palace's general legal counsel at his business address.

1.5 PERIOD OF DURATION. The period of duration of Palace ("Period of Duration") shall be thirty (30) years, commencing on the date of the filing of the Certificate of Formation with the Mississippi Secretary of State, unless Palace is terminated or dissolved sooner or extended in accordance with the provisions of this Agreement.

1.6 BUSINESS AND PURPOSE OF PALACE. The purpose of Palace is to engage in any lawful activities for which a limited liability company may be organized under the Statute including, but not limited to, the ownership and operation of a casino, provided that Palace shall not conduct any banking, insurance or trust company business. The control and management of the business of the Company is vested in the Members and except as otherwise provided in this Agreement, all determinations affecting the conduct of the affairs of the Company shall be by a Vote of the Members.

1.7 AGREEMENT WITH CRC. The Company shall enter into an Agreement with CRC in a form to be attached hereto as Exhibit B and incorporated herein by reference.

1.8 PREFORMATION EXPENSES. In the event that the Company is successful in purchasing the assets of the Palace Casino, the following expenses, incurred prior to execution of this Agreement, shall be reimbursed by the Company:

1. Payments of cash and/or stock to Henry Lee not to exceed Forty Five Thousand No/100 Dollars ($45,000).

2 Legal expenses incurred in drafting this Agreement.

3. Legal expenses incurred in drafting and reviewing the Asset Purchase Agreement.

ARTICLE 2
MEMBERS AND CAPITAL CONTRIBUTIONS

2.1 NAMES AND ADDRESSES OF INITIAL MEMBERS. The names and addresses of the Members are as follows:

Robert Low or Lawana Low as Joint Tenants
c/o Arthur E. Curtis, Esquire
1340 East Woodhurst
Springfield, Missouri 65804

Casino Resource Corporation
Attn: Jack Pilger
1719 Beach Boulevard
Biloxi, Mississippi 39530

2.2 ADDITIONAL CONTRIBUTIONS. Except upon a Vote of the Members and as expressly set forth herein, no Member shall be required to (a) make any additional Capital

Contributions, (b) make or guarantee any loan or (c) cause to be loaned any money or other assets to Palace.

2.3 RIGHTS WITH RESPECT TO CAPITAL.

2.3.1 CAPITAL. No Member shall have the right to withdraw, or receive any return of his Capital Contribution, and no Capital Contribution may be returned in the form of property other than cash except as specifically provided herein.

2.3.2 NO INTEREST ON CAPITAL CONTRIBUTIONS. Except as expressly provided in this Agreement, no Capital Contribution of any Member shall bear any interest or otherwise entitle the contributing Member to any compensation for use of the contributed capital.

2.4 CAPITAL ACCOUNTS. A separate "Capital Account" (herein so called) shall be maintained for each Member for the full term of the Agreement in accordance with the capital accounting rules of section 1.704-1(b)(2)(iv) of the Regulations. Each Member shall have only one Capital Account, regardless of the

number or classes of units or other interests in Palace owned by such Member and regardless of the time or manner in which such units or other interests were acquired by such Member. Pursuant to the basic rules of section 1.704-1(b)(2)(iv) of the Regulations, the balance of each Member's Capital Account shall be:

2.4.1 Increased by the amount of money contributed by such Member (or such Member's predecessor in interest) to the capital of Palace pursuant to this Agreement and decreased by the amount of money distributed to such Member (or such Member's predecessor in interest) pursuant hereto;

2.4.2 Increased by the fair market value of each property (determined without regard to section 7701(g) of the Code (i.e., determined without regard to the amount of Nonrecourse Liabilities to which such property is subject)) contributed by such Member (or such Member's predecessor in interest) to the capital of Palace pursuant to ARTICLE 2 (net of all liabilities secured by such property that Palace is considered to assume or take subject to under section 752 of the Code) and decreased by the fair market value of each property (determined without regard to section 7701(g) of the Code (i.e., determined without regard to the amount of Nonrecourse Liabilities to which such property is subject)) distributed to such member (or such Member's predecessor in interest) by Palace pursuant hereto (net of all liabilities secured by such property that such Member is considered to assume or take subject to under section 752 of the Code);

2.4.3 Increased by the amount of each item of Palace profit allocated to such Member (or such Member's predecessor in interest) pursuant hereto;

2.4.4. Decreased by the amount of each item of Palace loss allocated to such Member (or such Member's predecessor in interest) pursuant hereto; and

2.4.5. Otherwise adjusted in accordance with the other capital account

maintenance rules of section 1.704-1(b)(2)(iv) of the Regulations.

The foregoing provisions of SECTION 2.4, and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with section 1.704-I(b) of the Regulations, and shall be interpreted and applied in a manner consistent, with such Regulations. To the extent such provisions are inconsistent with the Regulation; or are incomplete with respect thereto, Capital Accounts shall be maintained in accordance with the Regulations.

2.5 ADDITIONAL PROVISIONS REGARDING CAPITAL ACCOUNTS.

2.5.1 Except as expressly otherwise provided in this Agreement, if a Member pays any Palace indebtedness, such payment shall be treated as a contribution by that Member to the capital of Palace, and the Capital Account of such Member shall be increased by the amount so paid by such Member.

2.5.2 Except as otherwise provided herein, no Member may contribute capital to, or withdraw capital from, Palace. To the extent any monies that any Member is entitled to receive pursuant to this Agreement would constitute a return of capital, each of the Members consents to the withdrawal of such capital.

2.5.3 A loan by a Member to Palace shall not be considered a contribution of money to the capital of Palace, and the balance of such Member's Capital Account shall not be increased by the amount so loaned. No repayment of principal or interest on any such loan, reimbursement made to a Member with respect to advances or other payments made by such Member on behalf of Palace or payments of fees to a Member or Related Person to such Member that are made by Palace shall be considered a return of capital or in any manner affect the balance of such Member's Capital Account. No Member shall make a loan to Palace unless such loan is authorized pursuant to the provisions of the Agreement.

2.5.4 Except as may be otherwise provided in this Agreement, and subject to the provisions of ARTICLE 6, no Member with a deficit balance in its Capital Account shall have any obligation to Palace or any other Member to restore said deficit balance. Furthermore, subject to those same exceptions, a deficit Capital Account balance of a Member (or a capital account of a partner or venturer in a Member) shall not be deemed to be a liability of such Member (or of such venturer or partner in such Member) or a Palace asset or property. The provisions of SECTION 2.5.4 shall not affect any Member's obligation to make capital contributions to Palace that are required to be made by such Member pursuant to the Agreement.

2.5.5 Except as otherwise provided herein, no interest will be paid on any capital contributed to Palace or the balance in any Member's Capital Account.

2.5.6 In the event a Member transfers all or a portion of its Interest in accordance with the terms of this Agreement, the transferee shall succeed to the Capital

Account of the Member to the extent that it relates to the transferred Interest.

2.6 CAPITAL CONTRIBUTIONS BY MEMBERS

2.6.1 INITIAL CONTRIBUTION. The initial contribution of capital by the Members to the Palace shall be as follows:

Low shall contribute Eight Hundred Dollars ($800.00);

Casino Resource Corporation shall contribute Two Hundred Dollars ($200.00).

2.6.2 ADDITIONAL CONTRIBUTIONS. The Members shall make additional contributions to capital as follows:

A. FIRST ADDITIONAL CONTRIBUTION. At such time as it is determined that additional capital is needed to purchase the assets of or operate the casino operation in Biloxi, Mississippi, known as the "Palace Casino," CRC shall contribute a debenture in the amount of One Million Five Hundred Thousand and No/100 Dollars ($1,500,000.00) towards the purchase price of the Palace Casino assets (the "Debenture"). The Debenture shall bear interest at the rate of six percent (6%) per annum, shall be payable by CRC at the end of two years from the date of closing of the Palace Casino assets in either cash or CRC common stock at the then prevailing price, and shall be substantially in the form attached hereto as Exhibit "C". CRC shall provide to LLC a certified copy of a corporate resolution authorizing and approving the Debenture. The Capital Account of CRC shall be credited in the amount of Two Hundred Fifty Thousand and No/100 Dollars ($250,000.00) in consideration of the giving of said Debenture. Low shall contribute capital to the Company in an amount equal to eighty percent (80%) of the unfinanced purchase price of the casino operation and in addition, shall contribute capital to the Company in an amount not less than Three Million and No/100 Dollars ($3,000,000.00) to be used by the Company as working capital, and CRC shall contribute capital for such purposes in an amount equal to twenty-five percent (25%) of the amount contributed by Low. These contributions made for the purpose of purchasing the Palace Casino assets shall be referred to herein as the First Additional Contribution. In the event the contribution by Low toward the First Additional Contribution exceeds four million four hundred thousand dollars, CRC shall contribute one million one hundred thousand dollars of its obligation toward the First Additional Contribution in cash, and CRC may, at its option, contribute the balance of such obligation in its own cash, or in cash

borrowed from Low. In the event CRC chooses to borrow cash from Low to make such contribution, CRC shall give to Low a convertible debenture (the "First Debenture") the principal and interest of which may, at the option of CRC, be repaid at any time on or before one year next following the contribution by Low, with interest to be calculated as follows:

If repaid within sixty days from the date Low makes his contribution, interest to be calculated at eight percent (8%);

If repaid sixty-one (61) to one hundred twenty (120) days, interest to be calculated at 9% from the date Low makes his contribution;

If repaid one hundred twenty one (121) to one hundred eighty (180) days, interest to be calculated at 10% from the date Low makes his contribution;

If repaid one hundred eighty one (181) to two hundred forty (240) days, interest to be calculated at 11% from the date Low makes his contribution;

If repaid two hundred forty one (241) to three hundred (300) days, interest to be calculated at 12% from the date Low makes his contribution;

If repaid three hundred one (301) to three hundred sixty (360) days, interest to be calculated at 13% from the date Low makes his contribution;

Each First Debenture shall further provide that, at any time after one year following issuance, there is an outstanding balance due thereunder, Low may, at his option, convert such balance due, or any portion thereof, to common stock in CRC. At any time after one year following issuance, CRC may at its sole option, give notice to Low of its intent to prepay any First Debenture. Upon the receipt of such notice, Low may, at his option, accept the prepayment or convert such balance due, or any portion thereof, to common stock in CRC. The price of such stock, to be paid by offset of the amount due pursuant to each First Debenture (or portion thereof), shall be eighty percent (80%) of the market price of such stock as determined by the average market price for the

three business days next preceding the demand for delivery of such stock pursuant to the provisions hereof. Each First Debenture shall be paid in full and/or converted no later than four years next following issuance.

B. SUBSEQUENT ADDITIONAL FIRST YEAR CONTRIBUTIONS. If, during the first year next following the First Additional Contribution, the Company determines

from time to time that additional capital must be contributed by the Members, such amount or amounts so determined shall be contributed as follows. In each such instance, Low shall contribute his/her membership percentage of the Second Additional Contribution. CRC shall contribute the percentage of capital equal to its membership percentage, either in its own cash, or cash borrowed from Low. In the event CRC chooses to borrow cash from Low to make such contribution or contributions toward the Subsequent Additional First Year Contribution, in each such instance CRC shall give to Low a convertible debenture (the "First Year Debenture" or "First Year Debentures") the principal and interest of which may, at the option of CRC, be repaid at any time on or before one year next following the issuance of each such debenture. Interest on each such debenture shall be calculated as follows:

If repaid within sixty days from the date Low makes his contribution toward the Second Additional Contribution, interest to be calculated at eight percent (8%);

If repaid sixty-one (61) to one hundred twenty (120) days, interest to be calculated at 9% from the date Low makes his contribution;

If repaid one hundred twenty one (121) to one hundred eighty (180) days, interest to be calculated at 10% from the date Low makes his contribution;

If repaid one hundred eighty one (181) to two hundred forty (240) days, interest to be calculated at 11% from the date Low makes his contribution;

If repaid two hundred forty one (241) to three hundred (300) days, interest to be calculated at 12% from the date Low makes his contribution;

If repaid three hundred one (301) to three hundred sixty (360) days, interest to be calculated at 13% from the date Low makes his contribution;

Each First Year Debenture shall further provide that, at any time after one year following issuance, there is an outstanding balance due thereunder, Low may, at his option, convert such balance due, or any portion thereof, to common stock in CRC. At any time after one year following issuance, CRC may at its sole option, give notice to Low of its intent to prepay any First Year Debenture. Upon the receipt of such notice, Low may, at his option, accept the prepayment or convert such balance due, or any portion thereof, to common stock in CRC. The price of such stock, to be paid by offset of the amount due pursuant to each First Year Debenture (or portion

thereof), shall be eighty percent (80%) of the market price of such stock as determined by the average market price for the three business days next preceding the demand for delivery of such stock pursuant to the provisions hereof. Each First Year Debenture shall be paid in full and/or converted no later than four years next following issuance.

C. SUBSEQUENT ADDITIONAL SECOND-YEAR CONTRIBUTIONS. During the second year next following the First Additional Contribution, the Company may, from time to time, require additional capital contributions from the Members. In each such instance, Low shall contribute his/her membership percentage of the capital call, and CRC shall contribute the percentage of capital equal to its membership percentage, either in its own cash, or cash borrowed from Low. In the event CRC chooses to borrow cash from Low to make such contribution or contributions toward the Subsequent Additional Second-Year Contribution, in each such instance CRC shall give to Low common stock of CRC valued at eighty-percent (80%) of the market price of such stock as determined by the average market price for the three business days next preceding the demand for delivery of such stock. Such stock shall be delivered immediately upon demand.

D. SUBSEQUENT CONTRIBUTIONS. At any time following the two years next following the First Additional Contribution, the Company may, from time to time, require additional capital contributions from the Members. In each such instance, Low

shall contribute his/her membership percentage of the capital call, and CRC shall contribute the percentage of the capital equal to its membership percentage. In the event CRC is unable or unwilling to provide its portion of a capital call hereunder, and CRC and Low are unable to negotiate an acceptable substitute, Low may contribute the twenty-percent attributable to CRC, and obtain dilution pursuant to the following provisions.

E. Dilution. In the event, and each time, Low provides cash to the Company on behalf of CRC as provided above, and CRC does not repay or collateralize such amount or amounts to Low pursuant to the provisions herein, the equity interest in the Company held by CRC shall be diluted pursuant to the following provisions:

1. A fraction (the "Dilution Fraction" shall be determined, the numerator of which shall be the amount contributed by Low on behalf of CRC, and the denominator of which shall be the total amount of capital contributed to the Company by all parties, including the current capital call;

2. The Dilution Fraction shall then be converted to a percentage which shall be multiplied by 1.15 resulting in the "Dilution Percentage;"

3. The Dilution Percentage shall be added to the equity ownership of the Company held by Low, and subtracted from the equity ownership in the Company held by CRC.

2.6.3 GUARANTY FEE. In the event the Company shall borrow funds from a lender, and the lender shall require guaranties from the members, the parties shall attempt to persuade the lender to allow the members to guarantee repayment only of the portion of the debt represented by the proportionate share of each Member's capital account. In the event, and each time, a lender requires Low to guarantee the portion of debt represented by CRC's proportion of capital, but does not require CRC to guarantee the portion of debt represented by Low's proportion of capital, CRC shall pay to Low a guaranty fee in the amount of four percent (4%) (the "Guaranty Percentage") of the greater of (1) amount of the loan represented by CRC's proportion of capital, or (2) twenty percent (20%). The Guaranty Fee shall be paid annually, but shall be reduced each year in proportion to any reduction in the outstanding balance of the loan.

However, if Low and CRC both agree, CRC may eliminate all future Guaranty Fees related to a specific loan by dilution of its equity interest in the Company on a proportionate basis. For instance, and only by way of example, if the Guaranty Fee is calculated to be one-hundred thousand dollars ($100,000.00), which amount represents one percent (1%) of the total capital of the Company, CRC may eliminate the Guaranty Fee for the current year, and all future years, by transferring one-percent (1%) of the Company to Low.

2.6.4 REGISTRATION RIGHTS. The Members agree that, for any and all stock in CRC obtained by Low pursuant to the provisions hereinabove, the following provisions shall apply:

A. FIRST REGISTRATION. With respect to each debenture issued by CRC to Low, the first request by Low that stock in CRC be registered with the Securities Exchange Commission ("SEC") shall be accomplished at the sole expense of CRC;

B. SECOND REGISTRATION. With respect to each debenture issued by CRC to Low, the second request by Low that stock in CRC be registered with the SEC shall be accomplished at the expense of CRC, with Low to reimburse CRC for one-half of such expense, up to a maximum reimbursement of forty-thousand dollars ($40,000.00), with the balance of expenses which exceed such amount to be paid in full by CRC;

C. THIRD AND SUBSEQUENT REGISTRATIONS. With respect to each

debenture issued by CRC to Low, the third and all subsequent requests by Low that stock in CRC be registered with the SEC shall be accomplished at the sole expense of Low.

D. "PIGGY-BACK PROVISIONS". CRC shall assist Low, at his request, in each such registration or registrations referenced above by "piggybacking" or including the stock held by Low in any registration sought by CRC.

2.6.5 RIGHT TO PURCHASE EQUITY. CRC shall have the right to purchase from Low additional equity in the Company pursuant to the following provisions:

A. During the first year next following the First

Additional Contribution, CRC shall have the option to purchase in cash upon ten (10) days notice from Low sufficient equity ownership in the Company such that the interest purchased by CRC, when combined with the interest held by CRC at the time of purchase, will equal up to forty-nine percent (49%) of the outstanding equity interest in the Company. The price for such equity shall be the pro rata amount paid for such equity by Low.

B. After the retirement and/or conversion of all outstanding debentures and during the second year next following the First Additional Contribution, CRC shall have the option to purchase in cash from Low upon ten (10) days notice up to an additional nineteen percent (19%) of the equity ownership in the Company; however, such interest purchased by CRC, when combined with the interest held by CRC at the time of purchase, shall not exceed forty-nine percent (49%) of the outstanding equity interest in the Company. The price for such equity shall be one-hundred and fifteen percent (115%) of the pro rata amount paid for such equity by Low.

C. After the retirement and/or conversion of all outstanding debentures and during the third year next following the First Additional Contribution, CRC shall have the option to purchase in cash from Low upon ten (10) days notice up to an additional nine percent (9%) equity ownership in the Company; however, such interest purchased by CRC, when combined with the interest held by CRC at the time of purchase, shall not exceed forty-nine percent (49%) of the outstanding equity interest in the Company. The price for

such equity shall be one-hundred and thirty percent (130%) of the pro rata amount paid for such equity by Low.

ARTICLE 3
DISTRIBUTIONS

3.1 DISTRIBUTION OF ASSETS BY PALACE. Subject to applicable law and any limitations contained elsewhere in this Agreement, distributions of cash or property to the Members shall be made by Vote of the Members.

3.2 AGREEMENT REGARDING TAX DISTRIBUTIONS. Unless such distribution would

not be permitted under SECTION 3.1, not later than April 1 of each calendar year (or if not permitted, as soon as practicable after the limitation is removed), Palace shall declare and pay aggregate distributions for the period commencing on January 1 of the prior year (but excluding dividends mandated under SECTION 3.2 with respect to prior years) to each Member at least equal to that Member's share of Palace's taxable income for the prior year multiplied by the maximum combined federal and Mississippi state tax rates for individuals for that year (with appropriate adjustments for the federal tax benefits from Mississippi taxes).

3.3 ALLOCATIONS OF DISTRIBUTIONS. Any distribution shall be made to the Members in proportion to their Percentage Interests, provided that if there are multiple classes of LLC Interests outstanding at any time, the distribution shall be made based on Percentage Interests within each class after allocation among the classes as provided in the definitions of Palace Interests involved.

3.4 FORM OF DISTRIBUTION. A Member, regardless of the nature of the Member's Capital Contribution, has no right to demand and receive any distribution from Palace in any form other than money. Except as otherwise provided in this Agreement no Member may be compelled to accept from Palace a distribution of any asset in kind in lieu of a proportionate distribution of money being made to other Members.

3.5 RETURN OF DISTRIBUTIONS. Except for distributions made in violation of the Statute or this Agreement, no Member shall be obligated to return any distribution to Palace or pay the amount of any distribution for the account of Palace or to any creditor of Palace. The amount of any distribution returned to Palace by a Member or paid by a Member for the account of Palace or to a creditor of Palace shall be added to the account or accounts from which it was subtracted when it was distributed to the Member.

3.6 DISTRIBUTION OF NET PROCEEDS FROM TERMINATING CAPITAL TRANSACTION. Provisions of this Agreement to the contrary notwithstanding, the Net Proceeds of the Capital Transaction that is entered into in connection with, or results in, the Liquidation of Palace, after payment of Palace's debts and liabilities and the expenses of liquidation and/or the establishment of a reasonable reserve for Palace's debts and liabilities (contingent or otherwise) if deemed necessary, shall be distributed among all the Members having positive Capital Account balances (as determined after giving effect to all adjustments attributable to allocations of items of profit and loss realized by Palace during the Fiscal Year in

question (including items of profit and loss realized from such Capital Transaction) and all adjustments attributable to contributions and distributions of money and property effected prior to such distribution), in accordance with such positive Capital Account balances. This distribution shall be made no

later than the end of the Fiscal Year during which Palace is liquidated unless there are less than ninety (90) days remaining in such Fiscal Year, then ninety (90) days after the date on which Palace is liquidated.

ARTICLE 4
ALLOCATIONS OF PROFIT AND LOSS

4.1 ALLOCATION OF BOOK ITEMS. Subject to the provisions of Section 4.2, all items of profit and loss realized by Palace during each Fiscal Year shall be allocated among the Members (after giving effect to all adjustments attributable to all contributions and distributions of money and property effected during such Fiscal Year) in the manner prescribed in SECTION 4.1.

4.1.1 Pursuant to section 1.704-2(f) of the Regulations (relating to minimum gain charge backs), if there is a net decrease in Nonrecourse Minimum Gain of Palace for such Fiscal Year (or if there was a net decrease in Nonrecourse Minimum Gain for a prior Fiscal Year and Palace did not have sufficient amounts of income during prior Fiscal Years to allocate to the Members under SECTION 4.1.1), then items of Palace income shall be allocated, before any other allocation is made pursuant to the succeeding provisions of SECTION 4.1 for such Fiscal Year, to each Member in proportion to, and to the extent of, an amount equal to the product of (a) the total net decrease and (b) such partner's percentage share of the Nonrecourse Minimum Gain determined as of the end of the immediately preceding Fiscal Year (determined and adjusted in accordance with the provisions of section 1.704-2(g) of the Regulations); provided, however, that the provisions of this clause shall not apply to any Member to the extent described in section 1.704-2(f) of the Regulations.

As provided in section 1.704-2 of the Regulations, income of Palace allocated for any Fiscal Year under SECTION 4.1.1 shall consist first of items of Book Gain recognized from the disposition of Palace property subject to Nonrecourse Liabilities to the extent of the decrease in Nonrecourse Minimum Gain that is attributable to such disposition, with any remaining allocated income deemed to be made up of a pro rata portion of each of Palace's other items of Gross Income from Operations and items of Book Gain from Capital Transactions for such Fiscal Year (provided that gain from a Capital Transaction comprising the disposition of property that is subject to Member Risk Nonrecourse Debt shall be allocated under SECTION 4.1.1 only to the extent not allocated under SECTION 4.1.2).

4.1.2 Pursuant to section 1.704-2(j)(4) of the Regulations (relating to partner risk minimum gain charge backs), if there is a net decrease in Member Risk Minimum Gain of Palace for such Fiscal Year (or if there was a net decrease

in Member Risk Minimum Gain for a prior Fiscal Year and Palace did not have sufficient amounts of income during prior Fiscal Years to allocate to the Members under SECTION 4.1.2),then items of Palace income shall be allocated, before any other allocation is made pursuant to the succeeding provisions of SECTION 4.1 for such Fiscal Year, to the Members with shares of such minimum gain as of the first day of such Fiscal Year in proportion to, and to the extent of, such Member's share of the net decrease in such minimum gain (determined in a manner and subject to exceptions consistent with those referred to in SECTION 4.1.1, all as provided under section 1.704-2(j)(4) of the Regulations).

As provided in section 1.704-(j) of the Regulations, income of Palace allocated for any Fiscal Year under SECTION 4.1.2 shall consist first of items of Book Gain recognized from the disposition of Palace property subject to Member Risk Nonrecourse Debt to the extent of the decrease in Member Risk Minimum Gain that is attributable to such disposition, with any remaining allocated income deemed to be made up of a pro rata portion of each of Palace's other items of Gross Income from Operations and other items of Book Gain from Capital Transactions for such Fiscal Year (provided that items of Book Gain from a Capital Transaction comprising the disposition of property that is subject to a Nonrecourse Liability shall be allocated under SECTION 4.1.2 only to the extent not allocated under SECTION 4.1.1).

4.1.3 Any special allocations of items of Net Profits pursuant to SECTIONS 4.1.1 OR 4.1.2 shall be taken into account in computing subsequent allocations of Net Profits and Net Losses pursuant to ARTICLE 4, so that the net amount of any items so allocated and the gain, loss and any other item allocated to each Member pursuant to ARTICLE 4 shall, to the extent possible, be equal to the net amount that would have been allocated to each such Member pursuant to the provisions of ARTICLE 4 if such special allocations had not occurred.

4.1.4 Pursuant to section 1.704-1(b)(2)(ii)(d) of the Regulations (relating to "qualified income offsets"), Palace profit shall be allocated, before any other allocation is made pursuant to the succeeding provisions of SECTION 4.1 for such Fiscal Year, among the Members with deficit balances in their Section 704 Capital Accounts (as determined after giving effect to all adjustments attributable to the allocations provided for in SECTION 4.1.1 AND SECTION 4.1.2 but before giving effect to any adjustment attributable to other allocations provided for in succeeding provisions of SECTION 4.1) in amounts and the manner sufficient to eliminate such deficit balances as quickly as possible; as provided in section 1.704-1(b)(2)(ii)(d) of the Regulations, Palace profit allocated

hereunder for such Fiscal Year shall consist of a portion of each item of Gross Income for such Fiscal Year and Book Gain from Capital Transactions during such Fiscal Year.

4.1.5 All Member Risk Nonrecourse Deductions attributable to a Member Risk Nonrecourse Debt shall be allocated to the Member bearing the Economic Risk Of Loss for such debt; provided, however, that if more than one

(1) Member bears the Economic Risk Of Loss for such debt, the Member Risk Nonrecourse Deductions attributable to such debt shall be allocated to and among such Members, pro rata in the same proportion that their Economic Risk Of Loss bear to one another. Consistent with the principles of section 1.704-2(j) of the Regulations, Member Risk Nonrecourse Deductions allocated hereunder shall consist first of depreciation or cost recovery deductions with respect to property subject to Member Risk Nonrecourse Debt, with any remaining Member Risk Nonrecourse Deductions deemed to be made up of a pro rata portion of Palace's other Deductible Expenses (provided that depreciation or cost recovery deductions with respect to property that is subject to Nonrecourse Debt shall be allocated under SECTION 4.1.5 only to the extent not allocated under SECTION 4.1.6).

4.1.6 All Nonrecourse Deductions shall be allocated among the Members, pro rata in accordance with their respective Percentage Interests. As provided in section 1.704-(j) of the Regulations, Nonrecourse Deductions allocated hereunder for a Fiscal Year shall consist first of depreciation or cost recovery deductions with respect to property that is subject to Nonrecourse Debt for such Fiscal Year with any remaining Nonrecourse Deductions deemed to be made up of a pro rata portion of Palace's other Deductible Expenses for such Fiscal Year (provided that depreciation or cost recovery deductions with respect to property that is subject to Member Risk Nonrecourse Debt shall be allocated under SECTION 4.1.6 only to the extent not allocated under SECTION 4.1.5).

4.1.7 Any Adjusted Net Income realized by Palace for such Fiscal Year and, except as otherwise provided in SECTION 4.1.9, any Book Gain derived from a Capital Transaction occurring during such Fiscal Year and not allocated pursuant to SECTIONS 4.1.1, 4.1.2 AND 4.1.4 shall be allocated among the Members as follows and in the following order of priority:

(a) First: Adjusted Net Income and Book Gain shall be allocated among those Members having deficit Adjusted Capital Account balances to the least extent necessary to cause their deficit Adjusted

Capital Account balances to be in the same proportion to one another as are their respective Percentage Interests;

(b) Second: Adjusted Net Income and Book Gain shall be allocated among those Members having deficit Adjusted Capital Account balances, in accordance with their Percentage Interests, to the least extent necessary to cause their Adjusted Capital Account balances to equal zero;

(c) Third: All remaining Adjusted Net Income and Book Gain shall be allocated among all Members, in accordance with their Percentage Interests.

4.1.8 Any Adjusted Net Loss realized by Palace for such Fiscal Year and, except as otherwise provided in SECTION 4.1.9, any Book Loss derived from a Capital Transaction occurring during such Fiscal Year and not allocated pursuant to SECTIONS 4.1.1. 4.1.2 AND 4.1.4 shall be allocated among the Members as follows and in the following order of priority:

(a) First: Adjusted Net Loss and Book Loss shall be allocated among the Members, in the same proportion that Adjusted Net Income and Book Gain has been previously allocated to them pursuant to SECTION 4.1.7(c), until the cumulative amount of Adjusted Net Loss and Book Loss allocated pursuant TO SECTION 4.1.8(a) shall be equal to the excess of (i) the cumulative amount of such previously-allocated Adjusted Net Income and Book Gain, over (ii) the Available Cash and Net Proceeds previously distributed pursuant to Section 3.1;

(b) Second: All remaining Adjusted Net Loss and Book Loss shall be allocated among the Members, in accordance with their respective Percentage Interests; provided, however, that no Adjusted Net Loss or Book Loss shall be allocated to any Member that has a deficit Section 704 Capital Account balance or would have a deficit Section 704 Capital Account balance as a result of any such allocation while any other Member has a positive balance in its Section 704 Capital Account, it being the intention of the Members that such Adjusted Net Loss and Book Loss shall be allocated in those circumstances solely to the Member(s) with positive Section 704 Capital Account(s).

4.1.9 Book Gain or Loss derived from a Capital Transaction that is entered into in connection with, or results in, the Liquidation of Palace shall be allocated among the Members as follows in the following order of priority (after giving effect to all adjustments attributable to allocations of items of LLC profit and

loss made pursuant to the preceding provisions of SECTION 4.1 for such Fiscal Year and after giving effect to all adjustments attributable to contributions and distributions of money and property effected prior to such determination):

(a) Book Gain remaining after the allocations provided for in SECTIONS 4.1.1, 4.1.2 AND 4.1.4 shall be allocated as follows and in the following order of priority:

(i) First: Book Gain equal to the deficit balance (if any) in each Member's Capital Account shall be allocated to such Member; provided that if, at the time of such allocations, more than one Member has a deficit balance in its Capital Account, Book Gain shall be allocated first to cause the deficit balances in the Capital Accounts of the Members to be in the same proportion to one another as are their respective Percentage Interests, thereafter, Book Gain shall be allocated among the Members, in accordance with their respective Percentage Interests until each Member's Capital Account has a zero balance; and

(ii) Second: All remaining Book Gain shall be allocated next among the Members (as necessary) so as to cause their positive Capital Account balances to be in the same proportion to one another as are their respective Percentage Interests and, thereafter, among the Members, in accordance with their respective Percentage Interests.

(b) Book Loss (if any) shall be allocated as follows and in the following order of priority:

(i) First: Book Loss shall be allocated to each Member to the least extent necessary to cause his Capital Account balance to equal zero; provided that if, at the time of such allocation, there is not a sufficient amount of Book Loss to cause each of the Members' positive Capital Account balances to equal zero, Book Loss shall be allocated first among the Members (as necessary) so as to cause their positive Capital Account balances to be in the same proportion to one another as are their respective Percentage Interests and, thereafter, among the Members, in

accordance with their Percentage Interests; and

(ii) Second: All remaining Book Loss shall be allocated among all of the Members, in accordance with their respective Percentage Interests.

For purposes of determining the nature (as ordinary or capital) of any Palace profit allocated among the Members for federal income tax purposes pursuant to Section 4.1, the portion of such profit required to be recognized as ordinary income pursuant to sections 1245 and/or 1250 of the Code shall be deemed to be allocated among the Members in the same proportion that they were allocated and claimed the Book Depreciation deductions, or basis reductions, directly or indirectly giving rise to such treatment under sections 1245 and/or 1250 of the Code.

4.2 ALLOCATION OF TAX ITEMS.

4.2.1 Except as otherwise provided in the succeeding provisions of SECTION 4.2, each Tax Item shall be allocated among the Members in the same manner as each correlative item of profit or loss, as calculated for book purposes, is allocated pursuant to the provisions of Section 4.1.

4.2.2 The Members hereby acknowledge that all Tax Items in respect of Book/Tax Disparity Property are required to be allocated among the Members in the same manner as under section 704(c) of the Code (as specified in sections 1.704-1(b)(2)(iv)(f) and 1.704-1(b)(2)(iv)(g) of the Regulations) and that the principles of section 704(c) of the Code require that such Tax Items must be shared among the Members so as to take account of the variation between the adjusted tax basis and Book Basis of each such Book/Tax Disparity Property. Thus, notwithstanding anything in SECTION 4.1 OR SECTION 4.2.1 to the contrary, the Members' distributive shares of Tax Items in respect of each Book/Tax Disparity Property shall be separately determined and allocated among the Members in accordance with the principles of section 704(c) of the Code.

ARTICLE 5
SPECIAL RULES

5.1 ALLOCATIONS OF PROFIT AND LOSS AND DISTRIBUTIONS IN RESPECT OF INTERESTS TRANSFERRED.

5.1.1 If any Interest is transferred, or is increased or decreased by reason of the admission of a new Member or otherwise, during any Fiscal year, each item of Adjusted Net Income or Loss, Book Gain or Loss and other

Palace profit and loss for such Fiscal Year shall be divided and allocated among the Members in question by taking account of their varying Interests during such Fiscal Year on a daily, monthly or other basis, as determined by the Members using any permissible method under section 706 of the Code and the Regulations thereunder.

5.1.2 Distributions of Palace properties shall be made only to the persons or entities who, according to Palace's books and records, are the Members in respect of which such distributions are made on the actual date of distribution. Palace shall not incur any liability for making distributions in accordance with the provisions of the preceding sentence, whether or not Palace has knowledge or notice of any transfer or purported transfer of ownership of any Interest.

5.1.3 Notwithstanding any provision above to the contrary, Book Gain or Loss realized in connection with a sale or other disposition of any Palace properties shall be allocated solely among those Persons who as of the date such sale or other disposition occurs were Members.

ARTICLE 6
OTHER TAX MATTERS

6.1 TAX ELECTIONS.

6.1.1 For tax purposes, Palace shall elect to use the Fiscal Year as its taxable year, and to report profit and loss under the accrual method of accounting.

6.1.2 For tax purposes, Palace shall elect to deduct expenses incurred in organizing Palace ratably over a 60-month period as provided in section 709 of the Code.

6.1.3 For tax purposes, Palace shall elect to treat all start-up expenditures as deferred expenses and to deduct such expenses over a 60-month period as provided in section 195 of the Code.

6.1.4 Palace may file an election under section 754 of the Code.

6.1.5 Without obtaining the consent of all Members, Palace shall not

file any election pursuant to section 761 of the Code or otherwise, the effect of which would cause Palace not to be treated as a partnership for federal income tax purposes.

6.1.6 Palace shall make the election under section 168(g) of the Code with respect to all depreciable property owned by Palace, and shall cause any partnership or other entity in which Palace obtains a controlling interest to so elect.

6.1.7 Except as otherwise specifically provided herein, no other available election under the Code shall be made on behalf of Palace unless unanimously approved by the Members.

6.2 TAX MATTERS PARTNER.

6.2.1 A Member shall be designated as "Tax Matters Partner" (as defined in section 6231 of the Code), to represent Palace (at Palace's expense) in connection with all examinations of Palace's affairs by tax authorities, including resulting judicial and administrative proceedings, and to expend Palace funds for professional services and costs associated therewith. In his capacity as "Tax Matters Partner", the designated Person shall oversee Palace tax affairs in the overall best interests of Palace. Robert Low is hereby designated as the initial Tax Matters Partner.

6.2.2 The Tax Matters Partner shall take no action in such capacity without the authorization or consent of the other Members, other than such action as the Tax Matters Partner may be required to take by law. The Tax Matters Partner shall use his best efforts to comply with the responsibilities outlined in sections 6222 through 6232 of the Code and in doing so shall incur no liability to the other Members. Notwithstanding the Tax Matters Partner's obligation to use its best efforts in the fulfillment of its responsibilities, the Tax Matters Partner shall not be required to incur any expenses for the preparation for or pursuance of administrative or judicial proceedings unless the Members agree on a method for sharing such expenses.

6.2.3 The Tax Matters Partner shall not enter into any extension of the period of limitations for making assessments on behalf of the other Members without first obtaining the written consent of the other Members.

6.2.4 No Member shall file, pursuant to section 6227 of the Code, a request for an administrative adjustment of items for any Palace taxable year without first notifying the other Members. If the other Members agree with the requested adjustment, then the Tax Matters Partner shall file the request for administrative adjustment on behalf of the Member. If unanimous consent is not obtained within thirty (30) calendar days from such notice, or within the period required to timely file the request for administrative adjustment, if shorter, any Member, including the Tax Matters Partner, may file a request for administrative adjustment on its own behalf.

6.2.5 Any Member intending to file a petition under sections 6226, 6228 or other section of the Code with respect to any item or other matter involving Palace shall

notify the other Members of such intention and the nature of the contemplated proceeding. In the case where the Tax Matters Partner is the Member intending to file such petition on behalf of Palace, such notice shall be given within a reasonable period of time to allow the other Members to participate in the choosing of the forum in which such petition will be filed. If the Members do not agree on the appropriate forum, then the appropriate forum shall be decided by Vote of the Members. If the Members cannot so agree, then the Tax Matters Partner shall choose the forum. If any Member intends to seek review of any court decision rendered as a result of a proceeding instituted under the preceding provisions of SECTION 6.3-5, then such Member shall notify the other Members of such intended action.

6.2.6 The Tax Matters Partner shall not bind any Member to a settlement agreement without obtaining the written concurrence of such Member. For purposes of SECTION 6.3.6, the term "settlement agreement" shall include a settlement agreement at either an administrative or judicial level. Any Member who enters into a settlement agreement with respect to any Palace item (within the meaning of section 6231(a)(3) of the Code) shall notify the other Members of such settlement agreement and its terms within ninety (90) calendar days from the date of settlement.

6.2.7 The provisions of SECTION 6.3 shall survive the termination of Palace or the termination of any Member's Interest in Palace and shall remain binding on the Members for a period of time necessary to resolve with the IRS or the United States Department of the Treasury any and all matters regarding the federal income taxation of Palace.

6.3 INCONSISTENT TREATMENT OF LLC ITEMS. If any Member intends to file a notice of inconsistent treatment under section 6222(b) of the Code, then such Member shall give reasonable notice under the circumstances to the other Members of such intent and the manner in which the Member's intended treatment of an item is (or may be) inconsistent with the treatment of that item by the other Members.

ARTICLE 7
MEMBERS' MEETINGS

7.1 PLACE OF MEETINGS. Meetings of the Members shall be held at the principal office of Palace, unless some other appropriate and convenient location, either within or without the state where the Certificate of Formation were filed, shall be designated for that purpose from time to time by the Members.

7.2 MEETINGS OF MEMBERS. The annual meeting of the Members shall be held

at the principal place of business of the company on the second Monday of August of each year, commencing in the year 1996. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. Special meetings of the Members, for any purpose or purposes described in the meeting notice, may be called by any Member. Unless waived, as herein provided and allowed, written or printed notice stating the date, place, and hour of the meeting, and, in case of a special meeting, the purpose or purposes

for which the meeting is called, shall be delivered to each Member not less than ten (10) nor more than sixty (60) days before the date of the meeting.

7.3 NOTICE OF MEETINGS. Notices for meetings shall be given personally, by mail, or by facsimile, and shall be sent to each Member's last known business address appearing on the books of Palace. Such notice shall be deemed given at the time it is delivered personally, or deposited in the mail, or sent by facsimile. Notice of any meeting of Members shall specify the place, the day and the hour of the meeting, and the general nature of the business to be transacted.

7.4 VALIDATION OF MEMBERS' MEETINGS. The transactions of a meeting of Members that was not called or noticed pursuant to the provisions of Section 7.2 OR 7.3 shall be valid as though transacted at a meeting duly held after regular call and notice, if all Members are present, and if, either before or after the meeting, each of the Members entitled to vote at the meeting signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the records of Palace. Attendance alone shall not constitute a waiver of notice by that Member.

7.5 ACTIONS WITHOUT A MEETING.

7.5.1 Any action that may be taken at any meeting of Members may be taken without a meeting and without prior notice if a consent in writing, setting forth the action so taken, shall be signed by all of the Members.

7.5.2 Any Member giving a written consent may revoke the consent by a writing received by Palace prior to the time that written consents of Members required to authorize the proposed action have been filed with Palace. Such revocation is effective upon its receipt by Palace.

7.6 QUORUM AND EFFECT OF VOTE. Except as and to the extent set forth in Section 7.4 a majority of interest must be present to have a quorum at any meeting of the Members for the transaction of business, and the Vote of the

majority of Interest shall be required to approve any action except where a unanimous vote is required under other sections of this Agreement.

ARTICLE 8

RESTRICTIONS ON TRANSFER OR CONVERSION OF LLC INTERESTS: ADDITIONAL CAPITAL CONTRIBUTIONS: ADMISSION OF NEW MEMBERS

8.1 TRANSFER OR ASSIGNMENT OF MEMBERS INTEREST. The Interest of each Member constitutes personal property of the Member. No Member has by reason of such Interest an interest in the Property.

8.1.1 A Member's Interest may be transferred or assigned only as provided in this Agreement.

8.1.2 Except as specifically set forth herein, no transfer, hypothecation, encumbrance or assignment ("Transfer") of a Member's Interest, or any part thereof, in Palace will be valid without the consent of the other Members.

8.2 RIGHT OF FIRST NEGOTIATION. If any Member desires to transfer all or any part of such Member's Interests, such Member shall notify the other Members in writing of such desire and, for a period of twenty (20) days thereafter, the Members shall negotiate in good faith with respect to the purchase of such Interests. If the Members are unable to agree upon the purchase terms, the Member desiring to transfer such Interests may solicit and negotiate with other potential purchasers or other transferees without further obligation to the other Members.

8.3 VOID TRANSFERS. Any Transfer of an Interest with respect to which the Member transferring such Interest has not complied with SECTION 8.1 OR 8.2 shall be void (unless the non-transferring Members agree in writing to the transfer) and provided that any involuntary Transfer ordered by legal process that does not comply with Section 8.1 OR 8.2 shall effect a Transfer of only an economic interest, unless the transferee receives its interest by will upon the death of a Member or through intestate succession, in which case such transferee shall be admitted as a Member upon agreeing in writing to be bound by the terms of this Agreement. Absent such agreement in writing, such transferee shall receive only an economic interest in the Company.

8.4 ADMISSION OF NEW MEMBERS. Except as set forth hereinabove, a new Member may be admitted into Palace only upon the written consent of the other Members.

8.4.1 The amount of Capital Contribution that must be made by a new Member (other than a transferee admitted pursuant to SECTION 8.2) shall be determined by a Vote of the Members (other than the new Member).

8.4.2 A new Member shall not be deemed admitted into Palace until the Capital Contribution required of such Person shall have been made (other than a transferee admitted pursuant to SECTION 8.2.) and such Person shall have become a party to this Agreement.

8.5 TRANSFER OF INTEREST TO A TRUST. Any provision contained herein to the contrary notwithstanding, any Member may, for estate planning purposes, at any time, transfer its Interest in the Company to a trust or other similar entity, provided that such Interest so transferred shall not be transferred by any such trust or entity to others without the consent of the Members.

ARTICLE 9
BOOKS RECORDS, REPORTS AND BANK ACCOUNTS

9.1 MAINTENANCE OF BOOKS AND RECORDS. Palace shall cause books and record, of Palace to be maintained in accordance with generally accepted accounting principles consistently applied, and shall give reports to the Members in accordance with prudent business practices and the Statute. There shall be kept at the principal office of Palace, as well as at the office of record of Palace specified in SECTION 1.3, if different, the following LLC documents:

9.1.1 A current list of the full name and last known business or residence address of each Member in Palace set forth in alphabetical order, together with the Capital Contributions and Percentage Interest of each Member;

9.1.2 A copy of the Certificate of Formation and any amendments thereto, together with any powers of attorney pursuant to which the Certificate of Formation and any amendments thereto were executed;

9.1.3 Copies of Palace's federal, state and local income tax or information returns and reports, if any, for the six (6) most recent Fiscal Years;

9.1.4 A copy of this Agreement and any amendments hereto, together with any powers of attorney pursuant to which this Agreement and any amendments hereto were executed;

9.1.5 Copies of the financial statements of Palace, if any, for the six most recent Fiscal Years;

9.1.6 Palace's books and records as they relate to the internal affairs of Palace for at least the current and past four Fiscal Years;

9.1.7 Originals or copies of all minutes, actions by written consent, consents to action and waivers of notice to Members and Member votes, actions and consents; and

9.1.8 Any other information required to be maintained by Palace pursuant to the Statute.

9.2 ANNUAL ACCOUNTING. Within ninety (90) days after the close of each Fiscal Year of Palace, Palace shall (a) cause to be prepared and submitted to each Member a balance

sheet and income statement for the preceding Fiscal Year of Palace (or portion thereof) in conformity with generally accepted accounting principles applied on a consistent basis and (b) provide to the Members all information reasonably necessary with respect to Palace for them to complete federal and state tax returns.

9.3 INSPECTION AND AUDIT RIGHTS. Each Member has the right upon reasonable request, for purposes reasonably related to the interest of that Person, to inspect and copy during normal business hours any of Palace books and records required to be maintained in accordance with SECTION 9.1. Such right may be exercised by the Person or by that Person's agent or attorney. Any Member may require a review and/or audit of the books, records and reports of Palace.

9.4 BANK ACCOUNTS. The bank accounts of Palace shall be maintained in such federally insured banking institutions as the Members shall determine.

ARTICLE 10
TERMINATION AND DISSOLUTION

10.1 DISSOLUTION. Palace shall be dissolved upon the occurrence of any of the Following events:

10.1.1 The expiration of the Period of Duration of Palace;

10.1.2 The written approval by a Unanimity In Interest of the Members to dissolve Palace; or

10.1.3 The withdrawal, resignation, expulsion, bankruptcy,

death or dissolution of a Member or the occurrence of any other event that terminates the Member's continued membership in Palace, provided that in such event Palace shall be reconstituted and the business of Palace shall be continued upon the unanimous vote of all remaining Members taken within ninety (90) days of the happening of that event.

10.2 STATEMENT OF INTENT TO DISSOLVE. As soon as possible after the occurrence of any of the events specified in SECTION 10.1, Palace shall execute a Statement of Intent to Dissolve in such form as prescribed by the Secretary of State.

10.3 CONDUCT OF BUSINESS. Upon the filing of the Statement of Intent to Dissolve with the Secretary of State pursuant to Section 10.2, Palace shall cease to carry on its business, except insofar as may be necessary for the winding up of its business, but Palace's separate existence shall continue until the Articles of Dissolution have been filed with the Secretary of State or until a decree dissolving Palace has been entered by a court of competent jurisdiction.

10.4 DISTRIBUTION OF NET PROCEEDS. The Members shall continue to allocate

Net Profits and Losses and Available Cash Flow during the winding-up period in the same manner and the same priorities as provided in ARTICLES 3. The proceeds from the Liquidation shall be applied in the following order:

10.4.1 To the repayment of creditors, in the order of priority as provided by law, except to Members on account of their contributions;

10.4.2 To the repayment of loans or advances that may have been made by any of the Members or their Principals for working capital or other requirements of Palace;

10.4.3 For the first three years of operation only, to the repayment to Low of all sums in his capital account;

10.4.4 For the first three years of operation only, to the repayment to CRC of all sums in its capital account;

10.4.5 To the Members in accordance with the positive balances in their Capital Accounts after adjustments for all allocations of Net Profits and Net Loss.

Where the distribution pursuant to SECTION 10.4 consists both of cash (or cash equivalents) and non-cash assets, the cash (or cash equivalents) shall first be distributed, in a descending order, to fully satisfy each category

starting with the most preferred category above. In the case of noncash assets, the distribution values are to be based on the fair market value thereof as determined in good faith by the liquidator, and the shortest maturity portion of such non-cash assets (e.g., notes or other indebtedness) shall, to the extent such non-cash assets (e.g., sets are readily divisible, be distributed, in a descending order, to fully satisfy each category above, starting with the most preferred category.

ARTICLE 11
INDEMNIFICATION OF MEMBERS

11.1 INDEMNIFICATION OF THE MEMBERS. To the fullest extent permitted by the Statute and all other applicable laws, Palace shall indemnity and hold harmless the Members, and holders of economic interests in Palace and their respective officers, directors, employees, agents and Principals (individually, an "Indemnitee") from and against any and all losses, claims, demands, costs, damages, liabilities, joint and several, expenses of any nature (including, without limitation, reasonable attorneys' fees and disbursements), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which the Indemnitee was involved or may be involved, or threatened to be involved, as a party or otherwise, arising out of or incidental to the Business of Palace, excluding liabilities to any Member, regardless of whether the Indemnitee continues to be a Member, a holder of an economic interest, or an officer, director, employee, agent or Principal of the Member at the time any such liability or expense is paid or incurred.

11.2 EXPENSES. Expenses incurred by an Indemnitee in defending any claim,

demand, action, suit or proceeding subject to SECTION 11.1 shall, from time to time, be advanced by Palace prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by Palace of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that such Person is not entitled to be indemnified as authorized in SECTION 11.1.

11.3 INDEMNIFICATION RIGHTS NON-EXCLUSIVE. The indemnification provided by SECTION 11.1 shall be in addition to any other rights to which those indemnified may be entitled under any agreement, Vote of the Members, as a matter of law or equity or otherwise, and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

11.4 ERRORS AND OMISSIONS INSURANCE. Palace may purchase and maintain insurance, at Palace's expense, on behalf of the Members, and such other Persons

as the Members shall determine, against any liability that may be asserted against, or any expense that may be incurred by, such Person in connection with the activities of Palace and/or the Members' acts or omissions with respect to Palace regardless of whether Palace would have the power to indemnify such Person against such liability under the provisions of this Agreement.

11.5 ASSETS OF PALACE. Any indemnification under Section 11.1 shall be satisfied solely out of the assets of Palace. No Member shall be subject to personal liability or required to fund or to cause to be funded any obligation by reason of these indemnification provisions.

ARTICLE 12
ISSUANCE OF LLC CERTIFICATES

12.1 ISSUANCE OF LLC CERTIFICATES. The Interest of each Member shall be represented by an LLC Certificate. Upon the execution of this Agreement, Palace shall issue one or more LLC Certificates in the name of each Member certifying that the Person named therein is the record holder of the Interests set forth therein. For purposes of this Agreement, the term "record holder" shall mean the person whose name appears in the books and records of Palace as owning the LLC Interests at issue.

12.2 TRANSFER OF LLC CERTIFICATES. An LLC Interest that is transferred in accordance with the terms of Article 8 shall be transferable on the books of Palace by the record holder thereof in person or by such record holder's duly authorized attorney, but, except as provided in SECTION 12.3 with respect to lost, stolen or destroyed certificates, no transfer of an LLC Interest shall be entered until the previously issued LLC Certificate representing such LLC Interest shall have been surrendered to Palace and canceled and a replacement LLC Certificate issued to the assignee of such LLC Interest in accordance with such procedures as the Members may establish. The Palace shall issue to the transferring Member a new LLC Certificate representing the LLC Interests not being transferred by the Member, in the event such Member only transferred some, but not all, of the LLC Interests represented by the original LLC Certificate. Except as otherwise required by law, Palace shall be entitled to treat the record

holder of an LLC Certificate on its books as the owner thereof for all purposes regardless of any notice or knowledge to the contrary.

12.3 LOST, STOLEN OR DESTROYED CERTIFICATES. Palace shall issue a new LLC Certificate in place of any LLC Certificate previously issued if the record holder of the LLC Certificate:

12.3.1 makes proof by affidavit, in form and substance

satisfactory to the Members, that a previously issued LLC Certificate has been lost, destroyed or stolen;

12.3.2 requests the issuance of a new LLC Certificate before Palace has notice that the LLC Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

12.3.3 if requested by the Members, delivers to Palace a bond, in form and substance reasonably satisfactory to the Members, with such surety or sureties and with fixed or open penalty as the Members may direct, in the Members' reasonable discretion, to indemnity Palace against any claim that may be made on account of the alleged loss, destruction or theft of the LLC Certificate; and

12.3.4 satisfies any other reasonable requirements imposed by the Members.

If a member fails to notify Palace within a reasonable time after it has notice of the loss, destruction or theft of an LLC Certificate, and a transfer of the LLC Interest represented by the LLC Certificate is registered before receiving such notification, Palace shall have no liability with respect to any claim against Palace for such transfer or for a new LLC Certificate.

ARTICLE 13
AMENDMENTS

13.1 AMENDMENT, ETC., OF OPERATING AGREEMENT. This Agreement may be adopted, altered, amended or repealed and a new operating agreement may be adopted by a Vote of a Unanimity of Interest of the Members.

13.2 AMENDMENT, ETC., OF CERTIFICATE OF FORMATION. Notwithstanding any provision to the contrary in the Certificate of Formation or this Agreement, in no event shall the Certificate of Formation be amended without the Vote of a Unanimity of Interest of the Members.

ARTICLE 14
DEFINITIONS

14.1 ADJUSTED CAPITAL ACCOUNT. "Adjusted Capital Account" shall mean, as

to any Member, a special account maintained for such Member, the balance of which shall equal such Member's Capital Account balance (determined by giving effect to all adjustments attributable to allocations of items of profit and

loss realized by Palace, and all adjustments attributable to contributions and distributions of money and property effected, on or before the effective date of such determination), modified as follows:

14.1.1 Decreased by the items (if any) of Palace's loss that reasonably are expected to be allocated to such Member pursuant to section 704(e)(2) or 706(d) of the Code or section 1.751-1(b)(2)(ii) of the Regulations (as determined under section 1.704-1(b)(2)(ii)(d) of the Regulations);

14.1.2 Increased by the amount (if any) of such Member's share of Nonrecourse Minimum Gain; and

14.1.3 Increased by the amount (if any) of such Member's share of Member Risk Minimum Gain.

For purposes of applying the provisions of SECTION 4.1, the Adjusted Capital Accounts shall be recalculated after the application of each allocation provision before application of a provision with a lower order of priority.

14.2 ADJUSTED NET INCOME OR LOSS. "Adjusted Net Income Or Loss" for any Fiscal Year (or portion thereof shall mean the excess (or deficit) of (a) the Gross Income for such period (not including Gross Income (if any) allocated during such period pursuant to SECTIONS 4.1.1. 4.1.2 4.1.4.) over (b) the Deductible Expenses for such period (not including Deductible Expenses (if any) allocated during such period pursuant to SECTIONS 4.1.5 OR 4.1.6) with the following modifications:

14.2.1 Any item of LLC profit that is exempt from Federal income tax and not otherwise taken into account in computing Adjusted Net Income or Loss shall be treated as additional Gross Income and, if not otherwise allocated pursuant to SECTIONS 4.1.1. 4.1.2 OR 4.1.4, added to the amount otherwise calculated as Adjusted Net Income or Loss;

14.2.2 Any LLC expenditure that is described in section 705(a)(2)(B) of the Code (relating to LLC expenditures that are not deductible for Federal income tax purposes in computing taxable income and not properly chargeable to capital), or treated as so described pursuant to section 1.704-1(b)(2)(iv)(i) of the Regulations, and not otherwise taken into account in computing Adjusted Net Income or Loss shall be treated as an additional Deductible Expense and, if not otherwise allocated pursuant to SECTIONS 4.1.5 OR 4.1.6, subtracted from the amount otherwise calculated as Adjusted Net Income or Loss; and

14.2.3 Gain or loss resulting from any disposition of Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the fair market value of the Property disposed of, notwithstanding that the adjusted tax basis of such Property differs from its fair

market value.

14.3 AFFILIATE. "Affiliate" means, when used with reference to a specified Person, (a) the Principal of the Person, (b) any Person directly or indirectly controlling, controlled by or under common control with such Person, (c) any Person owning or controlling 10% or more of the outstanding voting interests of such Person, and (d) any relative or spouse of such Person.

14.4 AGREED VALUE. "Agreed Value" of any property contributed to the capital of Palace shall mean the fair market value of such property at the time of contribution (as agreed to in writing by the Members determined without regard to section 7701(g) of the Code (i.e., determined without regard to the amount of Nonrecourse Liabilities to which such property is subject)).

14.5 AGREEMENT. "Agreement" means this Operating Agreement, as originally executed and as amended from time to time, as the context requires. Words such as "herein", hereinafter, "hereto", "hereby" and "hereunder", when used with reference to this Agreement, refer to this Agreement as a whole, unless the context otherwise requires.

14.6 AVAILABLE CASH FLOW. "Available Cash Flow" means, with respect to any Fiscal Year or other period, the sum of all cash receipts of Palace from any and all sources, less all cash disbursements (including loan repayments, capital improvements and replacements) and a reasonable allowance for Reserves, contingencies and anticipated obligations as determined by the Manager.

14.7 BOOK BASIS. The initial "Book Basis" of any LLC property shall be equal initially Palace's initial adjusted tax basis in such property; provided, however, that the initial "Book Basis" of any LLC property (or portion thereto contributed to the capital of Palace shall be equal to the Agreed Value of such property. Effective immediately after giving effect to the allocations of profit and loss, as computed for book purposes, for each Fiscal Year under SECTION 4.1, the Book Basis of each LLC property shall be adjusted downward by the amount of Book Depreciation allowable to Palace for such Fiscal Year with respect to such property. In addition, effective immediately prior to any Revaluation Event, the Book Basis of each LLC property shall be further adjusted upward or downward, as necessary, so as to equal the fair market value of such property at the time of such Revaluation Event (as agreed to in writing by the Members taking section 7701(g) of the Code into account (i.e., such value shall not be agreed to be less than the amount of Nonrecourse Liabilities to which such property is subject)).

14.7.1 BOOK DEPRECIATION. "Book Depreciation" allowable to Palace for any Fiscal Year with respect to any LLC property shall be equal to the product of (a) the amount of Tax Depreciation allowable

to Palace for such Fiscal Year with respect to such property, multiplied by (b) a fraction, the numerator of which is the property's Book Basis as of the beginning of such Fiscal Year (or the date of acquisition if the property is acquired during such year) and the denominator of which is the property's adjusted tax basis as of the beginning of such Fiscal Year (or the date of acquisition if the property is acquired during such Fiscal Year). If the denominator of the fraction described in clause (b) above is

equal to zero, the amount of "Book Depreciation" allowable to Palace for any Fiscal Year with respect to Palace property in question shall be determined under any reasonable method selected by the Manager.

14.7.2 BOOK GAIN OR LOSS. "Book Gain or Loss" realized by Palace in connection with the disposition of any Palace property shall mean the excess (or deficit) of (A) the amount realized by Palace in connection with such disposition (as determined under section 1001 of the Code) over (B) the Book Basis of such property at the time of the disposition.

14.7.3 BOOK/TAX DISPARITY PROPERTY. "Book/Tax Disparity Property" shall mean any Palace property that has a Book Basis that is different from its adjusted tax basis to Palace. Thus, any property that is contributed to the capital of Palace by a Member shall be a "Book/Tax Disparity Property" if its Agreed Value is not equal to Palace's initial tax basis in the property. In addition, once the Book Basis of a Palace property is adjusted in connection with a Revaluation Event to an amount other than its adjusted tax basis to Palace, the property shall thereafter be a "Book/Tax Disparity Property".

14.8 BUSINESS OF PALACE. "Business of Palace" shall have the meaning set forth in SECTION 1.6.

14.9 CAPITAL ACCOUNT. "Capital Account" shall have the meaning assigned to such term in SECTION 2.4.

14.10 CAPITAL CONTRIBUTION. "Capital Contribution" shall have the meaning set forth in ARTICLE 2.

14.11 CAPITAL TRANSACTION. "Capital Transaction"shall mean any transaction pursuant to, which (a) Palace borrows funds, (b) all or part of Palace's properties are sold, condemned, exchanged, abandoned or otherwise disposed of, (c) insurance proceeds or other damages are recovered by Palace, or (d) any other transaction that, in accordance with generally accepted accounting

principles consistently applied, is considered capital in nature (including, without limitation, any transaction that is entered into in connection with, or results in, the Liquidation of Palace).

14.12 CERTIFICATE OF FORMATION. "Certificate of Formation" means the certificate filled with the Secretary of State for the purpose of forming Palace.

14.13 CODE. "Code" shall mean the United States Internal Revenue Code of 1986, as amended from time to time. All references herein to sections of the Code shall include any corresponding provision or provisions of any succeeding law.

14.14 DEDUCTIBLE EXPENSES. "Deductible Expenses" for any Fiscal Year (or portion thereof shall mean all items, as calculated for book purposes, that are allowable as deductions to Palace for such period under Federal income tax accounting principles (including Book Depreciation but excluding any expense or deduction attributable to a Capital Transaction).

14.15 DEPRECIATION. "Depreciation" means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization or other cost recovery reduction allowable with respect to an asset for such Fiscal Year or other period.

14.16 DISSOLUTION. "Dissolution" means (a) when used with reference to Palace, the earlier of (1) the date upon which Palace is terminated under the Statute, or any similar provision enacted in lieu thereof, or (ii) the date upon which Palace ceases to be a going concern, and (b) when used with reference to any Member, the earlier of (I) the date upon which there is a Dissolution of Palace or (ii) the date upon which such Member's entire interest in Palace is terminated by means of a distribution or series of distributions by Palace to such Member.

14.17 ECONOMIC RISK OF LOSS. "Economic Risk of Loss" borne by any Member for any Palace liability shall mean the aggregate amount of economic risk of loss that such Member and all Related Persons to such Member are treated as bearing with respect to such liability pursuant to section 1.752-2 of the Regulations.

14.18 FISCAL YEAR. "Fiscal Year" shall mean the calendar year. The initial Fiscal Year shall commence on the date hereof and end on December 31, 1996;

14.19 GROSS INCOME. "Gross Income" for any Fiscal Year (or portion thereof shall mean the gross income derived by Palace from all sources (other than from capital contributions and loans to Palace and other than from Capital

Transactions) during such period, as calculated for book purposes in accordance with Federal income tax accounting principles.

14.20 IRS. "IRS" shall mean the United States Internal Revenue Service.

14.21 LIQUIDATION. "Liquidation" of a Member's Interest shall mean and be deemed to occur upon the earlier of (a) the date upon which Palace is terminated under section 708(b)(1) of the Code, (b) the date upon which Palace ceases to be a going concern (even though it may continue in existence for the limited purpose of winding up its affairs, paying its debts and distributing any remaining LLC properties to the Members) or the date upon which there is a liquidation of the Member's Interest (but Palace is not terminated) under section 1.761-1(d) of the Regulations. "Liquidation" of Palace shall mean and be deemed to occur upon the earlier of (a) the date upon which Palace is terminated under section 708(b)(1) of the Code or (b) the date upon which Palace ceases to be a going concern (even though it may continue in existence for the limited purpose of winding up its affairs, paying its debts and distributing any remaining LLC properties to the Members).

14.22 LLC. "LLC" means New Palace, LLC.

14.23 LLC INTEREST. "LLC Interest" or "Interest" means an ownership interest of a Member in Palace, which includes the economic interest, the right to vote or participate in the management of Palace and the right to information concerning the business and affairs of Palace, as provided in this Agreement and under the Statute. Each Member shall have one vote for each percentage point of Interest as set forth in Exhibit "A" hereto and as modified from time to time.

14.24 LLC MINIMUM GAIN. "LLC Minimum Gain" means the amount determined by computing with respect to each nonrecourse liability of Palace, the amount of gain (of whatever character), if any, that would be realized by Palace if it disposed (in a taxable transaction) of the Property subject to such liability in full satisfaction thereof, and by then aggregating the amounts so computed as set forth in Section 1.704-2(d) of the regulations.

14.25 MEMBER. "Member" means a Person who:

14.25.1 has been admitted to Palace as a member in accordance with the Certificate of Formation or this Agreement, and

14.25.2 has not resigned, withdrawn or been expelled as a Member or, if other than an individual, been dissolved.

Reference to a "Member" shall be to any one of the Members. Reference to an "Initial Member" shall be to any one of the Members listed in SECTION 2.1.

14.26 MEMBER RISK MINIMUM GAIN. "Member Risk Minimum Gain" of Palace shall mean the amount of "minimum gain" of Palace that is attributable to Member Risk Nonrecourse Debt (as determined under section 1.704-2(I)(3) of the Regulations). A Member's share of such "Member Risk Minimum Gain" shall be calculated in accordance with the provisions of section 1.704-2(l)(5) of the Regulations.

14.27 MEMBER RISK NONRECOURSE DEBT. "Member Risk Nonrecourse Debt" shall mean any liability (or portion thereof) of Palace that constitutes nonrecourse debt for which a Member (or a Related Person to such Member) bears the Economic Risk of Loss. For this purpose, "nonrecourse debt" shall mean any Palace liability (or portion thereof that is considered nonrecourse for purposes of section 1.1001-2 of the Regulations and any Palace liability for which the creditor's right to repayment is limited to one or more Palace properties. It is understood that, as a general matter, any liability that, by its own terms, is nonrecourse to Palace and the Members (and Related Persons to the Members) is a "Member Risk Nonrecourse Debt" if either (a) it is owed to a Member (or Related Person to such Member) or (b) it is owed to a third-party but at least one Member (or Related Person to such Member) bears the Economic Risk of Loss for such liability. It is also understood that, as a general matter, any liability that is owed to a Member (or Related Person to such Member) but that, by its own terms, is recourse to Palace is a "Member Risk Nonrecourse Debt" to the extent that no other Member (or Related Person to such other Member) bears the Economic Risk of Loss for such liability.

14.28 MEMBER RISK NONRECOURSE DEDUCTIONS. "Member Risk Nonrecourse Deductions" of Palace for a Fiscal Year shall mean any and all items of Book Depreciation and of Deductible Expenses that are attributable to Member Risk Nonrecourse Debt of Palace (as determined under section 1.704-2(l)(2) of the Regulations). Subject to the previous sentence, "Member Risk Nonrecourse Deductions" with respect to a Member Risk Nonrecourse Debt for a Fiscal Year shall mean the excess (if any) of

14.28.1 the next increase in Member Risk Minimum Gain attributable to such debt during such year, over

14.28.2 the aggregate amount of any distributions, during such year to the Member bearing the Economic Risk of Loss for such debt, of proceeds of such debt that are allocable to an increase in Member Risk Minimum Gain attributable to such debt.

The determination of which items of Book Depreciation and other Deductible Expenses constitute Member Risk Nonrecourse Deductions for a Fiscal Year shall be made before the determination of which items of Book Depreciation and other Deductible Expenses constitute Nonrecourse Deductions. If the aggregate amount of Member Risk Nonrecourse Deductions with respect to a Member Risk Nonrecourse

Debt for a Fiscal Year exceeds the total amount of items of Book Depreciation and other Deductible Expenses for such year that are treated as Member Risk Nonrecourse Deductions with respect to such debt, then that excess shall carry forward and be treated as an increase in Member Risk Minimum Gain attributable to such debt for the immediately succeeding Fiscal Year for purposes of determining whether there is a net increase or decrease in Member Risk Minimum Gain (and Member Risk Nonrecourse Deductions) during such succeeding year.

14.29 MODIFIED 752 SHARE OF RECOURSE DEBT. "Modified 752 Share of Recourse Debt" of any Member shall mean, as of any date, the amount (if any) of Economic Risk of Loss that such Member is treated, as of such date, as bearing with respect to Recourse Debt under section 1.752-2 of the Regulations (assuming Palace constructively liquidates on such date within the meaning of section 1.752-2(b) of the Regulations except that, for purposes of such section 1.752-2(b), all of the assets of Palace will be deemed thereunder to be transferred in fully taxable exchanges for an aggregate amount of cash consideration equal to their respective Book Bases and such consideration will be deemed thereunder to be used, in the appropriate order of priority, in full or partial satisfaction of the liabilities of Palace).

14.30 NET PROCEEDS OF A CAPITAL TRANSACTION. "Net Proceeds of a Capital Transaction" shall mean the net proceeds received by Palace in connection with a Capital Transaction after payment of all costs and expenses incurred by Palace in connection with such Capital Transaction (including, without limitation, brokers' commissions, loan fees, loan payments, other closing costs and the Cost of any alteration, improvement, restoration or repair of Palace properties necessitated by or incurred in connection with such Capital Transaction) and, if the Capital Transaction is a financing or refinancing, after the payment of any Palace liability that is repaid in connection with such financing or refinancing.

14.31 NONRECOURSE DEDUCTIONS. "Nonrecourse Deductions" of Palace for a Fiscal Year shall mean any and all items of Deductible Expenses that are attributable to Nonrecourse Liabilities of Palace (as determined under section 1.70420 of the Regulations). Subject to the foregoing sentence, the aggregate amount of "Nonrecourse Deductions" for any Fiscal Year shall equal the excess (if any) of:

14.31.1 the net increase in the amount of Nonrecourse Minimum Gain

during such Fiscal Year, over

14.31.2 the aggregate amount of any distributions during such Fiscal Year of proceeds of a Nonrecourse Liability that are allocable to an increase in LLC Minimum Gain.

If the aggregate amount of "Nonrecourse Deductions" for a Fiscal Year exceeds the total amount of items of Book Depreciation and other Deductible Expenses for such Fiscal Year, then that excess shall carry forward and be treated as an increase in Nonrecourse Minimum Gain for the immediately succeeding Fiscal Year for purposes of determining whether there is a net increase or decrease in Nonrecourse Minimum Gain (and "Nonrecourse Deductions") during such succeeding Fiscal Year.

14.32 NONRECOURSE LIABILITY. "Nonrecourse Liability" of Palace shall mean any liability (or portion thereof of Palace for which no Member (and no Related Person to any Member) bears the Economic Risk of Loss. It is understood that, as a general matter, any liability of Palace that, by its own terms, is nonrecourse to Palace and the Members (and Related Persons to the Members) is a "Nonrecourse Liability" if (a) it is not owed to any Member (or Related Person to such Member) and (b) no Member (or Related Person to such Member) bears the Economic Risk of Loss for such liability.

14.33 NONRECOURSE MINIMUM GAIN. "Nonrecourse Minimum Gain" of Palace shall mean the amount of "minimum gain" of Palace that is attributable to Nonrecourse Liabilities (as determined under section 1.704-2(d) of the Regulations). A Member's share of such "Nonrecourse Minimum Gain" shall be calculated in accordance with the provisions of section 1.704-2(g) of the Regulations. Subject to the previous sentence, "Nonrecourse Minimum Gain" shall mean the amount determined as follows: (a) first, compute, with respect to each Nonrecourse Liability, the amount of Book Gain or Gross Income that would be realized by Palace if Palace disposed of (in a taxable transaction) Palace property subject to such debt in full satisfaction of such debt (and for no other consideration); and (b) then, add together the amounts so computed for all Nonrecourse Liabilities. The resulting sum is the "Nonrecourse Minimum Gain". Where any Palace property is subject to multiple secured liabilities of unequal priority, the property's Book Basis shall be allocated among the liabilities in order of priority from most senior first to least senior last. Where two or more secured liabilities are of equal priority, Book Basis shall be allocated among the liabilities in accordance with the outstanding balances of such liabilities. For purpose of determining the net increase or decrease in Nonrecourse Minimum Gain during any Fiscal Year in which the Members' Capital Accounts are increased pursuant to section 1.704-1(b)(2)(iv)(f) or (r) of the Regulations to reflect a revaluation of Palace property subject to one or more Nonrecourse Liabilities, any decrease in Nonrecourse Minimum Gain attributable to this revaluation shall be added back to the net decrease or increase otherwise determined. A Member's share of such "Nonrecourse Minimum Gain" shall be calculated in accordance with the provisions of section 1.704-2(g) of the Regulations.

14.34 OPERATING EXPENSES. "Operating Expenses" shall mean all ordinary and necessary costs, expenses or charges with respect to the ownership, improvement, operation, maintenance, financing and upkeep of Palace properties, including, without limitation, ad

valorem taxes, advertising expenses, professional fees, insurance premiums, maintenance costs and wages.

14.35 OPERATIONS. "Operations" shall mean all Palace revenue producing activities other than activities constituting or relating to Capital Transactions.

14.36 PERCENTAGE INTEREST. The Members' "Percentage Interests" shall be in the percentages set forth on EXHIBIT A attached hereto and incorporated herein by reference, as amended from time to time.

14.37 PERIOD OF DURATION. "Period of Duration" shall have the meaning set forth in SECTION 1.5.

14.38 PERSON. "Person" means an individual, partnership, limited partnership, corporation, trust, estate, association, limited liability company or other entity, whether domestic or foreign.

14.39 PRINCIPAL. "Principal" means the natural Person who owns an interest in a Member.

14.40 PROPERTY. "Property" means all assets of Palace, both tangible and intangible, or any portion thereof.

14.41 RECOURSE DEBT. "Recourse Debt" of Palace shall mean any liability (or portion thereof of Palace that is neither a Nonrecourse Liability nor a Member Risk Nonrecourse Debt. It is understood that, as a general matter, any liability that, by its own terms, is recourse to Palace or any Member (or Related Person to such Member) is a "Recourse Debt"; provided, however, that any such liability that is owed to a Member (or Related Person to such Member) is a "Member Risk Nonrecourse Debt" rather than a "Recourse Debt" to the extent that no other Member (or Related Person to such other Member) bears the Economic Risk of Loss for such liability.

14.42 RELATED PERSON. "Related Person" shall mean, as to any Member, any person who is related to such Member (within the meaning of section 1.752-4(b) of the Regulations).

14.43 REGULATIONS. "Regulations" shall mean the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Regulations shall any corresponding provision or provisions of succeeding, similar or substitute proposed, temporary or final Regulations.

14.44 RESERVES. "Reserves" means funds set aside from Capital Contributions or gross cash revenues as reserves. Such Reserves shall be maintained in amounts reasonably deemed sufficient by the Manager for working

capital and the payment of taxes, insurance, debt service, repairs, replacements, renewals or other costs or expenses incident to the Business of Palace, or in the alternative, the Dissolution of Palace.

14.45 REVALUATION EVENT. "Revaluation Event" shall mean any of the following occurrences: (a) the contribution of money or other property (other than a DE MINIMIS amount) by a new or existing Member to the capital of Palace as consideration for the issuance of an Interest and/or increase in Percentage Interest; (b) the distribution of money or other property (other than a DE MINIMIS amount) by Palace to a retiring or continuing Member as consideration for an Interest and/or decrease in Percentage Interest; or the termination of Palace for federal income tax purposes under section 70(b)(1)(B) of the Code.

14.46 SECRETARY OF STATE. "Secretary of State" shall mean the Secretary of State of the State of Mississippi.

14.47 SECTION 704 CAPITAL ACCOUNT. "Section 704 Capital Account" shall mean an account, determined and maintained for each Member throughout the full term of the Agreement, the balance of which shall be equal to such Member's Capital Account balance (as determined after giving effect to all adjustments attributable to allocations of items of profit and loss realized by Palace, and all adjustments attributable to contributions and distributions of money and property effected, on or before the effective date of such determination), modified as follows:

14.47.1 Increased by the amount (if any) that such Member is treated as being obligated to contribute subsequently to the capital of Palace (as determined under section 1.704-I(b)(2)(ii)(c) of the Regulations);

14.47.2 Decreased by the amount (if any) of Available Cash and Net Proceeds of Capital Transactions that reasonably are expected to be distributed to such Member, but only to the extent that the amount thereof exceeds any offsetting increase to such Member's Section 704 Capital Account that reasonably is expected to occur during (or prior to) the Fiscal Year during which such distributions reasonably are expected to be made (as determined under section 1.7041(b)(2)(ii)(d) of the Regulations);

14.47.3 Decreased by the items (if any) of Palace's loss that reasonably are expected to be allocated to such Member pursuant to section 704(e)(2) or 706(d) of the Code or section 1.751-1(b)(2)(ii) of the Regulations (as determined under section 1.704-1(b)(2)(ii)(d) of the Regulations):

14.47.4 Increased by the amount (if any) of such Member's share

of Nonrecourse Minimum Gain;

14.47.5 Increased by the amount (if any) of such Member's share of Member Risk Minimum Gain; and

14.47.6 Increased by the amount (if any) of such Member's Modified 752 Share of Recourse Debt.

14.48 STATUTE. "Statute" shall mean the Mississippi Limited Liability Company Act.

14.49 TAX DEPRECIATION. "Tax Depreciation" for any Fiscal Year shall mean the amount of depreciation, cost recovery or other amortization deductions allowable to Palace for Federal income tax purposes for such year.

14.50 TAX ITEMS. "Tax Items" shall mean, with respect to any property, all items of profit and loss (including Tax Depreciation) recognized by or allowable to Palace with respect to such property, as computed for federal income tax purposes.

14.51 TAX MATTERS PARTNER. "Tax Matters Partner" shall mean the Manager or any other Member designated in SECTION 6.2 as the "tax matters partner".

14.52 TAXABLE GAIN OR LOSS. "Taxable Gain Or Loss" shall mean profit or loss recognized by Palace on the sale, exchange or other disposition of any LLC property, as computed for federal income tax purposes.

14.53 UNANIMITY IN INTEREST OF THE MEMBERS. "Unanimity in Interest of the Members," means unanimous consent of the Members, irrespective of their Percentage Interest in Palace.

14.54 UNREALIZED BOOK GAIN OR LOSS. "Unrealized Book Gain or Loss" with respect to any Palace property shall mean the excess (or deficit) of (a) the fair market value of such property (as agreed to in writing by the Members taking section 7701(g) of the Code into account (i.e., such value shall not be agreed to be less than the amount of Nonrecourse Liabilities to which such property is subject)), over (b) the Book Basis of such property.

14.55 UNREALIZED TAX GAIN OR LOSS. The amount of any Member's "Unrealized Tax Gain or Loss" with respect to any Book/Tax Disparity Property shall be determined the manner prescribed in this paragraph. Any resulting amount that is greater than zero shall be deemed to be the Member's "Unrealized Tax Gain" with respect to the property, and any resulting amount that is less than zero shall be deemed to be the Member's "Unrealized Tax Loss" with respect to the property.

14.55.1 First, if the Member contributed the Book/Tax Disparity Property to the capital of Palace, the Member's adjusted tax basis in the property immediately prior to such contribution shall be subtracted from the property's Agreed Value. Otherwise, the provisions of this subparagraph shall not apply to the Member.

14.55.2 Second, to the amount (if any) calculated in the foregoing provision of this paragraph, there shall be added the aggregate amount of all upward adjustments to the balance of the Member's Capital Account previously made in connection with a Revaluation Event to reflect the manner in which items of profit with respect to such property, as computed for book purposes, equal to the Unrealized Book Gain then existing with respect to the property, would have

been allocated among the Members pursuant to SECTION 4 IF there had been a taxable disposition of the property immediately prior to such Revaluation Event for its fair market value.

14.55.3 Third, from the amount (if any) calculated in the two foregoing provisions of this paragraph, there shall be subtracted the aggregate amount of all downward adjustments to the balance of the Member's Capital Account previously made in connection with a Revaluation Event to reflect the manner in which items of loss with respect to such property, as computed for book purposes, equal to the Unrealized Book Loss then existing with respect to the property, would have been allocated among the Members pursuant to SECTION 4.1 if there had been a taxable disposition of the property immediately prior to such Revaluation Event for its fair market value.

14.55.4 Fourth, to the amount (if any) calculated in the three foregoing provisions of this paragraph, there shall be added the aggregate amount of Tax Depreciation with respect to the property previously allocated to the Member pursuant to SECTION 4.2.

14.55.5 Fifth, from the amount (if any) calculated in the four foregoing provisions of this paragraph, there shall be subtracted the aggregate amount of Book Depreciation with respect to the property previously allocated to the Member pursuant to SECTION 4.

14.56 VOTE OF THE MEMBERS. "Vote of the Members" shall mean a vote by a majority of Interest in the Company.

ARTICLE 15
MISCELLANEOUS PROVISIONS

15.1 COUNTERPARTS. This Agreement may be executed in several counterparts, and all counterparts so executed shall constitute one Agreement, binding on all of the parties hereto, notwithstanding that all of the parties are not signatory to the original or the same counterparts

15.2 SURVIVAL OF RIGHTS. This Agreement shall be binding upon, and, as to permitted or accepted successors, transferees and assigns, inure to the benefit of the Members and Palace and their respective heirs, legatees, legal representatives, successors, transferees and assigns, in all cases whether by the laws of descent and distribution, merger, reverse merger, consolidation, sale of assets, other sale, operation of law or otherwise.

15.3 SEVERABILITY. If any provision in this Agreement is declared by a court of competent jurisdiction to be void or unenforceable, such provision shall be deemed severed from the remainder of this Agreement and the balance of this Agreement shall remain in full force and effect.

15.4 NOTIFICATION OR NOTICES. Except for notices to be given under ARTICLES 7 for purposes of meetings of Members, notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been given if personally delivered, transmitted by facsimile (with mechanical confirmation of transmission), or deposited in the United States mail, registered or certified, postage prepaid, addressed to the parties' addresses set forth in SECTION 2.1, unless the same shall have been changed by notice in accordance herewith. Notices given in the manner provided for in Section 15.4 shall be deemed effective on the fourth day following deposit in the mail or on the day of transmission or delivery if given by facsimile or by hand.

15.5 CONSTRUCTION. The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning and not for or against any of the Members.

15.6 SECTION HEADINGS. The captions of the Articles or Sections in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any of the provisions hereof, shall not be deemed part of this Agreement and shall not be used in construing or interpreting this Agreement. All references to Sections, Subsections and Articles shall refer to Sections, Subsections and Articles of this Agreement.

15.7 GOVERNING LAW. This Agreement shall be construed according to the internal laws of the State of Mississippi.

15.8 GOOD FAITH. The Members hereof recognize that they owe a duty of good faith and fair dealing to each other and agree to act in accordance with such duty.

15.9 FURTHER ACTIONS; ADDITIONAL DOCUMENTS. Each Member agrees to perform all further acts and execute, acknowledge and deliver all documents that may be reasonably necessary, appropriate or desirable to carry out the provisions and intent of this Agreement and every agreement or document relating hereto or entered in connection herewith, including, without limitation, acknowledging before a notary public any signature heretofore or hereafter made by a Member.

15.10 PRONOUNS AND PLURALS. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine and neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

15.11 TIME OF THE ESSENCE. Except as otherwise provided herein, time is of the essence in connection with each and every provision of this Agreement.

15.12 THIRD PARTY BENEFICIARIES. There are no third party beneficiaries of this Agreement except (a) Affiliates and Principals of the Members and (b) any other Persons as may be entitled to the benefits of ARTICLE 11.

15.13 PARTITION. The Members agree that the Property that Palace may own or have an interest in is not suitable for partition. Each of the Members hereby irrevocably waives any and all rights that it may have to maintain any action for partition of any Property in which

Palace may at any time have an interest.

15.14 ENTIRE AGREEMENT. This Agreement and the Certificate of Formation constitute the entire agreement of the Members, and supersede all prior written and oral agreements, understandings and negotiations, with respect to the subject matter hereof.

15.15 WAIVER. No failure by any party to insist upon the strict performance of any covenant, duty, agreement 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 other covenant, duty, agreement or condition. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

15.16 ATTORNEYS' FEES. In the event of any litigation, arbitration or other dispute arising as a result of or by reason of this Agreement, the prevailing party in any such litigation, arbitration or other dispute shall be entitled to, in addition to any other damages assessed, its reasonable attorneys' fees, and all other costs and expenses incurred in connection with

settling or resolving such dispute. The attorneys' fees that the prevailing party is entitled to recover shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit or arbitration procedure on this Agreement shall be entitled to its reasonable attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment. This attorneys' fees provision is separate and several and shall survive the merger of this Agreement into any judgment.

15.17 CONFIDENTIALITY AND PRESS RELEASES. The Members and their respective Affiliates and Principals hereby agree that it is in all of their best interests to keep this Agreement and the Business of Palace and all information concerning such business confidential except as may be required by law or to any governmental agencies or units in furtherance of the Business of Palace. Such parties each agree that they will not take any action nor conduct themselves in any fashion, including giving press releases or granting interviews, that would disclose to third parties unrelated to Palace or the Business of Palace any aspect of Palace or the Business of Palace without the prior written approval of the Members. To the extent such prior approval is given, it may be conditioned upon approval of the text of any press release or the scope of any intended interview.

15.18 CORPORATE OPPORTUNITY. Except as and to the extent set forth in SECTION 15.21, the Members and their respective managers, members, Principals, Affiliates, officers, directors, employees and agents may engage or invest in any business activity of any type, including, but not limited to, a business that might be in direct or indirect competition with Palace and neither Palace nor any Member shall have any right to participate in such business or to the income or proceeds from such business. Further, none of such parties shall be obligated to present any opportunity to invest in any such business to Palace or any Member of Palace, even if the opportunity would otherwise be required to be presented to Palace under the corporate opportunity doctrine and even if such opportunity could be taken by Palace. Except as and to the

extent set forth in SECTION 15.21, the Members acknowledge that each of them and the foregoing parties own, invest in or have other interests or relationships with businesses that may compete with Palace and the Members hereby waive any and all rights and claims which they might otherwise have against each other and such parties as a result of any such activities.

15.19 CONFLICTS OF INTEREST. Notwithstanding any other provision in this Agreement, the parties may engage in any business transaction with Palace notwithstanding that it might otherwise constitute a conflict of interest so long as the, terms and conditions of such transaction are fair and reasonable to Palace, are fully disclosed to the Members and is approved by all of the Members

not engaging in such transaction. Such approval may be withheld in the sole discretion of all of the Members not engaging in such transaction and the refusal to give such approval shall not be subject to arbitration.

15.20 NO LIABILITY. Except as expressly required by law, or as otherwise set forth in this Agreement, no Member shall be personally liable for any obligation or liability of Palace, solely by reason of such party being a Member of Palace.

15.21 NON COMPETE. During the term of the Agreement the Members and their respective Principals agree not to operate or own, directly or indirectly, any gaming interest in any venture located within a 25-mile radius of the Palace Casino.

15.22 PROHIBITED PAYMENTS. The Members agree that all of them, as the case may be, and their respective Affiliates will conduct their respective activities, and will cause any activities conducted on their respective behalf to be conducted, in a lawful manner and specifically will not engage in the following transactions:

(a) payments or offers of payment, directly or indirectly, to any domestic or foreign government official or employee in order to obtain business, retain business or direct business to others, or for the purpose of inducing such government official or employee to fail to perform or to perform improperly his official functions.

(b) receive, pay or offer anything of value, directly or indirectly, from or to any private party in the form of a commercial bribe, influence payment or kickback for any such purpose; or

(c) use, directly or indirectly, any funds or other assets of the Business for any unlawful purpose including, without limitation, political contributions in violation of applicable law.

IN WITNESS WHEREOF, the parties hereto have hereunto executed this Agreement as of the date first written above.

Robert Low

Lawana Low

CASINO RESOURCE CORPORATION

By: _____

EXHIBIT A
MEMBERS' OWNERSHIP INTERESTS

ROBERT LOW or LAWANA LOW	80%
CASINO RESOURCE CORPORATION	20%
	100%

LEASE CONTRACT

THE UNDERSIGNED:

- the Samara Casino Company, duly represented by its President and CEO, Mr. Slim MAHDOUI, residing at Hotel Samara, Boulevard du 7 Novembre at Sousse, hereinafter designated as "the lessor"

PARTY OF THE FIRST PART

AND

- the Casino Resource Corporation company, duly represented by its Chief Executive Officer, Mr. Jack PILGER, residing at 1719 Beach Boulevard "Suite 306" - Executive Place - Biloxi - MISSISSIPPI - UNITED STATES OF AMERICA, hereinafter designated as "the lessee"

PARTY OF THE SECOND PART.

HEREBY SET FORTH THE FOLLOWING PREMISES:

It being understood that Samara Casino Company plans to carry out an international-class tourism activity project with a casino.

It being understood that Samara Casino Company has obtained an authorization from the legal government of Tunisia to create a "Casino Samara" activity center pursuant to the letter from the Minister of Tourism with reference FB/GA DSG 579 dated February 8, 1996.

It being understood that the Samara Casino Company declares that the said authorization entitles it to obtain, from the Tunisian State, a gambling authorization for the casino.

It being understood that the gambling authorization is granted for operating gambling tables, slot machines and video games.

It being understood that the Samara Casino Company declares that the said authorization cannot be withdrawn from it or be revoked except in accordance with legislation in force.

It being understood that the Samara Casino Company plans the opening of the casino not later than July, first 1997.

It being understood that the Casino Resource Corporation company is a professional operator in the field of gambling.

It being understood that the two parties agree to act within the framework of strict legality and of observance of the regulations in force in Tunisia.

The two companies have agreed to conclude the present lease contract.

NOW THEREFORE THE PARTIES HEREBY ENTER INTO THE FOLLOWING AGREEMENT:

1. Relationships between the parties

The relationships between the parties to the present contract are solely relationships between lessor and tenant.

2. Object

The object of the present contract is lease of a casino and of its surroundings, which the lessor will build in Sousse, Boulevard du 7 Novembre, in compliance with the final plans approved by the Ministry of Tourism which are attached to the present contract and constitute an integral part of it.

For the execution of the present contract, the term "casino" designates the gambling room located at the building's ground level only. The term "surroundings" designates offices, lavatories, surveillance room, relax room, training room and depository ... located at the building's

underground in according with detailed description on architectural drawings signed by both parties and which hold as an integral part of this contract.

Regarding the underground surroundings devoted to the ordinary operation of the casino, the lessor undertakes to supply to the lessee at least fifty percent of the casino square foot.

3. Legal framework of the casino.

The lessor authorizes the lessee to operate the Casino in accordance with the laws and regulations in effect in Tunisia and all later documents, and pursuant to the stipulations of the gambling authorization, as well as the terms of the present contract.

4. Gambling authorization

The lessor shall make every effort to help the lessee obtain the gambling authorization. The lessee shall act, for the entire duration of the present contract, in such fashion as to maintain the validity of the gambling authorization.

5. Casino management

The lessee shall operate the Casino competently, efficiently and professionally, to make it an international-class casino.

It shall exercise entire and total direction of casino management. It alone decides on the Casino's needs for gambling. It alone is responsible for Casino management, which it undertakes to carry out with due observance for the laws and regulations in force in Tunisia and all subsequent documents, and in accordance with the stipulations of the gambling authorization as well as the terms of the present contract. The lessor has no inspections rights of any kind whatsoever with respect to the lessee's management of the Casino. It agrees not to intervene in any way whatsoever in the lessee's management.

6. Activities

The lessee shall be entitled to install and keep only Casino games and bar service for its customers and personnel on the premises object of the present contract pursuant to the stipulations of the gambling authorization, to the laws and regulations in force in Tunisia and to all subsequent documents, as well as pursuant to the terms of the present contract.

7. Duration

The present lease agreement is granted for an irrevocable period of three years, starting sixty days after delivery to the lessee.

8. Renewal

The present contract is renewable for two successive periods of three years each by tacit extension unless one year's notice is given by the lessee alone by registered mail with receipt or by means of a notification served by a process server-notary.

9. Delivery

The lessor shall deliver the Casino with its surroundings to the lessee on the basis of the work completion attestation and the compliance certificate issued by the design office.

The delivery shall be recorded in a document drawn up in the parties' presence and duly signed and dated by the two parties.

10. Equipment

The lessee shall equip the Casino and its surroundings, at its own expense, with all elements required for normal operation.

The equipment shall include and the list is not exhaustive: false ceiling,

carpets, curtains, drapes and all inside decorations and illuminated outside signs.

The lessee shall provide also all gambling equipments as gambling tables, slot machines, video games, tokens, cards, computer systems and hardware, equipment and surveillance.

11. Possession

The lessee shall have to occupy the premises properly and not do anything that could cause any disturbance of possession whatsoever because of its doing or the doing of the persons employed in its service.

It may not undertake any construction or modification or demolition or drillings or install partitions or floors without the lessor's advance and explicit authorization.

At the end of the contract, all improvements that have been undertaken and carried out remain the lessor's property, without the lessee being entitled to claim any indemnity whatsoever in general.

The lessee shall be responsible for all deterioration occurring due to improper use, either of its own doing or of the doing of third parties. It shall maintain the rented premises in good condition and shall keep them in a perfect state of cleanness and operation.

12. Rental

The rental consists of a fixed part and of a variable part, the latter determined as a function of the gross income from the Casino games.

13. Rental amount

The rental per year is set as the counter value in Tunisian dinars of four hundred et sixty thousand dollars tax free with a yearly increase of ten percent (10%).

To this rental shall be added a variable percentage of the casino's gross income which shall be paid as detailed hereafter:

- on the portion of the casino's gross income up to 3.5 Million dinars: TEN PERCENT (10%)

- on the portion of the casino's gross income greater than 3.5 Million dinars and up to 7 Million dinars: EIGHT PERCENT (8%)

- on the portion of the casino's gross income greater than 7.0 Million dinars: FIVE PERCENT (5%)

14. Payment of the rental

The fixed part of rental shall be paid every six months and in advance.

However, the fixed part of the first year rental shall be two hundred and fifty thousand dollars (250.000) paid upon signature of the present contract and two hundred and fifty thousand dollars (250.000) paid ninety days after signature of the present contract.

The variable part of the rental, calculated as a function of the casino's gross income shall be determined upon lessee's fiscal declaration each six months and paid not later than thirty days after.

15. Tax allowance

In the case, the lessee obtains a tax allowance on casino's gross income because of advertising or animation activities, this allowance will be wholly paid to the lessor.

16. Maintenance - Repairs

The lessee shall support all charges of common maintenance of the Casino and its surroundings. The lessor shall support all charges of major repairs related to the building structure, electrical, plumbing, heating, and air conditioning installations and all equipments provided by the lessor.

17. Insurance

The lessee undertakes to insure, at its sole expense, the Casino and its surroundings covered by the present contract against the Professional public liability risk.

18. Accounting books

The lessee is responsible for keeping accounting books, which must reflect Casino operation. It must keep all accounting elements for the entire duration of the present contract.

19. Inspection

The lessor is entitled to inspect the Casino and its surroundings at any time, and access thereto must be granted to it in reasonable fashion. However, it shall have to see to disturbing Casino operation as little as possible and must always be accompanied by a representative of the lessee.

20. Contract expiration

At the end of the present contract, the lessee shall return, to the lessor, the premises covered by the present contract in the condition in which it has received them, allowing for obsolescence and normal wear and tear.

21. Force majeure

In case of occurrence of force majeure making it impossible to operate the Casino, the effects of the present contract are suspended, and particularly with respect to payment of the rental. The rental to be paid will be calculated pro rata temporis. If the case of force majeure should persist after six months, the present contract may be canceled immediately at the initiative of a single one of the parties to the present agreement.

The term force majeure means the liability exemption clause for any event unforeseeable, insurmountable, and independent of the will of both parties having as a consequence making impossible the casino's operation.

Cancellation of the present contract due to force majeure does not create any entitlement to indemnitities.

22. Modification of circumstances

In case where the admission of Tunisian people inside casino shall be authorized by later regulations, the parties shall then consult each other with a view to revising the contract on a fair basis in order to avoid excessive prejudice to one or the other of the parties.

Failing agreement between the parties concerning revision of the contract within a period of ninety days after the written request of the lessor, each of the parties may take the question of revision to the Arbitration Panel provided for in the present contract.

23. Language

The present contract is drawn up in the French and English languages. In case of conflict, the French version shall prevail.

24. Notifications

Relationships and communications between the parties shall always be in writing and be as direct as possible at the level of the senior managers of the contracting parties, at their respective domiciles as mentioned in these presents, to which all official or legal notifications shall be sent.

25. Disputes

Any disputes stemming from the present contract shall be definitively settled pursuant to the conciliation and arbitration rules of the International Chamber of Commerce by one or several arbitrators appointed pursuant to the said regulations.

The arbitration shall be in Paris, France, in the French language, the arbitrator or arbitrators acting as "amiable(s) compositeur(s)".

26. Applicable law

The present contract is governed, construed and performed in accordance with the laws in effect in Tunisia and any subsequent documents.

27. Election of domicile

The parties elect domicile at the following addresses for performance of these presents:

- the lessor at the registered office of the Samara Casino Company, Hotel Samara, Boulevard du 7 Novembre in Sousse,

- the lessee at its registered office, c/o Maitre Mondhor BEN HAMIDA, 35 Avenue de Paris, 1000. Tunis.

28. Change of address

Each party may change its address as long as it informs the other party of the new address in writing with a definite date. The change of address shall become effective upon receipt of the notification.

29. Taxes

For performance of the present contract, the lessee shall pay all of the expenses, fees and taxes for which it is made responsible by law.

30. Stamp and recording fees

The stamp and recording fees, as well as the expenses relating to giving notice of the present document shall be paid by the lessee.

31. Condition precedents

The present contract goes into effect between the parties upon signature. It is accepted and signed by the contracting parties subject to the explicit condition precedent of obtaining all required authorizations from the Tunisian authorities, particularly the gambling authorization.

The owner shall make every effort to help the lessee obtain the legal authorizations required before January 1, 1997.

If the said approvals and authorizations are not obtained within the indicated periods, the undersigned parties shall meet to take all useful steps.

In case the lessee does not obtain, within a reasonable period, from the Tunisian authorities, the gambling authorization required for operation of the Casino and its surroundings, all amounts advanced by it as rental for the first year shall be returned to it within thirty days starting with the date of a warning with a definite date.

M. Slim MAHDOUI
President and Chief Executive Office
of the Samara Casino Company
Hotel Samara, Boulevard du 7 Novembre
Sousse, TUNISIA

M. Jack PILGER
Chief Executive Office of the Casino
Resource Corporation company
117-199 Beach Boulevard - Suite 306
Executive Place - BILOXI
MISSISSIPPI - UNITED STATES of AMERICA

TERM SHEET

THE UNDERSIGNED:

- the Samara Casino Company, duly represented by its President and CEO, Mr. Slim MAHDOUI, residing at Hotel Samara, Boulevard du 7 Novembre at Sousse, hereinafter designated as "the lessor"

PARTY OF THE FIRST PART

AND

- the Casino Resource Corporation company, duly represented by its Chief Executive Officer, Mr. Jack PILGER, residing at 1719 Beach Boulevard "Suite 306" - Executive Place - Biloxi - MISSISSIPPI - UNITED STATES OF AMERICA, hereinafter designated as "the lessee"

PARTY OF THE SECOND PART,

HEREBY SET FORTH THE FOLLOWING PREMISES:

It being understood that Samara Casino Company plans to carry out an international-class tourism activity project with a casino and a theater.
It being understood that Samara Casino Company has obtained an authorization from the legal government of Tunisia to create a "Casino Samara" activity center pursuant to the letter from the Minister of Tourism with reference FB/GA DSG 579 dated February 8, 1996.
It being understood that societe Samara Casino has signed a lease contract of the casino with CRC.
It being understood that the operating of the theater is completary to the gambling activity.
It being understood that the Casino Resource Corporation company is a professional operator as well as in the field of the shows and entertainment management than the field of gambling management.
It being understood that the two parties agree to act within the framework of strict legality and of observance of the regulations in force in Tunisia.
The two companies have agreed to conclude the present term sheet.

NOW THEREFORE THE PARTIES HEREBY ENTER INTO THE FOLLOWING AGREEMENT:

1. Samara Casino decides to entrust to CRC the operation of its theater in compliance with a formula which shall be determined by their lawyers.

2. Samara Casino shall supply the premises wholly equipped except stage; play of light & sound system which shall be all furnished by CRC.

3. CRC is responsible of the operating of the show.

4. CRC will pay to Samara Casino 2$ on each show ticket sold.

5. CRC will subcontract the operating of catering of the theater to Samara Casino in compliance with conditions which shall be determined in the final contract.

6. CRC will subcontract its transportation needs to Samara Casino according to competition tariffs.

7. The duration of the contract shall be linked to the duration of the casino

lease contract.

8. The premises shall be delivered in the same time than the casino object of a distinct contract.

9. This documents undertakes both parties in waiting the signature of the final contract.

Sousse June ____, 1996

M. Slim MAHDOUI President and Chief Executive Office of the Samara Casino Company Hotel Samara, Boulevard du 7 Novembre Sousse, TUNISIA	M. Jack PILGER Chief Executive Office of the Casino Resource Corporation company 117-199 Beach Boulevard - Suite 306 Executive Place - BILOXI MISSISSIPPI - UNITED STATES of AMERICA

July 3, 1996

Maitre Mondor BEN HAMIDA
35
Avenue de Paris
1000 Tunis

Dear Ben,

There are still three outstanding issues that need to be completed in regards to the contract between CRC and Samara.

You need to get an amendment approved by Slim that states that the second deposit payment due is for $210,000 and not for $250,000. Also, you should get Slim to acknowledge the casino will be fully under construction by the time the second payment is due.

In Section 15, which refers to the tax allowance, it still states that Slim is to receive any tax refunds for advertising activities. You need to get an amendment that states that whomever operates the showroom gets any and all tax rebates and refunds for the entire facility.

You need to draft a separate agreement on the complementaries issue. This agreement needs to state that we are to receive a 50% discount on all food,

drinks and other services that Slim may provide to us and our customers on a complimentary basis. In other words, if we give a free meal or comp slip to someone, then Slim will only charge us 50% of the retail price. The total amount owed to Slim will be calculated on a monthly basis and payable at the end of that month.

I also have not received a response from you on the letter that I have twice sent to you, both last week and this week.

If you need further clarification, please call or fax.

Best regards,

Rian Rathwick
Vice President
New Development

CONSULTANT AGREEMENT

BETWEEN

Casino Resource Corporation, represented by their legal representative M Jack PILGER located at 1719 Beach Boulevard - Suite 306 - Executive Place - BILOXI - MISSISSIPPI - UNITED STATES

AND

Mondhor BEN HAMIDA, located at 35, Avenue de Paris- Tunis

WHEREAS, Casino Resource Corporation wishes to operate in Tunisia (-left angle- -left angle- the territory -right angle- -right angle-)) activities of gambling

WHEREAS, Consultant may provide advises and assistance to allow Casino Resource Corporation to conclude Agreement of lease for operating casino

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOW:

I. SERVICES

A. Consultant agrees to provide services to Casino Resource Corporation, that are designated to achieve Casino Resource Corporation's goals in Tunisia. In this connection, the consultant will be expected to perform the following services (-left angle- -left angle- the services -right angle- -right angle-):

1. Inform Casino Resource Corporation at the earliest possible moment of all gambling casino projects and any developments and prepare reports for Casino Resource Corporation regarding such developments.

2. Provide all necessary consultancy services in relation to Casino Resource Corporation's contract of lease in the territory.

3. Upon request and authorization from Casino Resource Corporation, arrange meetings and appointments with the appropriate persons and participate in such meetings, if required.

4. In addition to verbal reports and conferences submit written spot reports where appropriate.

5. Act so as to permit Casino Resource Corporation conclude contract of lease with Societe SAMARA CASINO represented by its legal representative, M Slim MAHDOUI for operating Sousse Casino

B. COMMITMENTS

1. Consultant agrees to allocate sufficient time, management attention and resources to perform the services.

2. Casino Resource Corporation agrees to provide Consultant with regular briefings and updates on its operations in the territory

II. COMPENSATION

In full compensation for the services rendered hereunder during the validity of this Agreement, Casino Resource Corporation shall pay to the consultant, after signature of final agreement by Societe SAMARA CASINO:

1. a fixed fee of US$ 250.000 to be paid:
*US$ 50.000 at the signature of the contract of lease with Samara Casino
*US$ 100.000 at the beginning of operating Samara Casino
*US$ 100.000 six months after beginning operating Samara Casino

2 - a various fee of % on gaming, net revenue Samara Casino to be paid quarterly at the beginning of each quarter

III. TERM

This agreement will commence as of February 15th, 1996 and will terminate with the termination of the contract of lease between Societe Samara Casino and Casino Resource Corporation or any third corporation to which Casino Resource Corporation should assign or transfer its rights resulting from the contract of lease with Societe Samara Casino. The term above includes renewal periods of lease.

IV. GENERAL

A. In the event of the death of the consultant , the agreed fees will continue to be paid to Mrs Mylene Soraya Sihem SLIM BEN HAMIDA until the termination date of the contract between Casino Resource Corporation and Societe Samara Casino.

B. This agreement does not constitute the Consultant as the agent or legal representative of Casino Resource Corporation for any purpose whatsoever. Consultant is not granted any right or authority to assume or create any obligation or responsibility, express or implied, on behalf of or in the name of Casino Resource Corporation in any manner whatsoever.

C. Consultant shall not make any public use of or release to third

parties any information or material provided by Casino Resource Corporation that is confidential or proprietary. In addition, Consultant shall continue to hold secret after the termination of this agreement, all information and material of a

proprietary or confidential nature previously disclosed to Consultant by Casino Resource Corporation.

D. This agreement contains the full agreement of the parties and any previous agreements, whether written or oral, are hereby canceled. Any changes or modifications to this agreement shall be subject to the written agreement of the parties.

E. All notices, demands or others communications, required or desired to be given hereunder, shall be made in writing in the English language and delivered personally or sent by telefax duly confirmed, or by registered post with recorded delivery to the intendeds recipient thereof at its address set out below:

To Casino Resource Corporation
1719 Beach Boulevard
Suite 306 - Executive Place
BILOXI - MISSISSIPPI
UNITED STATES
Tel: 601 435 1976
Fax: 601 374 8732
Attn: Casino Resource Corporation

To: Consultant
Mondhor BEN HAMIDA
35, Avenue de Paris
1000 - Tunis
Tel 346 141
Fax 345 741

Any party may change the address to which notices must be sent by giving written notice to the other party.

F. Neither party may transfer this agreement nor any of the rights hereunder to any person or corporation without the prior written consent of the other party.

G. Neither party shall be deemed to have waived any right or to have been released from any duty under this agreement unless such waiver or release shall be in writing duly executed by the party granting such waiver or release.

H. This agreement shall be governed by the laws of MISSISSIPPI and all disputes arising in connection with the present contract shall be finally settled under the rules of Conciliation and Arbitration of the International Chamber of Commerce by one arbitrator appointed in accordance with the said rules. Casino Resource Corporation shall support all fees of disputes.

I. While this Agreement is in force, Consultant agrees not to act as a consultant, independent contractor or in any other capacity for any other operating casino corporation.

J. Both parties undertake to perform the obligations set forth in this agreement in such a manner so as to comply with all applicable laws and regulations and will indemnify the other party for any and all claims, demands, actions or liabilities whatsoever which may arise out of or result from its failure to comply with any such applicable laws or regulations.

K. Consultant hereby represents and warrants that he is able to and has the full capacity to enter into this agreement with Casino Resource Corporation, and specifically, the Consultant has no prior arrangement with any other party that would prevent him from entering this arrangement with Casino Resource Corporation.

L. The effective date of this agreement will be February 15, 1996.

In witness whereof the parties have entered into this agreement through their authorized representatives.

Made this 11th day of June 1996

/s/ JACK PILGER	/s/ MONDHOR BEN HAMIDA
Jack PILGER Chief Executive Officer Casino Resource Corporation 1719 Beach Boulevard Suite 306 - Executive Place BILOXI - MISSISSIPPI UNITED STATES	Mondhor BEN HAMIDA 35, Avenue de Paris- 1000 - Tunis TUNISIE

Exhibit 21.1

SUBSIDIARIES OF REGISTRANT

CRC of Branson, Inc.
Country Tonite Enterprises, Inc.
Casino Building Corporation
CRC of Tennessee, Inc.
CRC Palace, Inc.
Recreation Property Consultants, Inc.
Casino Entertainment Corporation of America
Country Tonite Theatre, LLC

Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Casino Resource Corporation
Biloxi, Mississippi

We hereby consent to the incorporation by reference in the Company's previously filed Registration Statements (file no. 33-31534) of our report dated November 5, 1996 except for Note 14 as to which the date is December 26, 1996 relating to the consolidated financial statements of Casino Resource Corporation appearing in the Company's Annual Report on Form 10-KSB for the year ended September 30, 1996.

Chicago, Illinois
December 30, 1996

BDO SEIDMAN, LLP

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CASINO RESOURCE CORPORATION'S ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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