FORM SC 13D

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities

Filing Date: **1996-11-22**
SEC Accession No. 0000950152-96-006276

SUBJECT COMPANY

BLACK HAWK GAMING & DEVELOPMENT CO INC

CIK:**896495**| IRS No.: **841158484** | State of Incorp.:**CO** | Fiscal Year End: **1231**
Type: **SC 13D** | Act: **34** | File No.: **005-47459** | Film No.: **96671046**
SIC: **7011** Hotels & motels

Mailing Address
2060 BROADWAY
SUITE 400
BOULDER CO 80302

Business Address
2060 BROADWAY
STE 400
BOULDER CO 80302
3034440240

FILED BY

DIVERSIFIED OPPORTUNITIES GROUP LTD

CIK:**1024331**| IRS No.: **341828344** | State of Incorp.:**OH** | Fiscal Year End: **1231**
Type: **SC 13D**

Mailing Address
1231 MAIN AVE
CLEVELAND OH 44113

Business Address
1231 MAIN AVE
CLEVELAND OH 44113

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20459

SCHEDULE 13D
Under the Securities Exchange Act of 1934
(AMENDMENT NO. __)

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.
(Name of Issuer)

COMMON STOCK, $0.001 PAR VALUE PER SHARE
(Title of Class of Securities)

092067 10 7
(CUSIP Number of Class of Securities)

Jeffrey P. Jacobs, President of Jacobs Entertainment Ltd., the manager of
Diversified Opportunities Group Ltd.
425 Lakeside Avenue
Cleveland, OH 44114
(216) 861-4390

(Name, address and telephone number of persons
authorized to receive notices and communications
on behalf of person(s) filing statement)

NOVEMBER 12, 1996
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box [ ].

Check the following box if a fee is being paid with the statement [ ]. (A fee is not required only if the reporting person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

Note: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on following page(s))

2

<TABLE>

<S> <C>
CUSIP No. 092067 10 7 Page 2 of 8

1.	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NOS. OF REPORTING PERSON DIVERSIFIED OPPORTUNITIES GROUP LTD. -- FEIN: 34-1828344	
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) [ ] (b) [x]
3.	SEC USE ONLY	
4.	SOURCE OF FUNDS OO	
5.	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)	[ ]
6.	CITIZENSHIP OR PLACE OF ORGANIZATION OHIO	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7. SOLE VOTING POWER 190,476	
	8. SHARED VOTING POWER -0-	
	9. SOLE DISPOSITIVE POWER 190,476	

10.	SHARED DISPOSITIVE POWER
	-0-
11.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
	190,476
12.	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
	[ ]
13.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
	7.1%
14.	TYPE OF REPORTING PERSON
	00

</TABLE>

SCHEDULE 13D

This Schedule 13D is being filed in connection with a transaction (the "Transaction") entered into by and between Diversified Opportunities Group Ltd., an Ohio limited liability company ("Diversified"), and Black Hawk Gaming & Development Company, Inc., a Colorado corporation ("Black Hawk"). Pursuant to the terms of an Amended and Restated Purchase Agreement dated as of November 12, 1996 (the "Purchase Agreement") between Diversified and Black Hawk, the first phase of the Transaction was consummated on November 12, 1996.

In the first phase of the Transaction, Black Hawk sold to Diversified 190,476 shares of Black Hawk's shares of common stock, $.001 par value (the "Shares") and issued to Diversified a convertible note (the "Note") in the principal amount of $1,500,000.

ITEM 1. SECURITY AND ISSUER.

This Schedule 13D relates to the common stock, $.001 par value, of Black Hawk Gaming & Development Company, Inc., a Colorado corporation. The address of the principal executive office of Black Hawk is 2060 Broadway, Suite 400, Boulder, CO 80302.

ITEM 2. IDENTITY AND BACKGROUND.

This Schedule 13D is being filed by Diversified Opportunities Group Ltd., an Ohio limited liability company. The principal business of Diversified is developing and acquiring investments in the gaming industry and

managing, supervising, selling or otherwise disposing of such investments and engaging in activities incidental or ancillary thereto. The address of Diversified's principal business and office is 425 Lakeside Avenue, Cleveland, Ohio 44114.

There are two members of Diversified, (i) Gary L. Bryenton and Jeffrey P. Jacobs, as trustees under the Opportunities Trust Agreement dated February 1, 1996 (the "Trust") and (ii) Jacobs Entertainment Ltd., an Ohio limited liability company ("Entertainment"). Entertainment is the Manager of Diversified. Jeffrey P. Jacobs ("Jacobs") and Jacobs Entertainment Inc. (a corporation in which Jacobs owns 100% of the outstanding capital stock) are the members of Entertainment and Jacobs is the manager of Entertainment. Both the Trust and Entertainment were formed primarily to hold their interest in Diversified. The address of the Trust's principal business and office is c/o Baker & Hostetler, Gary L. Bryenton, 3200 National City Center, Cleveland, Ohio 44114, and the address of Entertainment's principal business and office is 425 Lakeside Avenue, Cleveland, Ohio 44114.

During the last five years, none of Diversified, the Trust, Entertainment or Jacobs has been convicted in any criminal proceeding (excluding traffic violations or similar misdemeanors) or have been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

The acquisition of the 190,467 Shares and the Note were financed as follows:

Diversified financed the total purchase price of the 190,476 Shares ($1,000,000) with the proceeds of a capital contribution from the Trust, an entity which is described above and which is a member of Diversified.

The acquisition of the $1,500,000 Note was financed with the proceeds of a loan from Richard E. Jacobs, father of Jacobs and grantor and a potential beneficiary of the Trust, an entity which is described above. The loan was made as an advance pursuant to the terms of the Credit Agreement and Revolving Note dated as of July 31, 1996, attached as Exhibits A and B, respectively. Diversified's obligations to Richard E. Jacobs are being guaranteed by Jacobs pursuant to a Guaranty dated as of July 31, 1996, attached as Exhibit C.

ITEM 4. PURPOSE OF TRANSACTION.

The purpose of the Transaction was to acquire a substantial investment in Black Hawk on the terms and subject to the conditions referred to below. As of November 12, 1996, Black Hawk and Diversified executed the Purchase Agreement and Black Hawk issued the Note to Diversified. On the same date, Black

Hawk and Diversified also executed, along with Robert D. Greenlee ("Greenlee") and Frank B. Day ("Day"), a Registration Agreement (the "Registration Agreement") and a Shareholders' Agreement (the "Shareholders' Agreement"). Additionally, Diversified, Black Hawk and Diversified's affiliate BH Entertainment Ltd., an Ohio limited liability company ("BH"), formed Black Hawk/Jacobs Entertainment, LLC, a Colorado limited liability company (the "LLC"), and entered into an Operating Agreement for the LLC (the "Operating Agreement"). Copies of the Purchase Agreement, the Note, the Registration Agreement, the Shareholders' Agreement and the Operating Agreement are attached hereto as Exhibits D, E, F, G, and H respectively, and incorporated by reference herein in their entirety.

The following is a summary of certain terms of the Purchase Agreement, the Note, the Registration Agreement, the Shareholders Agreement and the Operating Agreement (collectively, the "Transaction Documents"). This summary of the Transaction Documents is qualified in its entirety by reference to the Transaction Documents, copies of which are attached hereto.

The first phase of the Transaction closed on November 12, 1996. At such time, Black Hawk sold to Diversified 190,476 Shares and issued the Note to Diversified. The next phase of the Transaction requires the approval (the "NASD Approval") of Black Hawk's shareholders pursuant to the rules and regulations of the National Association of Securities Dealers, Inc. by virtue of Black Hawk's Shares being traded on the National Market tier of the NASDAQ Stock Market. Black Hawk is in the process of calling a special meeting (the "Special Meeting") of its shareholders in order to obtain the NASD approval. The Special Meeting is scheduled to occur on or before January 31, 1997.

Upon obtaining the NASD Approval, Black Hawk will issue and deliver to Diversified a convertible note in the principal amount of $6,000,000 (the "$6,000,000 Note") and the original Note will be cancelled.

All or any portion of the unpaid principal due under the $6,000,000 Note is convertible into Shares at a conversion price of $5.25 per Share at any time upon the election of Diversified and, if not yet fully converted, will be automatically converted into Shares at such time as (i) Diversified has acquired or received all necessary and appropriate regulatory, licensing and other approvals from the Colorado Division of Gaming, the Colorado Limited Gaming Control Commission (the "Commission") and the Colorado state and local liquor licensing authorities and (ii) the Commission approves the issuance to the LLC of a retail gaming license. The foregoing automatic conversion must occur unless certain purchase or redemption provisions contained in the Operating Agreement apply.

As of November 12, 1996, Black Hawk's Board of Directors (the "Board") consists of seven persons, three of whom are nominees of Diversified. In addition, as of the closing of the first phase of the Transaction, Jacobs was elected as Chief Executive Officer and Co-Chairman of the Board of Black Hawk. At such time as Diversified owns 820,000 or more Shares of Black Hawk, Black

Hawk's Board is to be expanded to nine members, with Diversified being entitled to nominate five members to the Board, and Jacobs is to be elected as Chief Executive Officer and Chairman of the Board.

The LLC represents the restructuring of a joint venture which was previously formed by Black Hawk and Diversified's affiliate pursuant to a joint venture agreement dated December 15, 1994 (the "Original Joint Venture Agreement"). In the Original Joint Venture Agreement, Black Hawk and Diversified each had a fifty percent (50%) interest. Black Hawk has a seventy-five percent (75%) interest in the LLC and Diversified and BH have a twenty-five percent (25%) interest in the aggregate in the LLC. The Operating Agreement contains various purchase rights and also contains certain provisions whereby a member in the LLC may have its interest in the LLC divested.

The Shareholders' Agreement provides for first refusal and first offer rights for each of Diversified, Greenlee and Day. The Shareholders' Agreement requires that Greenlee and Day vote all of their Shares and any other securities of Black Hawk over which they have control and that they take all necessary or desirable actions within their control so that: (i) the Board remains at seven persons, with three nominees of Diversified; (ii) Jacobs continues to serve as Chief Executive Officer and Co-Chairman of the Board of Black Hawk; and (iii) their shares are voted at the Special Meeting in favor of the NASD Approval. In addition, once Diversified acquires 820,000 or more Shares of Black Hawk, Greenlee's and Day's Shares shall be voted in order to expand the Board to nine members with Diversified being entitled to nominate five members, to adopt staggered terms for the Board, and to elect Jacobs as Chief Executive Officer and Chairman of the Board of Directors.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.

(a) After the sale of the 190,476 Shares to Diversified, Black Hawk indicated to Diversified that the number of Shares outstanding as of November 12, 1996 was 2,672,034. As of such time, Diversified had beneficial ownership of 190,476 Shares. Therefore, Diversified has acquired 7.1% of the outstanding common stock of Black Hawk.

(b) Diversified has the sole power to vote and dispose of all 190,476 Shares. Because Jacobs is the sole Manager of Entertainment, the Manager of Diversified, Jacobs may be deemed to have sole power to vote or to direct the voting of the Shares and have

shared power with the Trust to dispose or to direct the disposition of the Shares. Jacobs disclaims the beneficial ownership of the Shares.

(c) Not Applicable.

(d) Not Applicable.

(e) Not Applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

The descriptions of the Transaction Documents set forth in Item 4 above and the text of the Transaction Documents attached as Exhibits hereto are incorporated herein by reference in their entirety. None of Diversified, the Trust, Entertainment or Jacobs is a party to any other contract, arrangement, understanding or relationship (legal or otherwise) with respect to any securities of Black Hawk that would have to be described pursuant to this Item 6.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

A. Credit Agreement dated as of July 31, 1996 by and between Diversified and Richard E. Jacobs.

B. Revolving Note dated as of July 31, 1996 executed by Diversified in favor of Richard E. Jacobs.

C. Guaranty dated as of July 31, 1996 executed by Jacobs in favor of Richard E. Jacobs.

D. Amended and Restated Purchase Agreement dated as of November 12, 1996, by and between Diversified and Black Hawk.

E. Convertible Note dated November 12, 1996, executed by Black Hawk in favor of Diversified.

F. Registration Agreement dated as of November 12, 1996, by and among Diversified, Black Hawk, Greenlee and Day.

G. Shareholders Agreement dated as of November 12, 1996, by and among Black Hawk, Diversified, Greenlee and Day.

H. Operating Agreement of Black Hawk/Jacobs Entertainment, LLC dated as of November 12, 1996, by and among Black Hawk, Diversified and BH.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

November 21, 1996

DIVERSIFIED OPPORTUNITIES GROUP LTD.

By: Jacobs Entertainment Ltd., its Manager

By: /s/ Jeffrey P. Jacobs

Jeffrey P. Jacobs, President

<TABLE>
<CAPTION>

EXHIBIT INDEX

Exhibit	Description	Page No.
<S>		<C>
A	Credit Agreement dated as of July 31, 1996 by and between Diversified and Richard E. Jacobs.	
B	Revolving Note dated as of July 31, 1996 executed by Diversified in favor of Richard E. Jacobs.	
C	Guaranty dated as of July 31, 1996 executed by Jacobs in favor of Richard E. Jacobs.	
D	Amended and Restated Purchase Agreement dated as of November 12, 1996, by and between Diversified and Black Hawk.	
E	Convertible Note dated November 12, 1996, executed by Black Hawk in favor of Diversified.	
F	Registration Agreement dated as of November 12, 1996, by and among Diversified, Black Hawk, Greenlee and Day.	
G	Shareholders Agreement dated as of November 12, 1996, by and between Black Hawk, Diversified, Greenlee and Day.	
H	Operating Agreement of Black Hawk/Jacobs Entertainment, LLC dated as of November 12, 1996, by and among Black Hawk, Diversified and BH.	

</TABLE>

EXHIBIT A

CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of July 31, 1996, is by and between Diversified Opportunities Group Ltd., an Ohio limited liability company (the "Borrower"), and RICHARD E. JACOBS, an individual (the "Lender"). Capitalized terms used herein are defined in Section 7.1 hereof.

ARTICLE I

REVOLVING CREDIT

Section 1.1 REVOLVING CREDIT. Lender hereby establishes for Borrower the following revolving credit (the "Revolving Credit") pursuant to which on the terms and subject to the conditions and provisions hereof (including, without limitation, the provisions of Section 6.15) Lender agrees to make loans (each a "Revolving Loan" and, collectively, the "Revolving Loans") to Borrower on a revolving basis at any time and from time to time from the date hereof to the Termination Date.

(a) AMOUNT. The amount of the Revolving Credit is thirty million dollars ($30,000,000), but that amount shall be automatically reduced from time to time when the revolving credit amount available to Lender under the First Bank Credit Agreement is reduced as provided in Section 2.14 of the First Bank Credit Agreement.

(b) TERM. The Revolving Credit shall remain in effect until the Termination Date, during which period Borrower may, subject to Section 6.15 hereof and the other terms and conditions of this Agreement, borrow, repay, and reborrow in accordance with the terms hereof, provided, that no Revolving Loan will be made in any amount which, after giving effect thereto, would cause the aggregate amount of all Revolving Loans then outstanding to exceed the Revolving Commitment Amount.

(c) REVOLVING COMMITMENT FEE. Borrower shall pay to Lender fees in an amount equal to $75,000 per annum for the period from the date of execution of this Agreement to the first day of the Term-Out Period (as defined in the First Bank Credit Agreement). Such fees are payable annually in advance on the date hereof and on each anniversary of the date hereof occurring prior to the first day of the Term-Out Period. Borrower shall also pay to Lender fees in an amount equal to .25% of the unpaid principal amount of all Revolving Loans as of the first day of the Term-Out Period and as of the first and second anniversaries thereof, payable in advance on each such date.

(d) PROCEDURE FOR REVOLVING LOANS. Whenever Borrower desires to obtain a Revolving Loan, Borrower shall give Lender an appropriate notice to

be in form and detail satisfactory to Lender (a "Credit Request"). The Credit Request shall be given to Lender not later than 10:00 a.m. (Cleveland, Ohio time) on the

sixth Business Day prior to the requested Revolving Loan Date, and shall either be made in writing or orally and, if orally, immediately confirmed in writing. Each Revolving Loan shall be in a minimum amount of $100,000 or, if more, an integral multiple thereof. Unless the Lender determines that any applicable condition specified in Article III has not been satisfied, the Lender will make available to Borrower in immediately available funds not later than 5:00 p.m. (Cleveland, Ohio time) on the requested Revolving Loan Date the amount of the Revolving Loan.

(e) TERMS AND CONDITIONS.

(i) Each Revolving Loan shall be in the principal amount requested by Borrower, provided, that in no event shall the aggregate principal balance of all Revolving Loans at any one time outstanding exceed the amount of the Revolving Commitment Amount.

(ii) Within two Business Days following its receipt of a Credit Request, the Lender shall establish and set forth on a schedule (each, a "Revolving Loan Schedule") the stated maturity date, the interest rate and the repayment terms applicable to the requested Revolving Loan and shall communicate, either orally or in writing, the same to Borrower. Upon its receipt of such information, Borrower shall thereafter have twenty-fours hours to revoke its Credit Request. If Borrower fails to notify Lender, in writing, of its decision to revoke its Credit Request, Borrower shall be deemed to have affirmed its Credit Request on the terms set forth on the applicable Revolving Loan Schedule.

(f) REVOLVING NOTE. Upon execution of this Agreement, Borrower shall execute and deliver to Lender a Revolving Note in the form and substance of Exhibit A attached to this Agreement. Lender shall from time to time attach as an allonge to the Revolving Note each Revolving Loan Schedule. Each such Revolving Loan Schedule shall be prima facie evidence of the date and amount of the Revolving Loan so indicated. The Lender shall enter in its ledgers and records the amount of each Revolving Loan and the payments made thereon, provided, however that the failure by the Lender to make any such entry or any error in making such entry shall not limit or otherwise affect the obligation of the Borrower hereunder and on the Revolving Note, and, in all events, the principal amounts owing by the Borrower in respect of the Revolving Note shall be the aggregate amount of all Revolving Loans made by the Lender less all payments of principal thereof made by the Borrower. Upon a request of Borrower, the Lender shall provide to the Borrower a copy of a schedule on which is set

forth the Lender's record of such Revolving Loans and payments.

(g) PREPAYMENTS. Each Revolving Loan Schedule shall set forth the rights, if any, of Borrower to prepay, whether in

whole or in part and whether without premium or penalty, a particular Revolving Loan.

(h) INCREASED COST. If Lender makes any payment contemplated by Section 2.22, 2.24 or 2.25 of the First Bank Credit Agreement, Borrower shall reimburse Lender its pro rata share of such amount or amounts on the basis of the total principal amount outstanding under this Credit Agreement and the total principal amount outstanding under the First Bank Credit Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

To induce the Lender to enter into this Agreement and to make Revolving Loans hereunder, the Borrower represents and warrants to the Lender:

Section 2.1 ORGANIZATION, EXISTENCE, ETC.. The Borrower is a limited liability company duly organized, validly existing and in full force and effect under the laws of the State of Ohio, and has all power and authority necessary to execute, deliver and perform the Borrower Loan Documents; Gary L. Bryenton and Jeffrey P. Jacobs as Trustees under The Opportunities Trust Trust Agreement dated February 1, 1996, and Jacobs Entertainment Ltd. are the sole members of Borrower; and the Borrower Loan Documents have been duly executed and delivered by and on behalf of the Borrower by a duly authorized representative of Borrower so as to constitute the Borrower Loan Documents the valid and binding obligations of the Borrower, enforceable against Borrower in accordance with their respective terms.

Section 2.2 NO CONFLICT; NO DEFAULT. The execution, delivery and performance by the Borrower of the Borrower Loan Documents will not (a) violate any provision of any law, statute, rule or regulation or any order, writ, judgment, injunction, decree, determination or award of any court, governmental agency or arbitrator presently in effect having applicability to Borrower, (b) violate any provision of the articles or organization or the operating agreement of Borrower, or (c) result in a breach of or constitute a default under any material indenture, loan or credit agreement or any other material agreement, lease or instrument to which Borrower is a party or by which

Borrower or any of Borrower's properties may be bound or result in the creation of any lien thereunder. Borrower is not in default under or in violation of any such law, statute, rule or regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, loan or credit agreement or other agreement, lease or instrument in any case in which the consequences of such default or violation would have a

material adverse effect on the business, operations, properties, assets or condition (financial or otherwise) of Borrower.

Section 2.3 GOVERNMENT CONSENT. No order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority is required on the part of Borrower to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, the Borrower Loan Documents, which has not been secured, except for any necessary filing or recordation of or with respect to the Borrower Loan Documents.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.1 CONDITIONS PRECEDENT TO ALL REVOLVING LOANS. The obligation of the Lender to make any Revolving Loans hereunder shall be subject to the fulfillment of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties contained in Article II shall be true and correct on and as of the date hereof and on the date of each Revolving Loan with the same force and effect as if made on such date.

(b) NO DEFAULT. No Event of Default (as defined in Section 5.1 hereof) shall have occurred and be continuing on the date hereof and on the date of each Revolving Loan no Default or Event of Default will exist after giving effect to the Revolving Loan made on such date.

(c) DELIVERIES. The Lender shall have received the Revolving Note duly executed by the Borrower dated the date hereof and shall have received such other documents (including, without limitation, financial statements, certificates regarding factual matters and legal opinions) as Lender may reasonably request.

(d) COMPLIANCE. The Borrower shall have performed and complied in all material respects with all agreements, terms and conditions contained in this Agreement to be performed or complied with at or prior to the time of the Revolving Loan Date.

(e) OTHER MATTERS. All instruments and agreements in connection with the transactions contemplated by this Agreement shall be satisfactory in scope, form and substance to the Lender and its counsel, and the Lender shall have received all information and copies of all documents as the Lender or its counsel may have requested in connection therewith, such

documents where appropriate to be certified by proper authorities.

(f) FEES AND EXPENSES. The Lender shall have received all fees and other amounts due and payable by the Borrower on or prior to the date of such Revolving Loan, including the reasonable fees and expenses of counsel to the Lender.

(g) NOTICES AND REQUESTS. The Lender shall have received the Borrower's request for such Revolving Loan as required under Section 1.1(d).

ARTICLE IV

COVENANTS

Until any obligation of the Lender hereunder to make the Revolving Loans shall have expired or been terminated and the Revolving Note and all of the other Obligations have been paid in full, unless the Lender shall otherwise consent in writing:

Section 4.1 DELIVERIES. From time to time, Borrower shall deliver to Lender such information regarding the business, operation and financial condition of Borrower as Lender may reasonably request.

Section 4.2 BOOKS AND RECORDS. Borrower will keep adequate and proper records and books of account in which full and correct entries will be made of its dealings, business and affairs.

Section 4.3 COMPLIANCE. Borrower will comply in all material respects with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject; provided, however,

that failure so to comply shall not be a breach of this covenant if such failure does not have, or is not reasonably expected to have, a materially adverse effect on the properties, business, prospects or condition (financial or otherwise) of Borrower and Borrower is acting in good faith and with reasonable dispatch to cure such noncompliance.

Section 4.4 MAINTENANCE OF EXISTENCE. Borrower shall at all times during the term of this Agreement maintain its existence as a limited liability company in full force and effect under the laws of the State of Ohio. No member of Borrower may withdraw as a member of Borrower and no member of Borrower shall sell, transfer, encumber, convey or assign all or any portion of its interest in Borrower.

Section 4.5 FURTHER ASSURANCES. Borrower shall promptly correct any defect or error that may be discovered in

any Borrower Loan Document or in the execution, acknowledgment or recordation thereof. Promptly upon request by Lender, Borrower also shall do, execute, acknowledge and deliver any and all certificates, assurances and other instruments as Lender may reasonably require from time to time in order: (a) to carry out more effectively the purposes of the Borrower Loan Documents; and (b) to better assure, convey, grant, assign, transfer, preserve, protect and confirm unto Lender the rights granted now or hereafter intended to be granted to Lender under any Borrower Loan Document or under any other instrument executed in connection with any Borrower Loan Document.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 5.1 EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an event of default (each, an "Event of Default"):

(a) The Borrower shall fail to make (i) when due, whether by acceleration or otherwise, any payment of principal of or interest on the Revolving Note or (ii) within five (5) calendar days after same becomes due, any other Obligation required to be made to the Lender pursuant to this Agreement.

(b) Any representation or warranty made by Borrower in this Agreement or any other Borrower Loan Document or by any Borrower in any certificate, statement, report, or document herewith or hereafter furnished to

the Lender pursuant to this Agreement or any other Borrower Loan Document shall prove to have been false or misleading in any material respect on the date as of which the facts set forth are stated or certified.

(c) Borrower shall fail to comply with any other agreement, covenant, condition, provision or term contained in this Agreement (other than those hereinabove set forth in this Section 5.1) and such failure to comply shall continue for thirty (30) calendar days after whichever of the following dates is the earliest: (i) the date Borrower gives notice of such failure to the Lender or (ii) the date the Lender gives notice of such failure to Borrower.

(d) Borrower shall become insolvent or shall generally not pay its debts as they mature or shall apply for, shall consent to, or shall acquiesce in the appointment of a custodian, trustee or receiver of Borrower or for a substantial part of the property thereof or, in the absence of such application, consent or acquiescence, a custodian, trustee or receiver shall be appointed for Borrower or for a substantial part of the property thereof and shall not be discharged within 90 days, or Borrower shall make an assignment for the benefit of creditors.

(e) Any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law shall be instituted by or against Borrower, and, if instituted against Borrower, shall have been consented to or acquiesced in by Borrower, or shall remain undismissed for 90 days, or any order for relief shall have been entered against Borrower.

Section 5.2 REMEDIES. If (a) any Event of Default described in Sections 5.1(d) or (e) shall occur with respect to Borrower, the Revolving Commitment shall automatically terminate and the Revolving Note and all other Obligations shall automatically become immediately due and payable; or (b) any other Event of Default shall occur and be continuing, then the Lender may (i) declare the Revolving Commitment terminated, whereupon the Revolving Commitment shall terminate, and (ii) declare the outstanding unpaid principal balance of the Revolving Note, the accrued and unpaid interest thereon and all other Obligations to be forthwith due and payable, whereupon the Revolving Note, all accrued and unpaid interest thereon and all such Obligations shall immediately become due and payable, in each case without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything in this Agreement or in the Revolving Note to the contrary notwithstanding. Upon the occurrence of any of the events described in clauses (a) or (b) of the preceding sentence, the Lender may exercise all rights and remedies under any of the Borrower Loan Documents, and enforce all rights and remedies under any

applicable law.

ARTICLE VI

MISCELLANEOUS

Section 6.1 MODIFICATIONS. Notwithstanding any provisions to the contrary herein, any term or condition of this Agreement may be amended with the written consent of the Borrower; provided that no amendment, modification or waiver of any provision of this Agreement or consent to any departure by Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by the Lender, and then such amendment, modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

Section 6.2 EXPENSES. Whether or not the transactions contemplated hereby are consummated, the Borrower agrees to reimburse the Lender upon demand for all reasonable out-of-pocket expenses paid or incurred by the Lender (including fees and expenses of counsel to the Lender) in connection with the negotiation, preparation, approval, review, execution, delivery, administration, amendment, modification and interpretation of this Agreement and the other Borrower Loan Documents. The

Borrower shall also reimburse the Lender upon demand for all reasonable out-of-pocket expenses (including expenses of legal counsel) paid or incurred by the Lender in connection with the collection and enforcement of this Agreement and any other Borrower Loan Document following a default hereunder by Borrower. The Borrower shall also reimburse the Lender upon demand for all fees, costs and expenses, of whatever nature, paid or incurred by Lender under the First Bank Credit Agreement. The obligations of the Borrower under this Section shall survive any termination of this Agreement.

Section 6.3 WAIVERS, ETC. No failure on the part of the Lender or the holder of the Revolving Note to exercise and no delay in exercising any power or right hereunder or under any other Borrower Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The remedies herein and in the other Borrower Loan Documents provided are cumulative and not exclusive of any remedies provided by law.

Section 6.4 NOTICES. Except when telephonic notice is

expressly authorized by this Agreement, any notice or other communication to any party in connection with this Agreement shall be in writing and shall be sent by manual delivery, telegram, telex, facsimile transmission, overnight courier or United States mail (postage prepaid), registered or certified, return receipt requested, addressed to such party at the address specified to the other party hereto in writing, in accordance with this Section 6.4 (and, in the case of any such notice or other communication by telegram, telex or facsimile transmission, a "hard" copy of same shall also be sent by manual delivery, overnight courier or United States mail (postage prepaid), registered or certified, return receipt requested). All periods of notice shall be measured from the date of delivery thereof if manually delivered, from the date of sending thereof if sent by telegram, telex or facsimile transmission, from the first Business Day after the date of sending if sent by overnight courier, or from four days after the date of mailing if mailed.

Section 6.5 TAXES. The Borrower agrees to pay, and save the Lender harmless from all liability for, any stamp or other taxes which may be payable with respect to the execution or delivery of this Agreement or the issuance of the Revolving Note, which obligation of the Borrower shall survive the termination of this Agreement.

Section 6.6 SUCCESSORS AND ASSIGNS; DISPOSITION OF LOANS; TRANSFEREES. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns, except that Borrower may not assign its rights or delegate its obligations

hereunder or under any other Borrower Loan Document without the prior written consent of the Lender.

Section 6.7 GOVERNING LAW AND CONSTRUCTION. THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS AGREEMENT AND THE REVOLVING NOTE SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO, WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPALS THEREOF. Whenever possible, each provision of this Agreement and the other Borrower Loan Documents and any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto shall be interpreted in such manner as to be effective and valid under such applicable law, but, if any provision of this Agreement, the other Borrower Loan Documents or any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto shall be held to be prohibited or invalid under such applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement, the

other Borrower Loan Documents or any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto.

Section 6.8 CONSENT TO JURISDICTION. AT THE OPTION OF THE LENDER, THIS AGREEMENT AND THE OTHER BORROWER LOAN DOCUMENTS MAY BE ENFORCED IN ANY FEDERAL COURT OR OHIO STATE COURT SITTING IN CLEVELAND, CUYAHOGA COUNTY, OHIO; AND BORROWER CONSENTS TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUMS IS NOT CONVENIENT. IN THE EVENT BORROWER COMMENCES ANY ACTION IN ANOTHER JURISDICTION OR VENUE UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT, THEN LENDER AT ITS OPTION SHALL BE ENTITLED TO HAVE THE CASE TRANSFERRED TO ONE OF THE JURISDICTIONS AND VENUES ABOVE-DESCRIBED, OR IF SUCH TRANSFER CANNOT BE ACCOMPLISHED UNDER APPLICABLE LAW, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.

Section 6.9 WAIVER OF JURY TRIAL. BORROWER AND LENDER IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER BORROWER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 6.10 SURVIVAL OF AGREEMENT. All representations, warranties, covenants and agreement made by Borrower herein or in the other Borrower Loan Documents and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Borrower Loan Document shall be deemed to have been relied upon by the Lender and shall survive the making of the Revolving Loan by the Lender and the execution and delivery to Lender by Borrower of the Revolving Note, regardless of any investigation made by or on behalf of the Lender, and shall continue in full

force and effect as long as any Obligation is outstanding and unpaid and so long as the Revolving Commitment has not been terminated; provided, however, that the obligations of the Borrower under Sections 6.2, 6.5 and 6.11 shall survive payment in full of the Obligations and the termination of the Revolving Commitment.

Section 6.11 INDEMNIFICATION. The Borrower hereby agrees to defend, protect, indemnify and hold harmless the Lender and the employees and agents of the Lender (each of the foregoing being an "Indemnitee" and all of the foregoing being collectively the "Indemnitees") from and against any and all claims, actions, damages, liabilities, judgments, costs and expenses (including all reasonable fees and disbursements of counsel which may be incurred in the investigation or defense of any matter) imposed upon, incurred by or asserted against any Indemnitee, whether direct, indirect or consequential and whether

based on any federal, state, local or foreign laws or regulations (including securities laws, environmental laws, commercial laws and regulations), under common law or on equitable cause, or on contract or otherwise:

(a) by reason of, relating to or in connection with the execution, delivery, performance or enforcement of any Borrower Loan Document, any commitments relating thereto, or any transaction contemplated by any Borrower Loan Document; or

(b) by reason of, relating to or in connection with any credit extended or used under the Borrower Loan Documents or any act done or omitted by any Person, or the exercise of any rights or remedies thereunder;

provided, however, that Borrower shall not be liable to any Indemnitee for any portion of such claims, damages, liabilities and expenses resulting from such Indemnitee's gross negligence or willful misconduct. In the event this indemnity is unenforceable as a matter of law as to a particular matter or consequence referred to herein, it shall be enforceable to the full extent permitted by law as to any other matter or consequence referred to in this Agreement.

This indemnification applies, without limitation, to any act, omission, event or circumstance existing or occurring on or prior to the later of the Termination Date or the date of payment in full of the Obligations, including specifically Obligations arising under clause (b) of this Section. The indemnification provisions set forth above shall be in addition to any liability the Borrower may otherwise have under this Agreement or any other Borrower Loan Document. Without prejudice to the survival of any other obligation of the Borrower hereunder the indemnities and obligations of the Borrower contained in this Section shall survive for a period of five (5) years following

the payment in full of the Obligations, except that any claim by any Indemnitee which has been asserted and as to which the Borrower has been notified prior to the expiration of such five-year period shall survive until such claim is settled or adjudicated or otherwise disposed of.

Section 6.12 CAPTIONS. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provision of this Agreement.

Section 6.13 ENTIRE AGREEMENT. This Agreement and the other Borrower Loan Documents embody the entire agreement and understanding between the Borrower and the Lender with respect to the subject matter hereof and

thereof. This Agreement supersedes all prior agreements and understandings relating to the subject matter hereof. Nothing contained in this Agreement or in any other Borrower Loan Document, expressed or implied, is intended to confer upon any Persons other than the parties hereto any rights, remedies, obligations or liabilities hereunder or thereunder.

Section 6.14 COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 6.15 BORROWER ACKNOWLEDGMENT. Borrower acknowledges that Lender is subject to the terms, conditions and limitations of the First Bank Credit Agreement. Borrower agrees that to the extent that any of such provisions adversely affect Lender's ability (i) to perform hereunder (including, without limitation, by increasing the cost to Lender of making Revolving Loans) or (ii) to make Revolving Loans hereunder, Lender shall be released from such performance (including, without limitation, its obligation to make Revolving Loans) without incurring liability to Borrower hereunder. Further, upon the termination of the First Bank Credit Agreement or the ability of Lender to obtain loans thereunder, for any reason whatsoever, the obligation of Lender to make Revolving Loans hereunder shall terminate.

Section 6.16 PERSONAL LIABILITY. Notwithstanding anything herein contained to the contrary, Lender agrees to look solely to the trust estate of any trust which is or becomes a Borrower hereunder for redress in the event of any action or claims against such trust arising under this Agreement, regardless of whether such Borrower has any personal liability hereunder, and no trustee, co-trustee or successor trustee shall have any personal liability under this Agreement. No member of Borrower shall be personally liable for the repayment of any costs or expenses under this Agreement or for principal or interest under the Revolving Note.

ARTICLE VII

DEFINITIONS

Section 7.1 DEFINED TERMS. As used in this Agreement the following terms shall have the following respective meanings (and such meanings shall be equally applicable to both the singular and plural form of the terms defined, as the context may require):

"BORROWER LOAN DOCUMENTS": This Agreement, the Revolving Note and any other agreement or instrument executed in connection with the transactions contemplated by this Agreement.

"BUSINESS DAY": Any day (other than a Saturday, Sunday or legal holiday in the State of Minnesota) on which national banks are not authorized or required to close for business in Minneapolis, Minnesota.

"FIRST BANK CREDIT AGREEMENT" The Credit Agreement, dated July 31, 1996, among Richard E. Jacobs, Richard E. Jacobs, as Grantor and Trustee of the Richard E. Jacobs Revocable Living Trust under Agreement dated April 23, 1987, as amended by Modifications to said Trust dated February 16, 1988, January 23, 1992, June 29, 1992 and Restatement of Trust dated August 1, 1994, Jacobs Realty Investors Limited Partnership and First Bank National Association.

"OBLIGATIONS": The Borrower's obligations in respect of the due and punctual payment of principal of and interest on the Revolving Note when and as due, whether by acceleration or otherwise and all fees, expenses, indemnities, reimbursements and other obligations of the Borrower under this Agreement or any other Borrower Loan Document, in all cases whether now existing or hereafter arising or incurred.

"PERSON": Any natural person, corporation, partnership, limited partnership, limited liability company, joint venture, firm, association, trust, unincorporated organization, government or governmental agency or political subdivision or any other entity, whether acting in an individual, fiduciary or other capacity.

"REVOLVING COMMITMENT": As defined in Section 1.1.

"REVOLVING COMMITMENT AMOUNT": Initially $30,000,000 but as the same may be reduced from time to time pursuant to Section 1.1(a).

"REVOLVING COMMITMENT ENDING DATE": July 31, 1999, or, if Richard E. Jacobs dies prior to July 31, 1999, the date of his death.

"REVOLVING LOAN": As defined in Section 1.1.

"REVOLVING LOAN DATE": The date of the making of any Revolving Loan hereunder.

"REVOLVING LOAN SCHEDULE": As defined in Section 1.1(e)(ii).

"REVOLVING NOTE" A promissory note of the Borrower in the form of Exhibit A hereto.

"TERMINATION DATE": The earliest of (a) the Revolving Commitment Ending Date, (b) the date on which the Revolving Commitment is terminated pursuant to Section 5.2 hereof, (c) the date on which the Revolving Commitment Amount is reduced to zero pursuant to Section 1.1(a) hereof or (d) the date on which the First Bank Credit Agreement is terminated or the date the lender thereunder is no longer obligated to make revolving loans thereunder.

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

LENDER:

/s/ RICHARD E. JACOBS

Richard E. Jacobs

BORROWER:

DIVERSIFIED OPPORTUNITIES GROUP, LTD.

By: Jacobs Entertainment Ltd.

By /s/ JEFFREY P. JACOBS

Title: President

And By: The Opportunities Trust

By /s/ JEFFREY P. JACOBS

Jeffrey P. Jacobs, Trustee

And By /s/ GARY L. BRYENTON

Gary L. Bryenton, Trustee

EXHIBIT A

REVOLVING NOTE

$30,000,000

July 31, 1996
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, Diversified Opportunities Group Ltd., an Ohio limited liability company (the "Borrower"), promises to pay to the order of RICHARD E. JACOBS, an individual (the "Lender"), at 25425 Center Ridge Road, Cleveland, Ohio 44145, in lawful money of the United States of America in immediately available funds, the principal amount of THIRTY MILLION AND NO/100 DOLLARS ($30,000,000) or, if less, the aggregate principal amount of all advances (each, an "Advance" and, collectively, the "Advances") made hereunder at the times set forth in the Credit Agreement, of even date herewith, by and between Richard E. Jacobs and Borrower (the "Credit Agreement"), and to pay interest (computed on the basis of actual days elapsed and a year of 360 days) in like funds on the unpaid principal amount hereof from time to time outstanding at the rates and times set forth in the Credit Agreement, provided that in any event the entire unpaid principal balance hereof, together with all accrued and unpaid interest hereon, if not sooner paid, shall be due and payable in full on the Maturity Date (as defined in the Credit Agreement).

This note is the Revolving Note referred to in the Credit Agreement. This note is subject to certain permissive prepayments upon the terms provided in the Credit Agreement.

Lender shall enter in his records the amount of each Advance made and the payments made thereon, and Lender is authorized by Borrower to enter on a schedule attached to this Revolving Note a record of such Advances and payments; provided, however that the failure by Lender to make any such entry or any error in making such entry shall not limit or otherwise affect the obligation of the Borrower hereunder, and, in all events, the principal amounts owning by Borrower in respect of this Revolving Note shall be the aggregate amount of all Advances made by Lender less all payments of principal thereof made by the Borrower. Upon request of Borrower, Lender shall provide Borrower a copy of a schedule on which is set forth Lender's record of such Advances and payments.

Upon the occurrence of any one or more or the following events the Lender's obligations to make Advances under the Credit Agreement shall automatically terminate and this Revolving Note shall automatically become immediately due and payable without any further action on the part of Lender:

(a) Borrower shall become insolvent or shall generally not pay

Borrower's debts as they mature or shall apply for, shall consent to, or shall acquiesce in the appointment of a custodian, trustee or receiver for Borrower or for a substantial part of Borrower's property or, in the absence of such application, consent or acquiescence, a custodian, trustee or receiver shall be appointed for Borrower or for a substantial part of Borrower's property and shall not be discharged within 90 days, or Borrower shall make an assignment for the benefit of creditors; or

(b) Any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law shall be instituted by or against Borrower, and, if instituted against Borrower, shall have been consented to or acquiesced in by Borrower, or shall remain undismissed for 90 days, or an order for relief shall have been entered against Borrower.

Borrower shall pay all costs and expenses, including reasonable attorneys' fees, incurred by Lender in connection with the enforcement of Lender's rights hereunder or under the Credit Agreement or in connection with the collection of this Revolving Note or any Advances made hereunder.

The undersigned waives presentment, notice of nonpayment, protest, notice of protest, notice of default and notice of dishonor.

THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS NOTE SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

BORROWER:

DIVERSIFIED OPPORTUNITIES GROUP, LTD.

By: Jacobs Entertainment Ltd.

By_____
Title:_____

And By: The Opportunities Trust

By_____
Jeffrey P. Jacobs, Trustee

And By_____
Gary L. Bryenton, Trustee

EXHIBIT B

REVOLVING NOTE

$30,000,000

July 31, 1996
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, Diversified Opportunities Group Ltd., an Ohio limited liability company (the "Borrower"), promises to pay to the order of RICHARD E. JACOBS, an individual (the "Lender"), at 25425 Center Ridge Road, Cleveland, Ohio 44145, in lawful money of the United States of America in immediately available funds, the principal amount of THIRTY MILLION AND NO/100 DOLLARS ($30,000,000) or, if less, the aggregate principal amount of all advances (each, an "Advance" and, collectively, the "Advances") made hereunder at the times set forth in the Credit Agreement, of even date herewith, by and between Richard E. Jacobs and Borrower (the "Credit Agreement"), and to pay interest (computed on the basis of actual days elapsed and a year of 360 days) in like funds on the unpaid principal amount hereof from time to time outstanding at the rates and times set forth in the Credit Agreement, provided that in any event the entire unpaid principal balance hereof, together with all accrued and unpaid interest hereon, if not sooner paid, shall be due and payable in full on the Maturity Date (as defined in the Credit Agreement).

This note is the Revolving Note referred to in the Credit Agreement. This note is subject to certain permissive prepayments upon the terms provided in the Credit Agreement.

Lender shall enter in his records the amount of each Advance made and the payments made thereon, and Lender is authorized by Borrower to enter on a schedule attached to this Revolving Note a record of such Advances and payments; provided, however that the failure by Lender to make any such entry or any error in making such entry shall not limit or otherwise affect the obligation of the Borrower hereunder, and, in all events, the principal amounts owning by Borrower in respect of this Revolving Note shall be the aggregate amount of all Advances made by Lender less all payments of principal thereof made by the Borrower. Upon request of Borrower, Lender shall provide Borrower a copy of a schedule on which is set forth Lender's record of such Advances and payments.

Upon the occurrence of any one or more or the following events the Lender's obligations to make Advances under the Credit Agreement shall automatically terminate and this Revolving Note shall automatically become immediately due and payable without any further action on the part of Lender:

(a) Borrower shall become insolvent or shall generally not pay Borrower's debts as they mature or shall apply for, shall consent to, or shall

acquiesce in the appointment of a custodian, trustee or receiver for Borrower or for a substantial part of

Borrower's property or, in the absence of such application, consent or acquiescence, a custodian, trustee or receiver shall be appointed for Borrower or for a substantial part of Borrower's property and shall not be discharged within 90 days, or Borrower shall make an assignment for the benefit of creditors; or

(b) Any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law shall be instituted by or against Borrower, and, if instituted against Borrower, shall have been consented to or acquiesced in by Borrower, or shall remain undismissed for 90 days, or an order for relief shall have been entered against Borrower.

Borrower shall pay all costs and expenses, including reasonable attorneys' fees, incurred by Lender in connection with the enforcement of Lender's rights hereunder or under the Credit Agreement or in connection with the collection of this Revolving Note or any Advances made hereunder.

The undersigned waives presentment, notice of nonpayment, protest, notice of protest, notice of default and notice of dishonor.

No member of Borrower shall be personally liable for the repayment of principal, interest, costs or expenses under this note.

THE VALIDITY, CONSTRUCTION AND ENFORCEABILITY OF THIS NOTE SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

BORROWER:

DIVERSIFIED OPPORTUNITIES GROUP, LTD.

By: Jacobs Entertainment Ltd.

By /s/ Jeffrey P. Jacobs

Title: President

And By: The Opportunities Trust

By /s/ Jeffrey P. Jacobs

Jeffrey P. Jacobs, Trustee

And By /s/ Gary L. Bryenton

Gary L. Bryenton, Trustee

EXHIBIT C

GUARANTY

GUARANTY, dated as of July 31, 1996, made by Jeffrey P. Jacobs, an individual (the "Guarantor"), in favor of Richard E. Jacobs, an individual (the "Lender").

W I T N E S S E T H :

WHEREAS, the Lender has entered into a Credit Agreement, of even date herewith (as amended or supplemented from time to time, the "Credit Agreement", the terms defined therein and not otherwise defined herein being used herein as therein defined), with Diversified Opportunities Group Ltd., a limited liability company organized and existing under the laws of the State of Ohio (the "Borrower"), pursuant to which the Lender has agreed to lend to the Borrower up to $30,000,000 on a revolving credit basis on the terms and conditions contained in the Credit Agreement (the "Loan");

WHEREAS, the Guarantor owns a 99% membership interest in Jacobs Entertainment Ltd., an Ohio limited liability company;

WHEREAS, Jacobs Entertainment Ltd. owns a 50% membership interest in Borrower; and

WHEREAS, it is a condition precedent to the making of the Loan by the Lender that the Guarantor shall have executed and delivered this Guaranty.

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to make the Loan in accordance with the Credit Agreement, the Guarantor hereby agrees as follows:

1. GUARANTY. The Guarantor hereby unconditionally and absolutely (i) guarantees the full and prompt payment, when due, of the principal and interest and other sums payable from time to time, and the performance, when due, of Borrower's Obligations (as defined below), including, without limitation, the duties, obligations and undertakings of the Borrower now or hereafter existing pursuant to the Borrower Loan Documents (as defined in the Credit Agreement) (all of the foregoing, collectively the "Obligations"), and (ii) agrees to pay any and all expenses incurred by the Lender in enforcing any rights under this Guaranty. The Obligations, together with the obligations of the Guarantor set forth in clause (ii) of the foregoing sentence, are sometimes collectively referred to herein as the "Guaranteed Obligations."

2. GUARANTY ABSOLUTE. The Guarantor guarantees that the Obligations will be paid or performed, as the case may be, strictly in

accordance with the terms of the Credit Agreement and the other applicable Borrower Loan Documents, regardless of any

law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Lender with respect thereto. The liability of the Guarantor under this Guaranty shall be absolute, unconditional and irrevocable irrespective of:

(a) Any illegality, irregularity, invalidity or unenforceability of the Credit Agreement or the other Borrower Loan Documents or any other agreement or instrument relating to Borrower's Obligations or any legal or equitable defenses or rights available to the Borrower under or with respect thereto, or by any modification, release, or other alteration of any of the Obligations or of any other security therefor, or by any agreements or arrangements whatever with the Borrower or anyone else;

(b) Any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the Credit Agreement or any other Borrower Loan Document, with or without notice to the Guarantor (including, without limitation, the granting to the Borrower of any indulgences or extension of time for any payment or payments or for performance of any Obligation, the acceptance of partial performance, payment or payments by the Borrower, the exchange, release or replacement of any security or collateral, and the agreement to any modifications or amendments thereof);

(c) Any release or amendment or waiver of or consent to departure from any other guaranty for all or any of the Obligations; or

(d) Any other circumstance which might otherwise constitute a defense (other than payment) available to, or a discharge of, the Borrower in respect of the Obligations or the Guarantor in respect of this Guaranty.

3. SUBROGATION.

(a) The Guarantor shall be subrogated to all rights of the Lender against the Borrower in respect of any amounts paid by the Guarantor pursuant to the provisions of this Guaranty. Notwithstanding the foregoing, the Guarantor agrees that it will never have, and hereby waives and disclaims, any claim or right against the Borrower by way of subrogation or otherwise in respect of any payment that the Guarantor may be required to make hereunder, to the extent that such claim or right would cause the Guarantor to be a "creditor" of the Borrower for purposes of Title 11 of the United States Code, as now or hereafter amended, or any other Federal or state bankruptcy, insolvency,

receivership or similar law, during the period of one year prior to filing of a petition thereunder by or against the Borrower.

3

(b) Notwithstanding the foregoing, the Guarantor shall not exercise any rights which it may acquire by way of subrogation under this Guaranty, by any payment made hereunder or otherwise, until all the Obligations shall have been paid in full and Borrower shall have no further obligation under the Credit Agreement to make Revolving Loans (as defined in the Credit Agreement). If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all the Obligations shall not have been paid in full and the Lender's obligation to make Revolving Loans under the Credit Agreement shall not have terminated, such amount shall be held in trust for the benefit of the Lender and shall forthwith be paid to the Lender to be credited and applied against the Obligations in accordance with the terms of the Credit Agreement or the other Borrower Loan Documents, as the case may be. If (i) the Guarantor shall make payment to the Lender of all or any part of the Obligations and (ii) all the Obligations shall be paid in full and the Lender's obligation to make Revolving Loans under the Credit Agreement shall have terminated, the Lender will, at the request of Guarantor, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Obligations resulting from such payment by the Guarantor.

4. ACCELERATION OF LIABILITIES. If the Borrower or the Guarantor should at any time become insolvent or if a petition in bankruptcy or any insolvency or reorganization proceeding shall be filed or commenced by, against or in respect of the Borrower or the Guarantor, any and all liabilities and obligations of the Guarantor shall not be released, mitigated or otherwise affected thereby, and shall, at the option of the Lender, forthwith become due and payable without notice.

5. CONTINUING GUARANTY; TRANSFER OF NOTES. This Guaranty is a continuing guaranty and shall (i) remain in full force and effect until payment in full of the Guaranteed Obligations and all other amounts payable to the Lender under this Guaranty, (ii) be binding upon the Guarantor and its successors, transferees and assigns, and (iii) inure to the benefit of and be enforceable by the Lender and successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), the Lender may assign or otherwise transfer the Revolving Note (as defined in the Credit Agreement) or any participation therein separately or together with any security, to any other person or entity, and such other person or entity shall thereupon become vested with all the rights in respect thereof granted to the Lender herein or

otherwise.

6. REPRESENTATIONS AND WARRANTIES. In addition to and independent of any other obligation or liability under this

Guaranty, the Guarantor hereby represents and warrants to the Lender as follows:

(a) No consent, approval or authorization of, or registration or declaration with, any governmental authority of the United States or the State of Ohio is required in connection with the execution, delivery and performance by the Guarantor of this Guaranty;

(b) The Guarantor owns a 99% membership interest in Jacobs Entertainment Ltd. and such membership interest is validly issued, fully paid and nonassessable;

(c) The execution and delivery of and performance under this Guaranty by the Guarantor and the consummation of the transactions contemplated thereby: (a) do not and will not breach or contravene or result in a default under (i) any material written agreement or instrument to which the Guarantor is a party or by which he or any of his assets are bound, or (ii) any judgment, decree, or order of any court or of any federal, state, or other regulatory authority or other governmental body having jurisdiction over the Guarantor, any law, rule, regulation of the United States or the State of Ohio applicable to him or his properties; and (b) do not and will not result in or cause the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of his properties or accelerate the maturity of any indebtedness of the Guarantor under any document referred to in clause (a)(i) above;

(d) This Guaranty constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms;

(e) Guarantor is not, and by the execution and delivery of this Guaranty will not be, (i) in default under any indenture, contract or agreement to which he is a party or by which he is bound or for which a waiver or consent has not been obtained, (ii) in default with respect to any order, writ, injunction or decree of any court, or (iii) in default under any order or license of any federal or state governmental department, which default or violation in any of the aforesaid cases materially and adversely affects his business or property;

(f) Any and all balance sheets, net worth statements and other financial data with respect to the Guarantor which have heretofore been given to Lender by or on behalf of the Guarantor fairly and accurately present the financial condition of the Guarantor as of the respective dates thereof, and, since the respective dates thereof, there has been no materially adverse change in the financial condition of the Guarantor; and

(g) There are no facts or circumstances of any kind or nature whatsoever of which the Guarantor is aware which could in any way impair or prevent the Borrower from performing Borrower's Obligations or the Guarantor from performing his obligations under this Guaranty.

7. INDEMNIFICATION. The Guarantor hereby indemnifies the Lender and agrees to defend and hold harmless the Lender from and against (a) any loss, cost, damage or expense occurring by reason of the inaccuracy of any representation or warranty contained herein or the breach or nonfulfillment of any of the Guarantor's obligations contained herein and (b) the loss, mitigation, subordination or other consequences adverse to the Lender by reason of any payment or other performance of the Guaranteed Obligations or this Guaranty being challenged as a preference or suffering any other subjugation under any bankruptcy or other law, whether state or federal, affecting debtors, creditors and/or the relationship between and among them.

8. NO ADVANCES OR ENFORCEMENT. The Guarantor shall make no loan or advance to the Borrower nor take any steps to enforce any obligation of the Borrower to the Guarantor so long as this Guaranty remains in effect. Nothing in the foregoing sentence, however, is intended or shall be deemed to preclude a contribution to capital, equity investment or other infusion of at-risk funds in the Borrower which is not a loan or other priority repayment obligation of the Borrower.

9. NO RESORT TO OTHER REMEDIES. The Lender shall have no obligation to resort to any other party or to any other security or collateral held by the Lender and shall not have any obligation to exhaust any remedies the Lender might have against the Borrower before calling upon the Guarantor for performance hereunder, and the Guarantor hereby waives any right he may have to require the Lender to proceed against the Borrower or to require the Lender to pursue any other remedy or enforce any other right.

10. NOTICES. All demands, notices and other communications provided for hereunder shall be addressed as follows: if to the Guarantor, addressed to him at 1231 Main Avenue, Cleveland, Ohio 44113; if to the Lender, addressed to him at 25425 Center Ridge Road, Cleveland, Ohio 44145; or as to

each party at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such demands, notices and other communications shall be addressed as aforesaid, mailed, delivered or otherwise sent as set forth in the Credit Agreement and shall be deemed effective as of the times prescribed therefor as set forth in the Credit Agreement.

11. CERTAIN WAIVERS. The Guarantor hereby waives promptness, diligence, demand, presentment and protest of any instrument, and notice thereof, notice of acceptance, default and any other notice with respect to any of the Obligations and this Guaranty and any requirement that the Lender protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right or take any action against the Borrower or any other person or entity.

12. EFFECTIVENESS; REINSTATEMENT. This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any whole or partial payment or performance of any Guaranteed Obligation is or is sought to be rescinded or must otherwise be restored or returned by the Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower, all as though such payments and performance had not been made. Without limiting the generality of the foregoing, this Guaranty shall remain in full force and effect until thirteen calendar months have elapsed since the full payment and performance of all Guaranteed Obligations and, in such case, thereafter if and so long as there is pending at the end of such thirteen month period against the Borrower or against the Guarantor a proceeding under any federal or state bankruptcy or insolvency law. Notwithstanding anything to the contrary contained herein, if following any payment of the Obligations to the Lender it is determined by a final decision of a court of competent jurisdiction that such payment shall be avoided by a trustee in bankruptcy (including any debtor-in-possession) as a preference under 11 U.S.C. Section 547 and such payment is repaid by the Lender to such trustee in bankruptcy, then and to the extent of such repayment, the Guaranteed Obligations with respect to such payment shall be reinstated and this Guaranty shall remain in full force and effect.

13. SERVICE OF PROCESS; WAIVER OF IMMUNITIES.

(a) The Guarantor irrevocably consents to the service of any and all process in any action or proceeding arising out of or relating to this Guaranty by the mailing of copies of such process to the Guarantor at his address as specified in Section 10. The Guarantor agrees that a final judgment

in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Nothing in this section shall affect the right of the Lender to serve legal process in any other manner permitted by law or affect the right of the Lender to bring any action or proceeding against the Guarantor or his properties in the courts of any other jurisdictions.

14. FINANCIAL STATEMENTS. Upon the request of Lender, the Guarantor shall provide to the Lender, within 90 days following the end of each calendar year while this Guaranty is in effect, a net worth statement of the Guarantor in the form required by the Lender.

15. EVENT OF DEFAULT. The occurrence of any of the following events shall constitute an Event of Default under this Agreement:

(a) An Event of Default (as defined in the Credit Agreement) shall have occurred under the Credit Agreement;

(b) Any representation or warranty made by Guarantor in this Guaranty shall prove to have been incorrect in any material respect when made;

(c) Guarantor shall fail to perform or observe any term, covenant or agreement contained in this Guaranty on Guarantor's part to be performed or observed, and such failure shall remain unremedied for 30 days after written notice thereof shall have been given to Guarantor; or

(d) This Guaranty shall, at any time after its execution and delivery and for any reason, cease to be in full force and effect or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by Guarantor.

Upon the occurrence of an Event of Default hereunder, the Lender may exercise any and all rights and remedies the Lender may have hereunder or at law or in equity, including, without limitation, calling upon the Guarantor for performance hereunder.

16. MISCELLANEOUS.

(a) In case one or more of the provisions contained in this Guaranty shall for any reason be held to be invalid, illegal or unenforceable in

any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Guaranty, but this Guaranty shall be construed as if such invalid, illegal or unenforceable provision or provisions had not been contained herein.

(b) This Guaranty may be assigned by the Lender, in whole or in part, and shall be construed liberally in favor of the Lender and its successors and assigns.

(c) No amendment or waiver of any provisions of this Guaranty nor consent to any departure therefrom by the Guarantor shall in any event be effective unless the same shall be in

writing and signed by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(d) No failure or delay on the part of the Lender in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

(e) This Guaranty, all acts and transactions hereunder, and the rights and obligations of the parties hereto shall be governed, construed and interpreted according to the laws of the State of Ohio, shall be binding upon the successors, heirs, legal representatives and assigns of the Guarantor and shall inure to the benefit of the Lender and its successors and assigns and any subsequent holder of the Revolving Note.

17. WAIVER OF JURY TRIAL. THE GUARANTOR HEREBY, AND THE LENDER BY ITS ACCEPTANCE HEREOF, WAIVES THE RIGHT OF A JURY TRIAL IN EACH AND EVERY ACTION ON THIS GUARANTY OR ANY OF THE OTHER LOAN DOCUMENTS, IT BEING ACKNOWLEDGED AND AGREED THAT ANY ISSUES OF FACT IN ANY SUCH ACTION ARE MORE APPROPRIATELY DETERMINED BY THE COURTS.

18. CONSENT TO JURISDICTION AND VENUE. THE GUARANTOR HEREBY CONSENTS AND SUBJECTS HIMSELF TO THE JURISDICTION OF COURTS OF THE STATE OF OHIO AND FEDERAL COURTS LOCATED IN OHIO, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, TO THE VENUE OF SUCH COURTS IN CUYAHOGA COUNTY, OHIO.

IN WITNESS WHEREOF, the Guarantor has executed this Guaranty at Cuyahoga County, Ohio as of July 31, 1996.

/s/ Jeffrey P. Jacobs

Jeffrey P. Jacobs

Exhibit D

AMENDED AND RESTATED PURCHASE AGREEMENT

THIS AMENDED AND RESTATED PURCHASE AGREEMENT (this "Agreement") is made and entered into as of the _____ day of November, 1996, by and between BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC., a Colorado corporation ("Seller"), and DIVERSIFIED OPPORTUNITIES GROUP LTD., an Ohio limited liability company, or its nominee(s) as described in Section 29 ("Purchaser").

RECITALS

Seller desires to sell to Purchaser certain Shares (as hereinafter defined) and issue to Purchaser certain convertible notes (the "Notes") in the aggregate principal amount of $6,000,000, and Purchaser desires to acquire the Shares and the Notes from Seller. Seller and Purchaser acknowledge that this Agreement is intended to memorialize their understanding of their agreements contained in that certain letter of intent dated as of May 29, 1996 by and between Seller and Purchaser, as subsequently modified.

AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing Recitals and of the warranties, representations, agreements and undertakings hereinafter set forth, the parties hereto do hereby represent, warrant, covenant and agree as follows:

1. CERTAIN DEFINITIONS

For the purposes of this Agreement, the terms defined in this Section 1 shall have the meanings set out below. All capitalized terms not defined in this Section 1 shall have the meanings ascribed to them in other parts of this Agreement.

(a) "Closing Date" shall mean November 12, 1996, as of the close of business, or such other date as to which the parties may agree in writing.

(b) "Closing" shall mean the closing on the Closing Date of the transactions contemplated by this Agreement.

(c) "Annual Statement" shall mean Seller's Consolidated Balance Sheet at December 31, 1995 and 1994 and the accompanying Consolidated Statements of Income, Consolidated Statements of Cash Flows and Consolidated Statements of Shareholders' Equity for Seller's three fiscal years then ended, together with the schedules and notes related thereto, accompanied by the applicable report of Deloitte & Touche L.L.P. ("Deloitte"), Certified Public Accountants, as filed with the Securities and Exchange Commission ("SEC").

(d) "Interim Statement" shall mean Seller's unaudited Consolidated Balance Sheet at September 30, 1996 and the accompanying Consolidated Statements of Income and Statements of Cash Flow for the 9-month period then ended, together with the notes relating thereto, as filed with the SEC.

(e) "Gilpin Annual Statement" shall mean the Gilpin Hotel Venture's (the "Gilpin") Balance Sheet at December 31, 1995 and 1994 and the accompanying Statements of Income, Statements of Cash Flow and Statements of Venturers' Investments and Advances for the Gilpin's three fiscal years, then ended, together with the schedules and notes related thereto, accompanied by the applicable report for Deloitte, as filed with the SEC.

(f) "Financial Statements" shall mean the Annual Statement and Interim Statement and the Gilpin Annual Statement.

(g) "Material Adverse Effect" shall mean any event which would, in the aggregate, have a material adverse effect upon the business, assets, financial condition or results of operations of any of Seller on a consolidated basis, the Gilpin or the Joint Venture (as hereinafter defined).

(h) "NASD" shall mean the National Association of Securities Dealers, Inc.

(i) "NASD Approval" shall mean the approval of Seller's shareholders as required by the rules and regulations of the NASD by virtue of its Shares being traded on the National Market tier of the NASDAQ Stock Market for Purchaser's acquisition of certain Shares upon conversion of the Second Note (as hereinafter defined).

(j) "Purchaser Material Adverse Effect" shall mean any event which would, in the aggregate, have a material adverse effect upon the business, assets, financial condition or results of operations of Purchaser.

(k) "Shares" shall mean shares of Seller's common stock, $.001 par value.

2. ISSUANCE OF NOTES; OTHER PURCHASES; PRICE; SECURITY

Seller agrees to issue and sell to Purchaser, and Purchaser

agrees to purchase from Seller, the Notes and certain of the Shares for the purchase price and upon and subject to the terms, provisions and conditions hereinafter set forth.

(a) (i) ISSUANCE OF FIRST NOTE. At Closing, Seller shall issue and Purchaser shall acquire a Note in the principal amount of $1,500,000 (the "First Note"). The First Note shall be in substantially the form and substance of Exhibit A attached hereto and incorporated herein by reference. The First Note shall contain, among other things, interest at a variable rate per annum equal to Purchaser's cost of funds (estimated at LIBOR + 2%) and an annual facility fee equal to 1/4 of 1% of the amount of the principal amount

outstanding. Interest due on the First Note shall be payable on a quarterly basis. In addition, the First Note shall provide that until the entire principal balance of the Note is converted Seller shall pay Purchaser a profit participation equal to 40% of the amount of cash flow distributed by the LLC (as hereinafter defined) to Seller. Unless sooner converted as hereinafter described, the principal due on the First Note shall be due and payable on the second anniversary of the Closing Date. All or any portion of the unpaid principal due shall be convertible into Shares at a conversion price of $5.25 per Share at any time upon the election of Purchaser and, if not yet fully converted, shall, unless the provisions of Article XI of the Operating Agreement (as hereinafter defined) for the LLC apply, be automatically converted into Shares at such time as (i) Purchaser has acquired or received all necessary and appropriate regulatory, licensing and other approvals from the Colorado Division of Gaming (the "Division"), the Colorado Limited Gaming Control Commission (the "Commission") and the state and local liquor licensing authorities and (ii) the Commission approves the issuance to the LLC (as hereinafter defined) of a retail gaming license. Pursuant to the terms of an Assignment, Pledge and Security Agreement (the "Assignment") of even date herewith, the First Note shall be secured by a first priority lien on 100% of Seller's membership interest in the LLC and the products and proceeds thereof, including but not limited to its capital interest, interest in the net profits and net cash flow of the LLC, and all other rights and privileges associated with Seller's membership in the LLC.

(ii) ISSUANCE OF SECOND NOTE. Upon obtaining the NASD Approval, Seller shall immediately issue and deliver to Purchaser and Purchaser shall acquire a note in the principal amount of $6,000,000 (the "Second Note") and the First Note shall be

canceled. The Second Note shall be dated as of the Closing Date, contain all of

the other terms and conditions of the First Note and shall be secured in the same manner as the First Note. The First Note and the Second Note are sometimes collectively referred to hereinafter as the "Note" or the "Notes". It is the intention of the parties that the Note is convertible into 1,142,857 Shares in the aggregate. At the time of the issuance of the Second Note, Seller shall issue a certificate to Purchase affirming that the representations and warranties of Seller contained in this Agreement are true and correct as of the date of the issuance of the Second Note with the same effect as if made on and as of such date. In the event Seller does not obtain NASD Approval, Purchaser shall have no further obligation to make any investment in or loan to Seller beyond the $1,500,000 loan for the First Note. At such time, the Note shall be deemed to have been canceled, the Shares acquired by Purchaser pursuant to Section 2(a)(iii) below, shall be deemed to have been redeemed, and Purchaser shall be deemed to have made a $2,500,000 capital contribution to the LLC and the parties' interests in the LLC shall be adjusted in accordance with the provisions of Section 4.2 of the Operating Agreement (as hereinafter defined).

(iii) PURCHASE OF SHARES. Seller shall sell and Purchaser shall purchase 190,476 Shares at a price of $5.25 per Share for a total purchase price of $1,000,000.

(b) PAYMENT OF PURCHASE PRICE FOR THE SHARES AND THE NOTE. The purchase price for the Shares and the Notes shall be paid as follows:

(i) $2,500,000, the aggregate purchase price for the 190,476 Shares and the First Note, shall be paid to Seller by wire transfer or by certified or bank check at the Closing.

(ii) Provided Seller obtains the NASD Approval, the balance of $4,500,000 shall be paid by wire transfer or by certified or bank check at such time as the lender to the LLC requires such amount to be invested in the LLC, or at such time as otherwise agreed to by Seller and Purchaser.

(c) USE OF PROCEEDS. Seller shall use the proceeds to be received from Purchaser's acquisition of Shares and Purchaser's loans described in Sections 2(a) and 2(b), above, solely to fund Seller's capital contributions to the LLC.

(d) ADDITIONAL PURCHASES OF SHARES BY GREENLEE, DAY AND ROARK. Pursuant to certain convertible notes (the "Subscription Notes") being executed by Robert D. Greenlee ("Greenlee"), Frank B. Day ("Day") and Stephen R. Roark ("Roark"), such parties shall be obligated to acquire up to in the aggregate 142,857 Shares at a purchase price of $5.25 per Share upon the terms and the conditions set forth in the Subscription Notes, which Subscription Notes shall contain terms and conditions materially agreeable to Purchaser and Seller. The

purchase price to be paid by such parties for the Subscription Notes pursuant to this Section 2(d) shall be paid to the Seller in cash at the time Purchaser makes the payment described in Section 2(b)(ii).

(e) SHARE ADJUSTMENTS. Notwithstanding any contrary provision herein, in the event that subsequent to the date hereof there shall be any change in the issued and outstanding Shares by reason of a stock dividend, stock split, combination of shares, recapitalization, merger, separation, reorganization, liquidation, consolidation, split-up, combination or exchange of Shares, or transaction or event having an effect similar to any of the foregoing, the number of and price for Shares to be acquired upon conversion of the

Notes or hereunder and the number of, and price for, Options (as hereinafter defined) to be granted hereunder, shall be appropriately adjusted.

3. AGREEMENTS REGARDING SHARES OF CERTAIN KEY SHAREHOLDERS AND BOARD OF DIRECTORS

(a) At or prior to the Closing, Purchaser and/or Jeffrey P. Jacobs (Mr. Jacobs being hereinafter referred to as "Jacobs"), Greenlee and Day shall have entered into a Shareholders' Agreement (the "Shareholders' Agreement") with respect to the Shares owned or subscribed to by each of them or their controlled entities or Shares which may be acquired upon conversion of the Note. The Shareholders' Agreement shall be in the form of Exhibit B attached hereto and shall provide, among other things, for a pro rata right of first refusal among such parties.

(b) At or prior to Closing, Seller's Board of Directors (the "Board") shall consist of seven persons, three of whom shall be nominees of Purchaser. In addition at or prior to Closing, Jacobs shall be elected as Chief Executive Officer and Co-Chairman of the Board of Seller.

(c) The Shareholders' Agreement shall provide for Greenlee and Day to cause their Shares to be voted for the purpose of (i) effecting the provisions of subparagraph (b) above and (ii) calling or causing Seller to call a special meeting of shareholders of Seller to occur on or before January 31, 1997 (the "Special Meeting") in order to approve Purchaser's acquisition of the Shares which may be acquired upon conversion of the Note and to approve the proposals set forth in Section 3(d) below.

(d) The Shareholders' Agreement shall also contain provisions whereby Greenlee and Day agree to vote or continue to vote at the Special Meeting or otherwise,

as the case may be, their Shares in favor of the following proposals which will become effective at such time as Purchaser owns 820,000 or more Shares:

(i) The expansion of the Board to nine members with Purchaser being entitled to nominate five members to the Board.

(ii) Adopting staggered terms for Seller's Board in accordance with Section 7-108-106 of the Colorado Business Corporation Act and nominees of Seller and Purchaser shall be nominated in each of three classes so created on terms agreeable to the parties. No later than the next annual meeting of shareholders following such time as Purchaser owns 820,000 or more Shares, directors shall be nominated to the three classes as follows: Class I shall have three directors (one nominee of Seller and two nominees of Purchaser), Class II shall have three nominees (two nominees of Seller and one of Purchaser) and Class III shall have three nominees (two nominees of Purchaser and one of Seller).

(iii) Electing Jacobs as Chief Executive Officer and Chairman of the Board of Directors of Seller.

(iv) If determined necessary by counsel to Seller and Purchaser, an appropriate "poison pill" plan shall be submitted to Seller's shareholders at such special meeting or at the next regularly scheduled meeting of shareholders in order to protect Seller and its shareholders from unwarranted and unwanted takeover attempts by unrelated third parties.

Pursuant to the Shareholders' Agreement, Greenlee and Day shall appoint Jacobs as their proxy to vote their shares in accordance with this Section 3.

(e) At or prior to Closing, Purchaser and Seller shall execute and deliver a Registration Rights Agreement (the "Registration Agreement") in the form of Exhibit C attached hereto. The Registration Agreement shall provide for the registration of all Shares acquired by Purchaser hereunder, including any Shares acquired pursuant to the Shareholders' Agreement.

4. AGREEMENTS REGARDING JOINT VENTURE AND MASTER JOINT VENTURE

(a) At or prior to Closing, Purchaser and its affiliates and Seller shall restructure that certain Joint Venture (the "Joint Venture") which

was previously formed by Seller and Purchaser's affiliate pursuant to a certain Joint Venture Agreement dated December 15, 1994, as amended. The Joint Venture shall be restructured into a limited liability company formed under the laws of the State of Colorado (the "LLC"). At or prior to Closing, the parties shall enter into the Operating Agreement for the LLC (the "Operating Agreement") on terms mutually agreeable to the parties.

(b) At or prior to Closing, Seller and Purchaser shall also have entered into a twenty year Master Joint Venture Agreement (the "Master Joint Venture Agreement") on terms mutually agreeable to Seller and Purchaser.

5. REPRESENTATIONS AND WARRANTIES BY SELLER

As a material inducement to Purchaser to enter into this Agreement, Seller represents, warrants to and, where applicable, covenants with Purchaser that as of the date hereof and as of the Closing Date:

(a) DUE ORGANIZATION. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Colorado, and each of Seller

and the Gilpin has full corporate power and authority to own its properties and to carry on its business as it is now being conducted, is duly qualified to do business and is in good standing in all jurisdictions in which it is required to be so qualified, except where the failure to so qualify or be in good standing would not, in the aggregate, have a Material Adverse Effect, and has received all necessary authorizations, consents, licenses and approvals of the Division, the Commission and other governmental authorities material to the ownership of its properties and assets and to the conduct of its business.

(b) POWER AND AUTHORITY; NO CONFLICTS. Seller has full power and authority (corporate or otherwise) to enter into and carry out the terms of this Agreement. The execution and delivery by Seller of this Agreement and the other documents and instruments to be executed and delivered by Seller pursuant hereto and thereto and the consummation of the transactions contemplated hereby and thereby by Seller have been duly authorized by the requisite vote of the Board of Seller. This Agreement has been duly and validly executed by Seller, and constitutes, and when executed and delivered, each other document and instrument to be executed and delivered by Seller pursuant hereto will constitute, a valid and binding agreement of Seller enforceable against it in accordance with their respective terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and except to the extent that the enforceability of rights and remedies may be limited by general principles of equity. The execution and delivery of this Agreement does not, and, subject to any requisite governmental or other consents or approvals, the consummation of the transactions contemplated hereby will not, (i) violate any provision of the Articles of Incorporation, as amended, of Seller, or the

Bylaws of Seller, (ii) violate or

conflict with any law, ordinance, rule, regulation, order, judgment or decree to which Seller or the Gilpin is subject or by which Seller or the Gilpin is bound, or (iii) except as contemplated hereunder or set forth on Schedule 5(b), violate or conflict with or constitute a material default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or will result in the termination of, or accelerate the performance required by, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets under, any term or provision of any material contract, commitment, understanding, arrangement, agreement or restriction of any kind or character to which either Seller or the Gilpin is a party or by which any of their respective assets or properties may be bound or affected. Except for any required approval of Seller's shareholders, the Division, the Commission and/or state and local liquor licensing authorities, no consent, approval, authorization or action by any federal, state, local or foreign governmental agency, instrumentality, commission, authority, board or body (collectively, "Governmental Agency" or "Governmental Authority") or any other third party is required in connection with the execution and delivery by Seller of this Agreement and the other documents and instruments to be executed and delivered by Seller pursuant hereto or the consummation by Seller of the transactions contemplated herein or therein.

(c) CAPITAL STRUCTURE. The authorized capital stock of Seller as of the date of this Agreement consists solely of Forty Million (40,000,000) Shares, of which 2,481,567 are issued and outstanding, and Ten Million (10,000,000) shares ("Preferred Shares") of a preferred class, $.001 par value, of which none are issued and outstanding. Except as set forth on Schedule 5(c), no Shares or Preferred Shares are held as treasury shares. All of the outstanding shares of capital stock of Seller have been duly authorized and validly issued

and are fully paid and nonassessable and free from preemptive rights. Schedule 5(c) sets forth a list of each stock option, warrant or other right to acquire securities of Seller (an "Option") outstanding on the date of this Agreement. Seller's partners at the Casino have no rights to acquire Shares or other securities of Seller. There are no outstanding options, warrants, convertible securities, subscriptions or other rights or agreements providing for the issuance or delivery of any additional shares of capital stock of Seller, except the Options.

(d) VALID ISSUANCE OF SHARES. The Shares issuable upon conversion of the Note have been duly and validly reserved for issuance, and when issued and delivered in accordance with the terms of the Note, will be duly and validly issued, fully paid and nonassessable.

(e) SUBSIDIARIES. Except as set forth on Schedule 5(e), Seller has no subsidiaries, either wholly or partially owned and except for the Gilpin and the Joint Venture, Seller has no interest as a partner or otherwise in any partnership, joint venture or other business enterprise.

(f) SEC DOCUMENTS. Seller has made available to Purchaser a true and complete copy of each report, schedule, registration statement and definitive proxy statement filed by Seller with the SEC since March 31, 1994 (as such documents have since the time of their filing been amended, the "Seller SEC Documents") which are all of the documents (other than preliminary material) that Seller was required to file with the SEC since such date. As of their respective dates, the Seller SEC Documents complied in all material respects with the requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Seller SEC Documents, and none of the Seller SEC

Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of Seller included in the Seller SEC Documents comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q of the SEC) and fairly present (subject, in the case of the unaudited statements, to normal, recurring audit adjustments) the consolidated financial position of Seller as at the dates thereof and the consolidated results of its operations and cash flows for the periods then ended. To the best of its knowledge Seller is not now, nor has it ever been, the subject of any inquiry or other investigation by the SEC ("SEC Investigation"), nor, to the best knowledge of Seller, is any such SEC Investigation pending or threatened.

(g) TITLE TO ASSETS. Each of Seller, the Gilpin and the Joint Venture has good, marketable and valid title in and to all of its assets, including all real, personal and intangible property, and, except as set forth on Schedule 5(g), each holds its assets free and clear of any mortgage, conditional sale agreement, title retention agreement, security interest, lease, pledge, hypothecation, lien or other encumbrance.

(h) CONDITION OF ASSETS. All of the assets (whether owned or leased) that are necessary for the conduct of the business of Seller, the Gilpin and the Joint Venture are

in normal operating condition, free from defects other than such minor defects as do not materially interfere with the continued use thereof in normal operations.

(i) INSURANCE. Each of Seller, the Gilpin and the Joint Venture (a) maintains insurance policies with licensed insurance carriers on such assets, properties and businesses and against such risks as is customary for companies engaged in its business, or (b) has reserved on the Financial Statements sufficient funds to cover all losses known to it arising from such risks. Schedule 5(i) sets forth a list and brief description (specifying the insurer and describing each pending claim thereunder) of all policies, binders or reserves of fire, liability, workers' compensation, vehicular and other insurance or self-insurance held by or on behalf of Seller, the Gilpin and the Joint Venture. All such policies are in full force and effect and insure against risks and liabilities to an extent and in a manner customary in the industry in which such parties operate. Except for claims identified on Schedule 5(i), there are no outstanding unpaid claims under any such policy, binder or reserve. Except as set forth on Schedule 5(i), there will be no liability of Seller, the Gilpin and the Joint Venture as of the Closing Date, under any such insurance policy or ancillary agreement with respect thereto in the nature of a retroactive rate adjustment, loss sharing arrangement or other actual or contingent liability arising wholly or partially out of events occurring prior to the Closing Date. None of the Seller, the Gilpin nor the Joint Venture has received notice of cancellation or nonrenewal of any such policy or binder. There is no inaccuracy in any application for such policies or binders, or any failure to pay premiums due.

(j) DIVIDENDS AND DISTRIBUTIONS. From December 31, 1995 to the date hereof, Seller has not declared or paid any dividends on any Shares or Preferred Shares, nor has it made any other payments or distributions thereon to its shareholders.

(k) SELLER DATA. Seller has made available to Purchaser its corporate minutes, articles and regulations, books and records, all material contracts, all loan documentation, all notes, all leases, evidence of all bank accounts, an accurate and complete list of each insurance policy currently providing coverage for the real and personal property owned, operated or leased together with copies of such policies, information regarding employee compensation and benefit plans, a list of all outstanding workers compensation and unemployment claims, all licenses and permits that Seller has with respect

to its operations and with respect to the operations of the Gilpin and the Joint Venture, and all outstanding citations or complaints relating to environmental, health or safety laws or regulations (collectively, the "Seller Data"). Seller acknowledges that Purchaser has relied on the Seller Data in deciding to execute this Agreement and consummate the transactions contemplated hereby.

(l) UNDISCLOSED LIABILITIES. Except as set forth in Schedule 5(l), none of the Seller, the Gilpin nor the Joint Venture has any liabilities or obligations of any nature, secured or unsecured (absolute, accrued, contingent or otherwise and whether due or to become due), except (i) liabilities and obligations that are fully reflected, reserved against or disclosed in the Financial Statements, and (ii) liabilities and obligations incurred in the ordinary course of business consistent with past practice.

(m) INVESTIGATION OR LITIGATION. Except for the investigation with respect to the check cashing and bad check collection practices of the Gilpin, and as set forth on

Schedule 5(m), there is no investigation or review pending or to the best knowledge of Seller threatened by any Governmental Agency or other party or person with respect to Seller, the Gilpin or the Joint Venture; nor has any Governmental Agency or other party or person indicated in writing to Seller an intention to conduct any such investigation or review; nor, to the knowledge of Seller, is there any valid basis for any such investigation or review. Except as set forth on Schedule 5(m), there is no claim, action, suit or proceeding pending before or, to the best knowledge of Seller, threatened against or affecting Seller, the Gilpin or the Joint Venture at law or in equity by, any Governmental Agency or other party or person, nor is there, to the best knowledge of Seller, any valid basis for any such claim, action, suit or proceeding.

(n) CERTAIN AGREEMENTS. Except as disclosed in the Seller SEC Documents filed prior to the date of this Agreement or in Schedule 5(n) as of the date of this Agreement, Seller is not a party to any oral or written (i) consulting agreement not terminable on 60 days' or less notice, (ii) agreement with any executive officer or other key employee of Seller, or (iii) agreement or plan, including any stock option plan, stock appreciation rights plan, any of the Plans (as defined in Section 5(o)), restricted stock plan or stock purchase plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement.

(o) EMPLOYEE BENEFITS.

(i) Schedule 5(o) contains a true and complete list of each bonus, deferred compensation, incentive compensation, stock purchase, stock option, severance or

17

termination pay, hospitalization or other medical, life or other insurance, supplemental unemployment benefits, profit-sharing, pension, retirement or other employee benefit plan, program, practice, agreement or arrangement, including, without limitation, each "employee benefit plan" as defined in section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), sponsored, maintained, contributed to or required to be contributed to by Seller or any trade or business, whether or not incorporated (an "ERISA Affiliate"), whose employees would, for the purposes of applying certain provisions of the Internal Revenue code of 1986, as amended (the "Code"), be aggregated with the employees of Seller under Section 414(b), (c), (m), (n) and/or (o) of the Code or which would be deemed to be a member of a "controlled group" within the meaning of Section 4001(a)(14) of ERISA of which Seller is also a member, for the benefit of current or former employees or directors of Seller and/or such ERISA Affiliate (the "Plans").

(ii) Each of the Plans has been operated and administered in all material respects in accordance with applicable laws, including but not limited to ERISA and the Code. No violation of Section 404 of ERISA has occurred with respect to any Plan.

(iii) There are no pending, or to the best knowledge of Seller, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any of the Plans or any trusts related thereto.

(p) LABOR MATTERS. Seller has not entered into any collective bargaining agreements or any other agreements with any labor organization or any other person or group claiming to represent or bargain collectively for any of Seller's, the Gilpin's or the Joint Venture's employees. Except as set forth in Schedule 5(p), there are no unfair labor practice charges, lawsuits, grievances or administrative charges pending or to the best

18

knowledge of Seller threatened, concerning or affecting Seller, the Gilpin or the Joint Venture. Seller has received no written notice nor has there been any proceeding or adjudication questioning whether or alleging or determining that Seller, the Gilpin or the Joint Venture, is not in compliance, in all material respects, with all federal, state and local laws and regulations with respect to employment, employment practices and terms and conditions of employment.

(q) TAXES. Except as set forth in Schedule 5(q), Seller has

(i) timely filed all tax returns, schedules, declarations, and tax-related documents including, without limitation, all Forms 5500 pertaining to the Plans (collectively, "Returns") required to be filed in any jurisdictions to which it or the Gilpin is or has been subject, (ii) timely paid in full all taxes, interest and penalties with respect thereto subject to audit by the taxing authorities by such jurisdictions and timely made all deposits of tax required by all applicable taxing jurisdictions, (iii) fully accrued on its books an amount sufficient to pay all taxes not yet due but related to operations through the date hereof and will have accrued all taxes not yet due but which will become due through the Closing Date, (iv) made timely payments of all taxes required to be deducted and withheld from the wages paid to employees, and (v) otherwise satisfied, in all material respects, all legal requirements applicable to it with respect to all aforementioned obligations to taxing jurisdictions. All Returns filed by Seller accurately reflect in all material respects their income, expenses, deductions, credits and loss carryovers and the taxes due and are otherwise accurate and complete in all material respects and have not been amended. Seller has delivered to Purchaser true and complete copies of all federal and state income and franchise tax returns for each of the taxable years ended December 31, 1991 through December 31, 1995,

inclusive. Except as set forth on Schedule 5(q), Seller has no knowledge that an audit of any of the federal income tax returns of Seller or the Gilpin is in progress and has no reason to believe that any such audit is contemplated. For purposes of this Section, "tax" and "taxes" (when not modified by other words such as "income" or "franchise") shall include all income, gross receipts, franchise, excise, real and personal property, and other taxes imposed by any federal, state, municipal, local, or other governmental agency, including assessments in the nature of taxes.

(r) ABSENCE OF CERTAIN CHANGES. Since December 31, 1995, except as disclosed in the Seller SEC Documents, none of Seller, the Gilpin nor the Joint Venture has suffered any Material Adverse Effect.

(s) CONDUCT OF BUSINESS. Since the close of business on September 30, 1996, except as set forth in Schedule 5(s), Seller has not, and prior to the Closing Date will not have, without the prior written consent of Purchaser:

(i) Issued, sold, redeemed, reclassified or purchased any Shares or Preferred Shares or other corporate securities, warrants or debt instruments or, except as contemplated by Section 8(c), granted any Options or other rights in connection therewith.

(ii) Incurred, paid or settled any obligations, commitments or liabilities, absolute, accrued, contingent or otherwise, except obligations, commitments or liabilities to

perform sales contracts, purchase orders or similar commitments, in each case incurred, paid or settled in normal amounts and in the regular and ordinary course of Seller's business.

(iii) Incurred any continuing contract or commitment or other liability for the future purchase of materials, supplies or equipment which is not in the regular and ordinary course of the business, or any contracts or commitments for capital expenditures in excess of Twenty-Five Thousand Dollars ($25,000) individually or One Hundred Thousand Dollars ($100,000) in the aggregate.

(iv) Conducted its business other than in the regular and ordinary course thereof.

(v) Sold, assigned, transferred, encumbered or granted a security interest in respect of any of its assets.

(vi) Entered into any pension, retirement, deferred compensation, profit sharing, bonus, retainer, consulting, welfare or incentive compensation plan or arrangement, or any contract, or any fringe or other benefits or arrangements, of, with or for any officer, director, employee or any other person; or granted any increase in the compensation payable, or to become payable, by Seller to any of its officers, directors, employees or other persons (other than customary merit increases of nonofficers), or in any bonus, insurance, pension or other benefit plan made for or with any of them.

(vii) Terminated any material contract, agreement, license or other instrument to which it is a party other than in the regular and ordinary course of business.

(viii) Changed its Articles of Incorporation, Bylaws or any aspect of its corporate

structure.

(ix) Agreed to do any of the things or made any commitment to take any of the types of action specified in (i) through (viii) above.

(t) LEGAL COMPLIANCE. Each of the Seller, the Gilpin and the Joint Venture has complied in all material respects with all applicable laws, rules, regulations, and ordinances of any Governmental Agency (including without limitation, all laws and regulations of the Division and the Commission) having jurisdiction, any trademark, tradename or copyright rules and regulations, and any zoning, occupational safety or environmental protection laws or any laws relating to the employment of labor. None of Seller, the Gilpin nor the Joint Venture is in violation of, or in default under, any terms or provisions of any mortgage, indenture, security agreement, lease, license, contract, agreement, instrument, order, arbitration award, judgment, injunction or decree. Except

with respect to the Casino Investigation, Seller has not received any notice nor has there been any proceeding or adjudication questioning whether or alleging or determining that the business of Seller, the Gilpin or the Joint Venture is or has been conducted in violation of any law, ordinance, regulation, order, decree, judgment or injunction. Seller has not received any notice nor has there been any proceeding or adjudication questioning whether or alleging or determining that they have not obtained all permits, licenses and other authorizations which relate to the assets or the business of Seller, the Gilpin or the Joint Venture. Seller has not received any written notice nor has there been any proceeding or adjudication questioning whether or alleging or determining that any of such parties is not in compliance in all material respects with all material terms and conditions of such permits, licenses and authorizations.

(u) ENVIRONMENTAL PROTECTION.

(i) Each of Seller, the Gilpin and the Joint Venture is in compliance with all Environmental Laws (as hereinafter defined) applicable to the business of such parties. Seller has disclosed to Purchaser all outside consultants' reports, internal memoranda, legal documents and any other information, written or otherwise (including without limitation, phase 1 and phase 2 reports) in Purchaser's possession relating to its and their compliance with all Environmental Laws.

(ii) "Environmental Laws" means all U.S. federal, state, local and foreign laws and regulations relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata).

(v) COPYRIGHTS, TRADEMARKS, TRADE NAMES, ETC. Schedule 5(v) contains an accurate and complete list of all material copyrights, trademark registrations, trademark applications, service marks, trade names and assumed names used in Seller's, the Gilpin's or the Joint Venture's business. Seller has not received written notice nor has there been any proceeding or adjudication questioning whether or alleging or determining that the use thereof by Seller the Gilpin or the Joint Venture infringes on or conflicts with any existing patents, trademarks or copyrights or any other rights of any person. Seller has nor received any written notice of any material claim of a third party to the use of any such names.

(w) CONTRACTS. Each contract and commitment (whether written or oral) that individually involves potential future payments by or to Seller, the Gilpin or the Joint Venture of $50,000 or more is disclosed on Schedule 5(w) (except as otherwise indicated therein) and copies of such written contracts or commitments have been provided to Purchaser. Seller is not, nor has it been during the past three years, a partner in any partnership or a party to any joint venture.

(x) FULL DISCLOSURE. There is no fact known to Seller which has not been disclosed to Purchaser in writing, that has caused, or would reasonably be anticipated to result in, a Material Adverse Effect.

6. REPRESENTATIONS AND WARRANTIES OF PURCHASER. As a material inducement to Seller to enter into this Agreement, Purchaser represents, warrants to and, where applicable, covenants with Seller that as of the date hereof and as of the Closing Date:

(a) DUE ORGANIZATION. Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Ohio, has the

requisite power and authority to own its properties and to carry on its business as it is now being conducted.

(b) POWER AND AUTHORITY NO CONFLICTS. Purchaser has the requisite power and authority to enter into and carry out the terms of this Agreement. The execution and delivery of this Agreement and the other documents and instruments to be executed and delivered by Purchaser pursuant hereto and the consummation of the transactions contemplated hereby and thereby by Purchaser have been duly authorized by the Manager of Purchaser. This Agreement has been duly and validly executed and delivered by Purchaser and constitutes,

and when executed and delivered, the other documents and instruments to be executed and delivered by Purchaser will constitute, valid and binding agreements of Purchaser, enforceable against Purchaser in accordance with their respective terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and except to the extent that the enforceability of rights and remedies may be limited by general principles of equity. The execution and delivery of this Agreement does not, and, subject to any requisite governmental or other consents or approvals (including without limitation, licensing approval of the Division and the Commission), the consummation of the transactions contemplated hereby and thereby will not, (i) violate any provision of the Articles of Organization or the Operating Agreement of Purchaser, (ii) violate or conflict with any law, ordinance, rule, regulation, order, judgment or decree to which Purchaser is subject or by which Purchaser is bound (other than violations or conflicts which individually or in the aggregate would not have a Purchaser Material Adverse Effect or which would not prevent or delay the consummation of the transactions contemplated hereby), or (iii) violate

or conflict with or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or will result in the termination of, or accelerate the performance required by, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or the assets under, any term or provision of any contract, commitment, understanding, arrangement, agreement or restriction of any kind or character to which Purchaser is a party or by which Purchaser or any of its assets or properties may be bound or affected (other than, in any such instance, violations, conflicts, defaults, terminations, accelerations, liens, security interests, charges or encumbrances which individually or in the aggregate would not have a Purchaser Material Adverse Effect or which would not prevent or delay the consummation of the transactions contemplated hereby). Except for approval of Seller's shareholders, any required licensing approval of the Division, the Commission and state and local liquor licensing authorities, no consent, approval, authorization or action by any Governmental Agency or any other third party is required in connection with the execution and delivery by Purchaser of this Agreement and the other documents and instruments to be executed and delivered by Purchaser pursuant hereto or the consummation by Purchaser of the transactions contemplated herein or therein.

(c) INVESTMENT PURPOSE. The Shares to be acquired by Purchaser upon conversion of the Note are being acquired for Purchaser's own account and not with the view to or for resale in connection with, any distribution or public offering thereof within the meaning of the Securities Act of 1933 (the "1933 Act"). Purchaser understands that the Shares have not been registered under the 1933 Act by reason of their contemplated issuance in a transaction believed to be exempt from the registration and prospectus delivery

requirements of the 1933 Act pursuant to Section 4(2) thereof, and in transactions believed to be exempt from the registration and/or qualification provisions of the appropriate state securities laws. Purchaser has such knowledge and experience in financial and business matters that it is capable of independently evaluating the risks and merits of purchasing or acquiring the Shares.

(d) GAMING APPROVAL. To the best of Purchaser's knowledge, there are no facts or circumstances which exist which would preclude Purchaser from obtaining any necessary approval from the Division and the Commission and/or the appropriate state and local liquor licensing authorities.

7. CLOSING

The Closing hereunder shall take place on the Closing Date by the use of facsimile, U.S. Mail and overnight courier.

8. UNDERTAKINGS

(a) Prior to the date hereof, Purchaser and its agents and representatives commenced and, from and after the date hereof, shall be permitted to continue Purchaser's due diligence review of Seller, in anticipation of the Closing, and shall have full access to all relevant information regarding Seller, its assets, the business and the Shares to determine that all financial and other information has been and will be provided to Purchaser is reasonably accurate. Purchaser acknowledges that such information shall be and remain confidential until the Closing. In the event the transactions contemplated by this Agreement do not close, Purchaser shall return to the Seller all documents previously furnished to Purchaser by the Seller. Purchaser and its agents and representatives hereby agree that they will not divulge or use any confidential or other proprietary information regarding Seller,

except to the extent (i) required by law, (ii) otherwise available from third parties, or (iii) previously known to Purchaser from sources other than the Seller.

(b) Seller shall not divulge or use any confidential or proprietary information regarding the Purchaser, except to the extent (i) required by law, (ii) otherwise available from third parties, or (iii)

previously known to Seller from sources other than the Purchaser.

(c) At or prior to Closing, Seller's 1996 Employees' Incentive Stock Option Plan (the "1996 Plan") shall have been expanded in a manner satisfactory to Seller and Purchaser to provide for additional grants of Options as follows: Options for 180,000 Shares to Purchaser's employees (including Jacobs) as determined by Purchaser and Options for 120,000 Shares to Seller's officers and employees as determined by Seller's Board. The exercise price of such Options shall be $5.625 per Share. The vesting schedule for the Options shall be 1/3 upon conversion of the entire unpaid principal balance of the Note, and 1/3 each upon the first and second anniversary dates of such conversion. Options held by certain officers and employees of Seller as approved by Purchaser shall be amended in order to change the exercise price of such Options to $5.625 per Share.

9. [INTENTIONALLY OMITTED]

10. GOVERNMENTAL REGULATION

(a) The parties hereto acknowledge that the business of Seller and the proposed business of the Joint Venture is subject to stringent government regulation including supervision by the Division and the Commission.

(b) The parties also acknowledge that Purchaser and certain of its affiliates are presently seeking appropriate gaming licenses from the Division (Jacobs has already

obtained a key employee license), and that no assurance can be given that such licenses will be issued or when such licenses may be issued.

(c) If any license, registration, application or other form of required governmental filing for the Gilpin Hotel Casino (the "Gilpin Casino"), the LLC's planned casino or otherwise, is denied, reserved, revoked or suspended for any reason, including, but not limited to the participation of a person unacceptable or unsuitable to the Division and the Commission or other Governmental Authority, the affected party hereto (either Seller, Purchaser or Jacobs) shall take all measures necessary to remedy or correct the deficiency. In the case where the Division, the Commission or other Governmental Authority denies or reserves approval for gaming operations or other business operations of a party hereto because of the participation of an unacceptable or unsuitable person, that party shall forthwith expel such person(s) and substitute a person(s) acceptable to the Division, the Commission or other Governmental Authority, or otherwise take measures to remedy or correct the deficiency.

(d) Pursuant to the Operating Agreement for the LLC (the "Operating Agreement"), Purchaser and/or its affiliate has certain rights to acquire Seller's interest in the LLC. Further, a member's interest in the LLC may be automatically divested upon the occurrence of certain events. In the

event such rights to acquire Seller's interest have been exercised or Seller's interest is divested and thereafter Seller exercises and fulfills certain repurchase rights contained in the Operating Agreement, the parties intend that Purchaser would thereafter be issued 1,142,857 Shares as part of the consideration to be paid by Seller as part of the repurchase right (relating to 40% of Seller's Membership Interest (as defined

in the Operating Agreement)) and all of the terms and conditions of this Agreement would apply.

11. CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser hereunder are subject to the following conditions, any of which may be waived in writing by Purchaser:

(a) REPRESENTATIONS AND WARRANTIES TRUE AT CLOSING. The representations and warranties of Seller contained in this Agreement shall be true and correct on the Closing Date and the date of issuance of the Second Note with the same effect as if made on and as of such dates. All Schedules and all other information furnished to Purchaser pursuant to this Agreement shall be updated by Seller as of the Closing Date and the date of issuance of the Second Note, if so required. The updating of said Schedules shall not, in any manner, affect the representations and warranties of Seller nor relieve Seller from any liability thereunder.

(b) PERFORMANCE OF AGREEMENTS AND CONDITIONS. Seller, Greenlee and Day shall have performed and complied with all agreements and conditions required by this Agreement to be performed and complied with by Seller, Greenlee and Day as the case may be, prior to or at the Closing Date or the date of issuance of the Second Note, as the case may be.

(c) PRESIDENT'S CERTIFICATE. Seller shall have delivered to Purchaser a certificate from its President, dated the Closing Date, certifying in such detail as Purchaser may reasonably request to Seller's fulfillment of the conditions specified in subsections (a) and (b) above and such other evidence as to Seller's compliance with the provisions of this Agreement as Purchaser reasonably may request.

(d) DUE DILIGENCE COMPLETION. Purchaser shall have completed its due diligence investigation contemplated by Section 8(a) and such

investigation shall not, in Purchaser's sole discretion, have disclosed any material variances from information heretofore provided by Seller to Purchaser.

(e) INJUNCTION. On the Closing Date there shall not be in effect any injunction, writ, temporary restraining order or any other order of any nature issued by a court or other governmental body or agency of competent jurisdiction directing that the transaction provided for herein not be consummated as herein provided, nor shall there be any litigation or proceeding pending or threatened in respect of the transaction contemplated hereby.

(f) SHAREHOLDERS' AGREEMENT. Greenlee, Day and Jacobs shall have entered into the Shareholders' Agreement.

(g) REGISTRATION AGREEMENT. Seller and Purchaser shall have entered into the Registration Agreement.

(h) LLC. Seller and Purchaser shall have entered into all documents necessary to restructure the Joint Venture into the LLC.

(i) MASTER JOINT VENTURE AGREEMENT. Seller and Purchaser shall have entered into the Master Joint Venture Agreement.

(j) DELIVERY OF THE NOTE, THE SHARES AND SECURITY DOCUMENTS. Seller shall have delivered to Purchaser the Note, certificates for the 190,476 Shares and shall have delivered all other instruments, certificates and other documents required to be delivered hereunder in order to grant Purchaser the security interests referenced in Section 2(a).

(k) CONDITION OF BUSINESS AND PROPERTIES. Between the date of this Agreement and the Closing Date, each of Seller, the Gilpin and the Joint Venture shall have continued to operate its business in its regular and ordinary course. On and before the Closing Date, the business and property of Seller, the Gilpin and/or the Joint Venture shall not have been adversely affected in any material way as a result of fire, accident or other casualty (whether or not covered by insurance) or any labor dispute or act of God or the public enemy or as the result of any judicial, administrative or governmental proceeding or other event or condition.

(l) GOVERNMENTAL APPROVAL. Purchaser shall have obtained licensing approval from the Division and the Commission, if required, and any other necessary governmental or regulatory approval.

(m) EMPLOYMENT AGREEMENTS. Seller shall have entered into the employment agreements in form satisfactory to Purchaser, in its sole discretion, with Jacobs, Roark and Stanley Politano.

(n) OPINION OF COUNSEL. Purchaser shall have received a legal opinion from Jones & Keller P.C., counsel for Seller, dated as of the Closing Date, which opinion shall be mutually agreeable to Purchaser's counsel and

Seller's counsel.

(o) DELIVERY OF DOCUMENTS. Seller shall have delivered or caused to have been delivered to Purchaser the documents contemplated by Section 15 not otherwise hereinabove specified.

Seller represents and warrants that it has not caused, and it covenants and agrees that it shall not cause, any event that would prevent the satisfaction of all of the conditions set

forth in this Section 11. Seller covenants and agrees to take all action reasonably required to satisfy such conditions.

12. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER

The obligations of Seller hereunder are subject to the following conditions, any of which may be waived in writing by Seller:

(a) REPRESENTATIONS AND WARRANTIES TRUE AT CLOSING. The representations and warranties of Purchaser contained in this Agreement shall be true and correct on the Closing Date and the date of issuance of the Second Note with the same effect as if made on and as of such dates.

(b) PERFORMANCE OF AGREEMENTS AND CONDITIONS. Purchaser shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Purchaser prior to or at the Closing Date and the date of issuance of the Second Note, as the case may be.

(c) PRESIDENT'S CERTIFICATE. Purchaser shall have delivered to Seller the certificate of Purchaser's President, dated the Closing Date, certifying in such detail as Seller reasonably may request to Purchaser's fulfillment of the conditions specified in subsections (a) and (b) above and such other evidence as to Purchaser's compliance with the provisions of this Agreement as Seller reasonably may request.

(d) OPINION OF COUNSEL. Purchaser shall have delivered to Seller an opinion of Hahn Loeser & Parks, counsel for Purchaser, dated the Closing Date, which opinion shall be mutually agreeable to Purchaser's counsel and Seller's counsel.

(e) INJUNCTION. On the Closing Date there shall not be in effect any injunction, writ, temporary restraining order or any order of any nature issued by a court or

other governmental body or agency directing that the transactions provided for herein not be consummated as herein provided, nor shall there be any litigation or proceeding pending or threatened in respect of the transactions contemplated hereby.

(f) DELIVERY OF DOCUMENTS. Purchaser shall have delivered to Seller the documents contemplated by Section 15 not otherwise hereinabove specified.

Purchaser represents and warrants that it has not caused, and it covenants and agrees that it shall not cause, any event that would prevent the satisfaction of all of the conditions set forth in this Section 12. Purchaser covenants and agrees to take all action reasonably required to satisfy such conditions.

13. INDEMNIFICATION BY SELLER

Seller shall and hereby does indemnify and hold Purchaser harmless from and against and in respect of any and all loss, damage and expense incurred by Purchaser, resulting from, arising out of, attributable to, or in any manner connected with:

(i) Any matter in respect of which Seller shall have made any misrepresentation, breached any warranty made pursuant to this Agreement or failed to fulfill any covenant or agreement on the part of Seller contained in this Agreement or in any Exhibit, Schedule or certificate or other document delivered, or to be delivered, by Seller to Purchaser in connection with this Agreement;

(ii) Any liability of Seller actual or contingent, current or deferred, not disclosed in the Financial Statements, or any Exhibit or Schedule furnished pursuant hereto; and

(iii) Any and all actions, suits, proceedings, demands, assessments or judgments, costs and expense (including reasonable legal and accounting fees and investigation costs) incident to the foregoing and the enforcement thereof.

If any event shall occur or any circumstance arise which might give rise to a claim in respect of any matter against which Seller has indemnified Purchaser hereunder, Purchaser promptly shall give notice thereof to Seller. If the matter as to which indemnification may be sought is a claim by a third party, such notice shall be given within thirty (30) days after said claim shall have been presented to the President of Purchaser; otherwise such notice shall be given promptly after the President of Purchaser shall determine that the matter is one as to which indemnification is sought. Unless the parties otherwise agree in writing, Seller shall defend against all such third-party claims or otherwise satisfy said claims, at its sole cost and expense, through counsel and accountants designated by it and approved by Purchaser, which approval shall not be withheld unreasonably. Purchaser shall have the right to participate with Seller in the defense of any such matter and shall make available to Seller the business records of Purchaser for said purpose. If Seller, after receipt of notification from Purchaser of a third-party claim, fails to protest, defend or settle any such third-party claim, demand, suit or proceeding promptly, diligently and in good faith, Purchaser shall have the right at its discretion to settle, defend or pay the same, in which event, Seller's indemnity shall extend to and include the amount of said settlement or payment and/or the costs and legal expenses of such defense.

14. INDEMNIFICATION BY PURCHASER

Purchaser shall and hereby does indemnify and hold Seller harmless from and against and in respect of any and all loss, damage and expense incurred by Seller, resulting from, arising out of, attributable to, or in any manner connected with:

(a) Any matter in respect of which Purchaser shall have made any misrepresentation, breached any warranty made pursuant to this Agreement or failed to fulfill any covenant or agreement on the part

of Purchaser contained in this Agreement or in any Exhibit, Schedule or certificate or other document delivered, or to be delivered, by Purchaser to Seller in connection with this Agreement; and

(b) Any and all actions, suits, proceedings, demands, assessments or judgments, costs or expenses (including reasonable legal and accounting fees and investigation costs) incident to the foregoing and the enforcement thereof.

If any event shall occur or any circumstance arises which might give rise to a claim in respect of any matter against which Purchaser has indemnified

Seller hereunder, Seller shall give notice thereof to Purchaser within thirty (30) days after said claim shall have been presented to it and, unless the parties otherwise agree in writing, Purchaser shall defend against said claim or otherwise satisfy said claim, at its sole cost and expense, through counsel and accountants designated by Purchaser and approved by Seller, which approval shall not be unreasonably withheld. Seller shall have the right to participate with Purchaser in the defense of any such matter and shall make available to Purchaser the business records of Seller for said purpose. If Purchaser, after receipt of notification from Seller of a thirty-party claim, fails to protest, defend or settle any such third-party claim, demand, suit or proceeding promptly, diligently and in good faith, Seller shall have the right in its discretion to settle, defend or pay the same, in which event, Purchaser's indemnity shall extend to and include the amount of said settlement or payment and/or the costs and legal expenses of such defense.

15. DOCUMENTS TO BE DELIVERED AT CLOSING

At the Closing on the Closing Date:

(a) Seller shall deliver or cause to be delivered to Purchaser the following:

(i) The First Note being issued to Purchaser at Closing and the documents required in order to grant Purchaser the security

interests and the certificates for the 190,476 Shares referenced in Section 2(a);

(ii) The Shareholders' Agreement referred to in Section 3(a);

(iii) The Registration Agreement referred to in Section 3(d);

(iv) The documents necessary to restructure the Joint Venture into the LLC and the Master Joint Venture Agreement referred to in Section 4;

(v) The certificate referred to in Section 11(c),

(vi) A copy of the Seller's Articles of Incorporation and Bylaws certified as of the Closing Date by the Secretary thereof;

(vii) The Employment Agreements referred to in

Section 11(m);

(viii) The opinion of counsel referred to in Section 11(n);

(ix) Certified resolutions of Seller's Board of Directors authorizing and approving this transaction; and

(x) Subscription Agreements executed by each of Greenlee, Day and Roark to evidence their purchase obligations contained in Section 2(d); and

(xi) All other instruments not herein specifically provided for but which are reasonably necessary or desirable to effectuate the purpose of this Agreement.

(b) Purchaser and/or Jacobs shall deliver to Seller the following:

(i) The purchase price due at Closing pursuant to Section 2(c);

(ii) The Shareholders Agreement referred to in Section 3(c);

(iii) The Registration Agreement referred to in Section 3(d);

(iv) The documents necessary to restructure the Joint Venture into the LLC and the Master Joint Venture Agreement referred to in Section 4;

(v) Certified resolutions of the Manager of Purchaser authorizing this transaction;

(vi) The certificate referred to in Section 12(c);

(vii) The opinion of counsel referred to in Section 12(d); and

(viii) All other instruments not herein specifically provided for but which are reasonably necessary or desirable to

effectuate the purpose of this Agreement.

16. BROKERAGE

Each party represents and warrants to the other that no person or persons assisted in or brought about the negotiation of this Agreement in the capacity of broker, agent, finder or originator on behalf of it. Each party ("First Party") agrees to indemnify and hold harmless the other from any claim asserted against such other party for a brokerage or agent's or finder's or originator's commission or compensation in respect of the transaction contemplated by this Agreement by any person purporting to act on behalf of First Party.

17. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS

All representations, warranties and agreements made by Seller and Purchaser pursuant hereto shall survive the closing of this transaction. None of the representations, warranties and agreements shall be affected by any investigation at any time made by or on behalf of Seller or Purchaser.

18. [INTENTIONALLY OMITTED]

19. REIMBURSEMENT OF EXPENSES OF PURCHASER

Upon the Closing, Seller shall reimburse Purchaser for and/or pay directly on behalf of and in the name of Purchaser, all the fees and expenses of Purchaser's attorneys'

and accountants' fees incurred on or after May 29, 1996 in the negotiation and consummation of the transactions contemplated hereby.

20. BINDING AGREEMENT

All of the terms and provisions of this Agreement shall inure to the benefit of, be enforceable by and be binding upon and enforceable against the parties hereto and their respective heirs and personal representatives, successors and assigns; provided, however, that except as specified in Section 29 hereof, none of the parties hereto may assign its rights or duties hereunder. Nothing contained in this Agreement shall confer any rights or remedies upon any other person, firm or corporation.

21. NOTICES

Any notice or other communication required or permitted hereunder shall be expressed in writing and delivered in person or sent by certified or registered mail, return receipt requested, or sent by overnight courier service such as Federal Express and confirmed by certified or registered mail, return receipt requested, or sent by facsimile (receipt confirmed) to the respective parties at the following addresses, or at such other addresses as the parties shall designate by written notice to the other:

PURCHASER:	Diversified Opportunities Group Ltd. c/o Jacobs Entertainment Ltd. 425 Lakeside Avenue Cleveland, Ohio 44113 Attn: Jeffrey P. Jacobs Fax No.: (216) 861-1315
Copy To:	Hahn Loeser & Parks 3300 BP America Building 200 Public Square Cleveland, Ohio 44114 Attn: Stephen P. Owendoff, Esq. Fax No.: (216) 241-2824

SELLER:	Black Hawk Gaming & Development Company, Inc. 2060 Broadway, Suite 400 Boulder, Colorado 80302 Attn: Stephen R. Roark, President Fax No.: (303) 444-7968
Copy To:	Jones & Keller P.C. 1625 Broadway, Suite 1600 Denver, Colorado 80202 Attn: Samuel E. Wing, Esq. Fax No.: (303) 825-8537

All notices shall be deemed received on the third business day after mailing or the first business day after delivery to the overnight courier service or the same business day if presently delivered or sent by facsimile.

22. SECTION HEADINGS

The section and subsection headings and any table of contents listing the same contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

23. SCHEDULES AND EXHIBITS

All Schedules and Exhibits referred to in this Agreement are attached hereto and are hereby incorporated herein and made a part hereof.

24. COUNTERPARTS

This Agreement may be executed in any one or more counterparts, all of which taken together shall constitute one instrument.

25. COOPERATION

Each party shall cooperate and use its best efforts to consummate the transaction contemplated herein. In addition, each party shall cooperate and take such action and execute such other and further documents as reasonably may be requested from

time to time after the Closing Date by any other party to carry out the terms and provisions and intent of this Agreement.

26. GENDER

Wherever the context of this Agreement so requires or permits, the masculine herein shall include the feminine or the neuter, the singular shall include the plural, and the term "person" shall also include "corporation" or other business entity.

27. ENTIRE AGREEMENT

This Agreement contains the entire agreement between the parties hereto, and it is understood and agreed that there are no other covenants, representations or warranties other than those contained herein. This Agreement may not be changed or modified except by a writing duly executed by the parties hereto.

28. WAIVER OF PROVISIONS

The terms, covenants, representations, warranties and conditions of this Agreement may be waived only by a written instrument executed by the party waiving compliance. The failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right at a later date to enforce the same. No waiver by any party of any condition or the breach of any provision, term, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any

one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or of the breach of any other provision, term, covenant, representation or warranty of this Agreement.

29. ASSIGNMENT BY PURCHASER

Subject to any required approval of the Division, the Commission and the state and local liquor licensing authorities, Purchaser may assign its rights and obligations hereunder to corporations, limited liability companies, partnerships, trusts or other entities which are under common control with or controlled through equity ownership and/or voting control, by Purchaser or Jacobs; it being acknowledged that (i) any entity managed either by Jacobs Entertainment Ltd. ("JEL") or Jacobs, (ii) any entity in which either JEL or Jacobs is one of the trustees and/or one of the beneficiaries or (ii) any entity in which either JEL or Jacobs beneficially owns 15% or more of the outstanding equity securities constitutes common control.

30. ARBITRATION

If any dispute shall arise between the parties pursuant to this Agreement, such dispute shall be settled by arbitration pursuant to this Section 30. In such event, either party hereto may serve upon the other party a written notice demanding that the dispute be resolved pursuant to this Section 30. To the extent that any provision herein is inconsistent with any rule of the AAA, this Agreement shall prevail. The dispute or claim shall be heard in Chicago, Illinois by one (1) neutral arbitrator, if the parties can agree on the selection of said arbitrator, or if unable to agree, each party shall select one (1) arbitrator and the two arbitrators chosen shall select the third arbitrator. If the dispute shall be heard by three (3) arbitrators, one (1) arbitrator will be selected by the party initiating the arbitration at the time of the submission to arbitration. Within seven (7) days after submission, the other party will select an arbitrator. Within seven (7) days after the first two (2) arbitrators are chosen, the third arbitrator will be selected. The third arbitrator selected shall not have any

relationship to either of the parties. The arbitrators shall apply the internal law of the State of Colorado. Said arbitrator(s) shall be sworn faithfully and fairly to determine the question at issue. The arbitrator(s) shall afford to the parties a hearing and the right to submit evidence, with the privilege of cross

examination and the right to compel testimony by applying for subpoena powers to appropriate judicial authority, on the question at issue, and shall, with all possible speed, make his/their determination in writing and shall give notice to the parties hereto of such determination. The concurring determination of the arbitrator, if heard by one, or of any two of said three arbitrator(s) shall be binding upon the parties hereto, or, in case no two of the arbitrators shall render a concurring determination, then the determination of the third arbitrator appointed shall be binding upon the parties hereto. The decision of the arbitrators shall be final and binding upon the parties hereto and shall be enforceable in any court having jurisdiction. Any arbitration shall be conducted in accordance with the then prevailing Commercial Rules of the American Arbitration Association, or the successor party thereto from time to time in existence. The fees and expenses of the arbitrator(s) shall be divided equally between the parties so involved. The parties shall each bear their own expenses (including, but not limited to, attorneys' and witnesses' fees and expenses) in any arbitration proceedings.

31. GOVERNING LAW

This Agreement shall be governed by and construed under the laws of the State of Colorado.

42

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above set forth.

SELLER:

BLACK HAWK GAMING &
DEVELOPMENT COMPANY, INC.

By: /s/ Robert D. Greenlee

Robert D. Greenlee, Chairman

PURCHASER:

DIVERSIFIED OPPORTUNITIES GROUP LTD.

By: JACOBS ENTERTAINMENT LTD., its manager

By: /s/ David C. Grunenwald

Title: Vice President

<TABLE>

EXHIBITS AND SCHEDULES

<CAPTION>

Exhibit	Section Reference	Description
<S>	<C>	<C>
Exhibit A	2(a)	First Note
Exhibit B	3(a)	Shareholders' Agreement
Exhibit C	3(d)	Registration Agreement

Schedule	Section Reference	Description
5(b)	5(b)	Conflicts
5(c)	5(c)	Capital Structure
5(e)	5(e)	Subsidiaries
5(g)	5(g)	Liens
5(i)	5(i)	Insurance and Claims
5(l)	5(l)	Liabilities
5(m)	5(m)	Investigation
5(n)	5(n)	Certain Agreements
5(o)	5(o)	Plans
5(p)	5(p)	Labor Matters
5(q)	5(q)	Taxes
5(s)	5(s)	Conduct of Business
5(v)	5(v)	Proprietary Rights
5(w)	5(w)	Contracts

</TABLE>

Exhibit E

CONVERTIBLE NOTE

$1,500,000

Boulder, Colorado
November 12, 1996

FOR VALUE RECEIVED, the adequacy of which is hereby acknowledged, Black Hawk Gaming & Development Company, Inc., a Colorado corporation with its principal office located at 2060 Broadway, Suite 400, Boulder, Colorado 80302 (the "Maker"), hereby promises to pay to the order of Diversified Opportunities Group Ltd. (the "Holder") with its principal office located at 1231 Main Avenue, Cleveland, Ohio 44113, the principal sum of One Million Five Hundred Thousand Dollars ($1,500,000.00), together with interest thereon from the date hereof until payment in full at the Charged Rate (as defined below). This Convertible Note (the "Note") is issued pursuant to that certain Amended and Restated Purchase Agreement of even date herewith (the "Purchase Agreement") between the Maker and the Holder.

1. PAYMENT OF PRINCIPAL

All principal outstanding hereunder shall be due in one payment, in full, on November 12, 1998. Principal of and interest on this Note are payable in lawful money of the United States of America at the Holder's address stated above, or at such other place as the Holder shall designate to the Maker in writing.

2. INTEREST

a. For purposes of this Note, the following terms shall have the meanings given them in this subsection a.:

i. "Adjusted Eurodollar Rate": For each calendar month until this Note is paid in full, the rate (rounded upward, if necessary, to the next one

hundredth of one percent) determined by dividing the Eurodollar Rate for such Interest Period by 1.00 minus the Eurodollar Reserve Percentage;

ii. "Eurodollar Business Day": A day (other than a

Saturday, Sunday or legal holiday) on which banks are open for business in New York City and on which there is trading by and between banks in United States dollar deposits in the interbank Eurodollar market.

iii. "Eurodollar Rate": For each calendar month, the interest rate per annum (rounded upward, if necessary, to the next one-sixteenth of one percent) at which United States dollar deposits are offered to First Bank National Association (the "Bank") in the interbank Eurodollar market two Eurodollar Business Days prior to the first day of such calendar month for delivery in immediately available funds on the first day of such month and in an amount approximately equal to the outstanding principal amount of the Note and for a thirty (30) day maturity; provided, that in lieu of determining the rate in the foregoing manner, the Holder may substitute the per annum Eurodollar rate (LIBOR) for United States dollars displayed on the Telerate Systems, Inc. screen, page 3750 (or other applicable page), on the first day of such calendar month.

iv. "Eurodollar Reserve Percentage": As of any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed

by the Federal Reserve Board for determining the maximum reserve requirement (including any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System, with deposits comparable in amount to those held by the Bank, in respect of "Eurocurrency Liabilities" as such term is defined in Regulation D of the Federal Reserve Board. The rate of interest applicable to the outstanding principal balance of the Note shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.

b. This Note shall bear interest on the unpaid principal amount at a variable rate per annum equal to the sum of (1) the Adjusted Eurodollar Rate, plus (2) two percent (2.00%) (the "Charged Rate"). The Charged Rate shall be adjusted monthly on

the first day of each calendar month and each change in the Charged Rate shall result immediately, without notice or demand of any kind, in a corresponding change in the interest rate under the Note. Interest shall be payable on the last day of each calendar quarter, and, in the event of a permitted prepayment, on the date of such prepayment. The Holder shall provide the Maker with notice of the Charged Rate periodically in order to permit the Maker to make timely payments hereunder.

c. Any amount not paid when due under this Note, whether at the date scheduled for payment or earlier upon acceleration, shall bear interest until

paid in full at a rate per annum equal to the Charged Rate plus four percent (4.00%) (the "Default Rate").

3. FACILITY FEE

Maker shall pay to Holder an annual facility fee (the "Facility Fee") equal to 1/4 of 1% of the amount of principal outstanding hereunder. The Facility Fee shall be due and payable to Holder on the date hereof and on the same day of each subsequent year until this Note is paid in full.

4. SECURITY

This Note is be secured by a first priority lien on the Maker's interest in the LLC (as defined in the Purchase Agreement) equal to 100% of the Maker's Membership Interest and the products and proceeds thereof, including but not limited to, its Capital Interest, interest in the Net Profits and Net Losses and Net Cash Flow of the LLC (each as defined in the Operating Agreement for the LLC (the "Operating Agreement")), and all other rights and privileges associated with Maker's membership in the LLC; provided, however, that the Holder's remedies upon an Event of Default hereunder shall be limited as set forth in Section 11 b., below. The Holder and BH Entertainment Ltd. ("Entertainment") are the other members of the LLC.

5. PROFIT PARTICIPATION. In addition to the interest payable pursuant to Section 2, until conversion of the entire unpaid principal balance of the Note in accordance with Section 8, below, Maker shall pay to the Holder, as and when received by the Maker, 40% of the Net Cash Flow distributed by the LLC to the Maker.

5

6. PREPAYMENT Except as may be required by the Commission, the Division or other Governmental Authority (all as defined in the Purchase Agreement), the Maker may not prepay this Note without the prior written consent of the Holder.

7. COVENANTS. So long as any indebtedness under this Note remains outstanding, Maker shall not, without the prior written consent of the Holder:

a. directly or indirectly declare or pay any dividends or make any distributions upon any of its common stock or other equity securities;

b. except with respect to the Maker's obligation to acquire 12,500 shares of its common stock pursuant to a put option incurred by the Maker when it acquired certain property, directly or indirectly redeem, purchase or otherwise acquire any of the Maker's common stock or other equity securities (including, without limitation, options and other rights to acquire such common stock or other equity securities), or directly or indirectly redeem, purchase or make any payments with respect to any stock appreciation rights, phantom stock plans or similar rights or plans;

c. except with respect to the exercise of warrants and options currently outstanding as shown on Schedule 5(c) to the Purchase Agreement, authorize, issue or enter into any agreement providing for the issuance (contingent or otherwise) of (i) any notes or debt securities containing equity features (including, without limitation, any notes or debt securities convertible into or exchangeable for capital stock or other equity securities, issued in connection with the issuance of capital stock or other equity securities or containing profit participation features) or (ii) any capital stock or other equity securities (or any securities convertible into or exchangeable for any capital stock or other equity securities); PROVIDED,

6

that the Maker may, without the Holder's consent, issue up to an aggregate of 100,000 shares of its common stock;

d. merge or consolidate with any person or permit any subsidiary to merge or consolidate with any person (other than a wholly-owned subsidiary); PROVIDED, that a subsidiary may merge with another person so long as after such

merger the Maker owns at least 80% of the (i) capital stock of the surviving corporation possessing the right to vote for the election of directors and (ii) number of shares of the common stock of the surviving corporation then outstanding;

e. sell, lease or otherwise dispose of, or permit any subsidiary to sell, lease or otherwise dispose of, more than 50% of the consolidated assets of the Maker and its subsidiaries (computed on the basis of book value, determined in accordance with generally accepted accounting principles consistently applied, or fair market value);

f. except with respect to the sale of the Maker's subsidiary formed for the purpose of obtaining a gaming license in downtown Oklahoma City, Oklahoma with the Sac and Fox Indian Nation, issue or sell any shares of the capital stock, or rights to acquire shares of the capital stock, of any subsidiary to any person (other than the Holder or a permitted assignee of the Holder) if immediately after such issuance or sale the Maker owns less than 80% of the (i) capital stock possessing the right to vote for the election of directors and (ii) the number of shares of the common stock of any subsidiary then outstanding;

g. liquidate, dissolve or effect a recapitalization or reorganization in any form of transaction (including, without limitation, any reorganization into a limited liability company or into partnership or other non-corporate form);

h. make any amendment to the Articles of Incorporation or the Maker's bylaws or file a resolution of the Board of Directors with the Colorado Secretary of State containing any provisions, which would increase the number of authorized shares of common stock of the Maker or adversely affect or otherwise impair the rights of the Holder under the Agreement; or

i. create, incur or assume, or permit any subsidiary to create, incur or assume additional indebtedness in excess of $1,000,000.

8. CONVERSION

a. All or any portion of the unpaid principal balance shall be convertible into shares of common stock of the Maker, $.001 par value per Share (the "Common Stock") at any time upon the election of the Holder and, if not yet fully converted, shall, provided the provisions of Article XI of the Operating Agreement do not apply, automatically be converted, at such time as (i) the Holder has acquired or received all necessary and appropriate regulatory,

licensing and other approvals (to permit the Holder to convert the Note and hold the resulting Conversion Shares) from the Colorado Division of Gaming (the "Division"), the Colorado Limited Gaming Control Commission (the "Commission") and the state and local liquor licensing authorities and (ii) the Commission approves the issuance to the LLC of a retail gaming license for the proposed casino of the LLC. The number of shares of Common Stock into which this Note may be converted ("Conversion Shares") shall be determined by dividing the amount of the then unpaid principal balance of this Note specified in the notice described in Section 8.c. below for conversion by $5.25 (the "Conversion Price").

b. Any Conversion Shares shall have the registration rights set forth in the Registration Agreement among the Maker, the Holder and certain shareholders of the Maker dated of even date herewith.

c. Before the Holder shall be entitled to convert this Note into Conversion Shares in the event of an optional conversion by the Holder, it shall give written notice by mail, postage prepaid, to the Maker at its principal corporate office, of the election to convert the same. Such notice shall state therein the date on which such conversion will occur. The Maker at its own expense shall, as soon as practicable thereafter or as soon as practicable after the issuance of the retail gaming license for the LLC's casino in the event of an automatic conversion, issue and deliver at such office to the Holder of this Note a certificate or certificates for the number of Conversion Shares to which the Holder of this Note shall be entitled. At the time such certificates are issued, accrued interest on the amount of principal so converted shall be paid by the Maker to the Holder. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of conversion specified in such written notice, or, on the date of issuance of the retail gaming license to the LLC in the event of an automatic conversion, and the Holder of this Note shall be treated for all purposes as the record holder of such Conversion Shares. To the extent that the entire unpaid principal balance of this Note is not being converted in Conversion Shares, the Maker of this Note shall credit the Note on its books to the extent of the principal being converted by the Holder into Conversion Shares.

d. No fractional share of Common Stock shall be issued upon conversion of this Note. In lieu of the Maker issuing any fractional share to the Holder upon the conversion

of this Note, the Maker shall pay, in cash, to the Holder the amount of outstanding principal that is applicable to such fractional share.

e. At its expense, the Maker shall, as soon as practicable thereafter, issue and deliver to such Holder at such principal office a certificate or certificates for the number of Conversion Shares to which the Holder shall be entitled upon such conversion (bearing such legends as are required by applicable state and federal securities and other laws in the opinion of counsel to the Maker), together with any other securities and property to which the Holder is entitled upon such conversion under the terms of this Note, including a check payable to the Holder for any cash amounts payable as described above and for all amounts of interest accrued as of the date of conversion. Such conversion shall be deemed to have been made immediately prior to the close of business on the date specified in such notice and on and after such date the Holder of this Note entitled to receive the Conversion Shares shall be treated for all purposes as the record holder of such Conversion Shares. Upon conversion of this Note and delivery of the check described above, the Maker shall be forever released from all its obligations and liabilities under this Note to the extent of the amount of unpaid principal which the Holder has elected to convert into Conversion Shares.

9. CONVERSION PRICE ADJUSTMENTS.

a. In the event the Maker should at any time or from time to time after the date of issuance hereof fix a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common

Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of Common Stock or the Common Stock Equivalents (including the additional shares of Common Stock issuable upon conversion or exercise thereof), then, as of such record date (or the date of such dividend distribution, split or subdivision if no record date is fixed), the Conversion Price of this Note shall be appropriately decreased so that the number of Conversion Shares issuable upon conversion of this Note shall be increased in proportion to such increase of outstanding shares.

b. If the number of shares of Common Stock outstanding at any time after the date hereof is decreased by a combination of the outstanding shares of Common Stock, then, following the record date of such combination, the Conversion Price for this Note shall be appropriately increased so that the number of Conversion Shares issuable on conversion hereof shall be decreased in proportion to such decrease in outstanding shares.

c. In the event of (i) any taking by the Maker of a record of the holders of any class of securities of the Maker for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, or (ii) any capital reorganization of the Maker, any reclassification or recapitalization of the capital stock of the Maker or any transfer of all or substantially all of the assets of the Maker to any other person or any consolidation or merger involving the Maker, or (iii) any voluntary or involuntary

dissolution, liquidation or winding up of the Maker, the Maker will mail to the Holder of this Note a notice specifying (A) the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right, (B) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective and the record date for determining stockholders entitled to vote thereon and (C) the new Conversion Price after giving effect to the adjustment event, which new Conversion Price shall represent an appropriate increase or decrease in the Conversion Price to preserve the proportionate amount of Conversion Shares. Such notice shall be mailed at least twenty (20) days prior to the date described in clause (A) or (B) above.

d. The Maker shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the Note into such number of Conversion Shares as shall from time to time be sufficient to effect the conversion of the Note; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of the entire outstanding principal amount of this Note, in addition to such other remedies as shall be available to the Holder of this Note, the Maker will use its best efforts to take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes.

10. EVENTS OF DEFAULT

12

"Event of Default," whenever used herein, means any one or more of the following defaults shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

i. Default in the payment of any installment of interest, the Facility Fee, the principal of this Note or any other amount payable hereunder when such payment becomes due and payable, whether at maturity, by acceleration or otherwise, and such default shall continue unremedied for a period of fifteen (15) days;

ii. Default in the performance or breach of any other agreement, covenant or warranty of the Maker contained in this Note, and such default or breach shall continue unremedied for a period of thirty (30) days after the date on which written notice of such default or breach, requiring the Maker to remedy the same, shall have been given to the Maker by the Holder, or such longer period provided that the default is of a nature that cannot be remedied within 30 days and the Maker has within the thirty (30) day period instituted curative action and diligently and continuously pursues such action to completion;

iii. The entry of a decree or order by a court having jurisdiction adjudging the Maker a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Maker under federal bankruptcy law or any similar federal or state law for the relief of debtors ("Bankruptcy Law"), or appointing a receiver, liquidator, assignee, trustee,

13

conservator, sequestrator or assignee in bankruptcy or insolvency of

the Maker or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and such decree or order shall have continued undischarged and unstayed for a period of thirty (30) days;

iv. The Maker shall commence a voluntary case or shall consent to the entry of an order for relief in any involuntary case under Bankruptcy Law, or shall consent to the appointment of or taking possession by a receiver, liquidator, custodian, sequestrator, trustee or assignee of any substantial part of its property, or shall make an assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due;

v. There shall have occurred any circumstance or event which, upon the lapse of time, the giving of notice, or both, would constitute an event of default under any other indebtedness of the Maker, except if the same is cured or waived within any applicable grace period;

vi. The Maker shall have failed to give written notice within five (5) days after the occurrence of the event or circumstances described in clause (v), above;

vii. Entertainment delivers a notice to the Maker that pursuant to the terms of the Operating Agreement, it is electing its Purchase Right of the Maker's Membership Interest in the LLC, or an event occurs that pursuant to the terms of the Operating Agreement would subject all of the Maker's Membership Interest in the LLC to automatic and immediate termination; or

viii. Breach or default by the Maker of any representation, warranty, agreement or covenant pursuant to the Purchase Agreement or any other agreement between the Holder and the Maker.

11. REMEDIES

a. Subject to subsection b., below, if an Event of Default occurs and is continuing (unless waived in writing by the Holder), then, and in each and every case, unless the entire principal of this Note already shall have become due and payable, the Holder may, by a notice in writing to the Maker, declare the principal and the accrued interest on this Note to be immediately due and payable. The principal and accrued interest on this Note shall become and shall be immediately due and payable upon such declaration.

b. The following provisions shall apply if an Event of Default shall occur. The principal and accrued interest on this Note shall be immediately due and payable without any notice or other action being required on the part of Holder. If the Event of Default consists of Entertainment's election of a Purchase Right, then the Holder's remedies for this Event of Default shall be limited to the extent and in the circumstances provided in the Operating Agreement. If the Event of Default is one that causes the automatic termination of the Maker's Membership Interest, and the Membership Interest of the Holder as a result increases in accordance with the provisions of the Operating Agreement, then the Holder shall transfer the Note to the LLC as provided by the Operating Agreement and shall exercise no remedies thereunder inconsistent with its obligations as set out under the Operating Agreement. In the event of any other Event of Default hereunder, then Holder's remedies shall be limited in the same manner as if the Event of Default consists of

Entertainment's election of the Purchase Right under the Operating Agreement. In any event, provided all of the applicable provisions of Section 11.2(b) of the Operating Agreement occur, Holder shall take no further action against the Maker to enforce payment under the Note, except for the payment of accrued but unpaid interest.

12. MISCELLANEOUS

a. The Maker hereby waives presentment, notice of dishonor, protest and diligence in bringing suit against the Maker. Acceptance by the Holder of any payment which is less than the full amount then due and owing hereunder shall not constitute a waiver of the Holder's right to receive payment in full at such time or at any prior or subsequent time. The Maker consents that the time of payment may be extended an unlimited number of times before or after maturity without notice to the Maker, and that the Maker shall not be discharged by reason of any such extension or extensions of time. No delay or omission on the part of the Holder in exercising any right hereunder shall operate as a waiver of such right or any other right under this Note. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any future occasion.

b. Notwithstanding the foregoing, if at any time implementation of any provision hereof shall cause the interest contracted for or charged herein and collectible hereunder to exceed the applicable lawful maximum rate, then the interest shall be limited to such lawful maximum.

c. The Maker shall be liable for any and all costs and expenses of collection of the interest required to be paid hereunder, including, without limitation, reasonable attorneys' fees, arising by virtue of an Event of Default.

d. This Note shall be subject to and construed in accordance with the laws of the State of Colorado. If any provision herein shall be unenforceable, such unenforceable provision shall not render the remaining provisions hereof unenforceable or invalid.

e. This Note shall be binding upon the Maker and the Maker may not assign its obligations hereunder without the prior written consent of the Holder. The Holder may assign its rights hereunder, in whole or in part, to one or more corporations, limited liability companies, partnerships, trusts or other entities which are under common control with or controlled through equity ownership and/or voting control by, the Holder or Jeffrey P. Jacobs; it being acknowledged that (i) any entity managed by Jacobs Entertainment Ltd. ("JEL") or Jeffrey P. Jacobs, (ii) any entity in which either JEL or Jeffrey P. Jacobs is one of the trustees and/or one of the beneficiaries or (iii) any entity in which either JEL or Jeffrey P. Jacobs beneficially owns 15% or more of the outstanding equity securities constitutes common control.

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

By: /s/ Stephen R. Roark

Title: President

Exhibit F

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

REGISTRATION AGREEMENT

THIS AGREEMENT is made as of November 12, 1996, by and among BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC., a Colorado corporation (the "Company"), DIVERSIFIED OPPORTUNITIES GROUP LTD., an Ohio limited liability company or its nominee as described in Paragraph 9(e) ("Purchaser"), ROBERT D. GREENLEE ("Greenlee") and FRANK B. DAY ("Day").

Pursuant to a certain Amended and Restated Purchase Agreement dated as of even date herewith (the "Purchase Agreement"), the parties hereto may be acquiring unregistered shares of the Company's Common Stock. In order to induce Purchaser to enter into the Purchase Agreement, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the closing of the transactions described in the Purchase Agreement. Unless otherwise provided in this Agreement, capitalized terms used herein shall have the meanings set forth in paragraph 8 hereof.

The parties hereto agree as follows:

1. DEMAND REGISTRATIONS.

(a) REQUESTS FOR REGISTRATION. Until June 30, 2001, the holders of 15% of the Registrable Securities may request registration under the Securities Act of 1933 (the "Securities Act") of all or any portion of their Registrable Securities on Form S-1 or any similar long-form registration ("Long-Form Registrations") or on Form S-2 or S-3 or any similar short-form registration ("Short-Form Registrations") if available. All registrations requested pursuant to this Paragraph l(a) are referred to herein as "Demand Registrations". Each request for a Demand Registration shall specify the approximate number of Registrable Securities requested to be registered and the anticipated per share price range for such offering. Within ten days after receipt of any such request, the Company shall give written notice of such requested registration to all other holders of Registrable Securities and shall include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after the receipt of the Company's notice.

(b) NUMBER OF DEMAND REGISTRATIONS. The holders of Registrable Securities shall be entitled to request (i) one Demand Registration in which the Company shall pay all Registration Expenses (the "Company-paid Registration")

and (ii) one Demand Registration in which the holders of Registrable Securities shall pay their share of the Registration Expenses as set forth in paragraph 5 hereof; provided, however, if Greenlee and Day request a Company-paid Registration in which Purchaser does not participate, Purchaser shall be entitled to an additional Company-paid Registration. A registration shall

not count as one of the permitted Demand Registrations until it has become effective, and no Demand Registration shall count as one of the permitted Demand Registrations unless the holders of Registrable Securities are able to register and sell at least 90% of the Registrable Securities requested to be included in such registration; provided that in any event the Company shall pay all Registration Expenses in connection with any registration initiated as a Company-paid Demand Registration whether or not it has become effective. The first Demand Registration shall be the Company-paid Registration, and all Demand Registrations shall be underwritten Long-Form Registrations unless the holders of a majority of the Registrable Securities included in such registration otherwise agree or unless the Company is permitted to use any applicable short form. The Company shall use its reasonable best efforts to make Short-Form Registrations on Form S-3 available for the sale of Registrable Securities.

(c) PRIORITY ON DEMAND REGISTRATIONS. The Company shall not include in any Demand Registration any securities which are not Registrable Securities without the prior written consent of the holders of a majority of the Registrable Securities included in such registration. Any Persons other than holders of Registrable Securities who participate in Demand Registrations which are not at the Company's expense must pay their share of the Registration Expenses as provided in Paragraph 5 hereof.

(d) RESTRICTIONS ON DEMAND REGISTRATIONS. The Company shall not be obligated to effect any Demand Registration within 180 days after the effective date of a previous Demand Registration.

(e) SELECTION OF UNDERWRITERS. The holders of a majority of the Registrable Securities included in any Long-Form Registration shall have the right to select the investment banker(s) and manager(s) to administer the offering with the approval of the Company. Such approval shall not be unreasonably withheld.

(f) OTHER REGISTRATION RIGHTS. Except as provided in this Agreement, the Company has not granted and shall not grant to any Persons the right to request the Company to register any equity securities of the Company, or any securities convertible or exchangeable into or exercisable for such securities, without the prior written consent of the holders of a majority of the Registrable Securities; provided that the Company may grant rights to other Persons to participate in Piggyback Registrations so long as such rights are

subordinate to the rights of the holders of Registrable Securities with respect to such Piggyback Registrations.

2. PIGGYBACK REGISTRATIONS.

(a) RIGHT TO PIGGYBACK. Whenever the Company proposes to register any of its securities under the Securities Act (other than pursuant to a Demand Registration) and the registration form to be used may be used for the registration of Registrable Securities (a "Piggyback Registration"), the Company shall give prompt written notice (in any

event within three business days after its receipt of notice of any exercise of demand registration rights other than under this Agreement) to all holders of Registrable Securities of its intention to effect such a registration and shall include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 20 days after the receipt of the Company's notice.

(b) PIGGYBACK EXPENSES. The Registration Expenses of the holders of Registrable Securities shall be paid by the Company in all Piggyback Registrations.

(c) PRIORITY ON PRIMARY REGISTRATIONS. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability of the offering, the Company shall include in such registration (i) first, the securities the Company proposes to sell, (ii) second, the Registrable Securities requested to be included in such registration, pro rata among the holders of such Registrable Securities on the basis of the number of shares owned by each such holder, and (iii) third, other securities requested to be included in such registration.

(d) SELECTION OF UNDERWRITERS. If any Piggyback Registration is an underwritten offering, the selection of investment banker(s) and manager(s) for the offering must be approved by the holders of a majority of the Registrable Securities included in such Piggyback Registration. Such approval shall not be unreasonably withheld.

(e) OTHER REGISTRATIONS. If the Company has previously filed a registration statement with respect to Registrable Securities pursuant to paragraph 1 or pursuant to this Paragraph 2, and if such previous registration

has not been withdrawn or abandoned, the Company shall not file or cause to be effected any other registration of any of its equity securities or securities convertible or exchangeable into or exercisable for its equity securities under the Securities Act (except on Form S-8 or any successor form), whether on its own behalf or at the request of any holder or holders of such securities, until a period of at least 180 days has elapsed from the effective date of such previous registration.

3. HOLDBACK AGREEMENTS.

(a) Each holder of Registrable Securities shall not effect any public sale or distribution (including sales pursuant to Rule 144) of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and the 180-day period beginning on the effective date of any underwritten Demand Registration or any underwritten Piggyback Registration (except as part of such underwritten registration), unless the underwriters managing the registered public offering otherwise agree.

(b) The Company (i) shall not effect any public sale or distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and during the 180-day period beginning on the effective date of any underwritten Demand Registration or any underwritten Piggyback Registration (except as part of such underwritten registration or Pursuant to registrations on Form S-8 or any successor form), unless the underwriters managing the registered public offering otherwise agree, and (ii) shall cause each holder of at least 5% (on a fully-diluted basis) of its Common Stock, or any securities convertible into or exchangeable or exercisable for Common Stock, purchased from the Company at any time after the date of this Agreement (other than in a registered public offering) to agree not to effect any public sale or distribution (including sales pursuant to Rule 144) of any such securities during such period (except as part of such underwritten registration, if otherwise permitted), unless the underwriters managing the registered public offering otherwise agree.

4. REGISTRATION PROCEDURES. Whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Agreement, the Company shall use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Company shall as expeditiously as possible:

(a) prepare and file with the Securities and Exchange Commission a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective; PROVIDED that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company shall furnish to the counsel selected by Purchaser, Greenlee and Day of all such documents proposed to be filed, which documents shall be subject to the review and comment of such counsel;

(b) notify each holder of Registrable Securities of the effectiveness of each registration statement filed hereunder and prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 180 days and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(c) furnish to each seller of Registrable Securities such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

(d) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller; PROVIDED that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph, (ii) subject itself to taxation in any such jurisdiction or (iii) consent to general service of process in any such jurisdiction;

(e) notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at the request of any such seller, the Company shall

prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

(f) cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed and, if not so listed, to be listed on the NASD automated quotation system and, if listed on the NASD automated quotation system, use its best efforts to secure designation of all such Registrable Securities covered by such registration statement as a NASDAQ "national market system security" within the meaning of Rule 11Aa2-1 of the Securities and Exchange Commission or, failing that, to secure NASDAQ authorization for such Registrable Securities and, without limiting the generality of the foregoing, to arrange for at least two market makers to register as such with respect to such Registrable Securities with the NASD;

(g) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

(h) enter into such customary agreements (including underwriting agreements in customary form) and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including effecting a stock split or a combination of shares);

(i) make available for inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees and independent accountants to

supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement;

(j) otherwise use its best efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first day of the Company's first full calendar quarter after the effective

date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(k) permit any holder of Registrable Securities which holder, in its sole and exclusive judgment, might be deemed to be an underwriter or a controlling person of the Company, to participate in the preparation of such registration or comparable statement and to require the insertion therein of material, furnished to the Company in writing, which in the reasonable judgment of such holder and its counsel should be included;

(l) in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any common stock included in such registration statement for sale in any jurisdiction, the Company shall use its best efforts promptly to obtain the withdrawal of such order;

(m) use its best efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the sellers thereof to consummate the disposition of such Registrable Securities; and

(n) obtain a cold comfort letter from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters as the holders of a majority of the Registrable Securities being sold reasonably request; provided that such Registrable Securities constitute at least 10% of the securities covered by such registration statement.

5. REGISTRATION EXPENSES.

(a) All expenses incident to the Company's performance of or compliance with this Agreement, including without limitation all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery expenses, fees and disbursements of custodians, and fees and disbursements of counsel for the Company and all independent certified public accountants, underwriters (excluding discounts and commissions) and other Persons retained by the Company (all such expenses being herein called "Registration Expenses"), shall be borne as provided in this Agreement, except that the Company shall, in any event, pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal

or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed or on the NASD automated quotation system.

(b) In connection with the Company-paid Registration and each Piggyback Registration, the Company shall reimburse the holders of Registrable Securities included in such registration for the reasonable fees and disbursements of one counsel chosen by each such participant included in such registration.

(c) To the extent Registration Expenses are not required to be paid by the Company, each holder of securities included in any registration hereunder shall pay those Registration Expenses allocable to the registration of such holder's securities so included, and any Registration Expenses not so allocable shall be borne by all sellers of securities included in such registration in proportion to the aggregate selling price of the securities to be so registered.

6. INDEMNIFICATION.

(a) The Company agrees to indemnify, to the extent permitted by law, each holder of Registrable Securities, its officers and directors and each Person who controls such holder (within the meaning of the Securities Act) against all losses, claims, damages, liabilities and expenses caused by any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same are caused by or contained in any information furnished in writing to the Company by such holder expressly for use therein or by such holder's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such holder with a sufficient number of copies of the same. In connection with an underwritten offering, the Company shall indemnify such underwriters, their officers and directors and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities.

(b) In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder shall furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration statement or prospectus and, the extent permitted by law, shall indemnify the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary

prospectus or any

8

amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only the extent that such untrue statement or omission is contained in any information or affidavit so furnished in writing by such holder; provided that the obligation of a Person to indemnify shall be individual to each holder and shall be limited to the net amount of proceeds received by such holder from the sale of Registrable Securities pursuant to such registration statement.

(c) Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice shall not impair any Person's right to indemnification hereunder to the extent such failure has not prejudiced the indemnifying party) and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent shall not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

(d) The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling person of such indemnified party and shall survive the transfer of securities. The Company also agrees to make such provisions, as are reasonably requested by any indemnified party, for contribution to such party in the event the Company's indemnification is unavailable for any reason.

7. PARTICIPATION IN UNDERWRITTEN REGISTRATIONS. No Person may participate in any registration hereunder which is underwritten unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Person or Persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires,

powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements; provided that no holder of Registrable Securities included in any underwritten registration shall be required to make any representations or warranties to the Company or the underwriters (other than representations and warranties regarding such holder and such holder's intended method of distribution) or to undertake any indemnification obligations to the Company or the underwriters with respect thereto (other than the representations the holder or holders make with respect to intended method of distribution).

8. DEFINITIONS.

(a) "AFFILIATES" of a Person means any other Person controlling, controlled by or under common control with such first Person.

(b) "COMMON STOCK" means, collectively, the Company's common shares, $.001 par value, and any capital stock of any class of the Company hereafter authorized which is not limited to a fixed sum or percentage of par or stated value in respect to the rights of the holders thereof to participate in dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Company.

(c) "REGISTRABLE SECURITIES" means any Common Stock issued or issuable pursuant to the Purchase Agreement to Purchaser, Greenlee or Day, including without limitation, common stock acquired by Purchaser upon conversion of the Note or pursuant to the Shareholders' Agreement (as defined in the Purchase Agreement).

9. MISCELLANEOUS.

(a) NO INCONSISTENT AGREEMENTS. The Company shall not hereafter enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the holders of Registrable Securities in this Agreement.

(b) ADJUSTMENTS AFFECTING REGISTRABLE SECURITIES. The Company shall not take any action, or permit any change to occur, with respect to its securities which would adversely affect the ability of the holders of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement or which would adversely affect the marketability of such Registrable Securities in any such registration (including, without limitation, effecting a stock split or a combination of shares).

(c) REMEDIES. Any person having rights under any Provision of this Agreement shall be entitled to enforce such rights specifically to recover damages caused by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or other security) for specific performance and for other injunctive relief in order to enforce or prevent violation of the provisions of this Agreement.

(d) AMENDMENTS AND WAIVERS. Except as otherwise provided herein, the provisions of this Agreement may be amended or waived only upon the prior written consent of the Company and holders of a majority of the Registrable Securities.

(e) SUCCESSORS AND ASSIGNS. All covenants and agreements in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit

of the parties hereto and may not be assigned; provided, however, subject to any required approval of the Division, the Commission (both as defined in the Purchase Agreement) and the state and local liquor licensing authorities, Purchaser may assign its rights and obligations hereunder, in whole or in part, to one or more corporations, limited lability companies, partnerships, trusts or other entities which are under common control with, or controlled through equity and/or voting control by Purchaser or Jeffrey P. Jacobs; it being acknowledged that (i) any entity managed either by Jacobs Entertainment Ltd. and/or Jeffrey P. Jacobs, (ii) any entity in which either Jacobs Entertainment Ltd. or Jacobs is one of the trustees and/or one of the beneficiaries or (iii) any entity in which either Jacobs Entertainment Ltd. or Jeffrey P. Jacobs beneficially owns 15% or more of the outstanding equity securities constitutes common control.

(f) SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(g) COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain

the signatures of more than one party, but all such counterparts taken together shall constitute one and the same Agreement.

(h) DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(i) GOVERNING LAW. All issues and questions concerning the construction, validity, interpretation and enforcement of this Agreement and the exhibits and schedules hereto will be governed by the laws of the State of Colorado, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Colorado, or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Colorado.

(j) NOTICES. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, sent to the recipient by reputable overnight courier service (charges prepaid) or mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid or sent by telecopier. Such notices, demands and other communications shall be sent to the Company, Purchaser, Greenlee and Day at the addresses indicated below:

Notices to the Purchaser:

Diversified Opportunities Group Ltd.
c/o Jacobs Entertainment Ltd.
425 Lakeside Avenue
Cleveland, OH 44113
Attention: Jeffrey P. Jacobs
Fax No.: (216) 861-6315

with a copy (which shall not constitute notice) to:

Hahn Loeser Parks
3300 BP America Building
200 Public Square
Cleveland, OH 44114-2301
Attention: Stephen P. Owendoff, Esq.
Fax No.: (216) 241-2824

Notices to the Company:

Black Hawk Gaming & Development Company, Inc.
2060 Broadway, Suite 400
Boulder, Colorado 80302
Attention: Stephen R. Roark, President
Fax No.: (303) 444-7968

with a copy (shall not constitute notice) to:

Jones & Keller P.C.
1625 Broadway, Suite 1600
Denver, Colorado 80202
Attention: Samuel E. Wing, Esq.
Fax No.: (303) 893-6506

Notices to Greenlee:

Robert D. Greenlee
c/o Black Hawk Gaming & Development Company, Inc.
2060 Broadway, Suite 400
Boulder, Colorado 80302
Fax No.: (303) 444-7968

Notices to Day:

Frank B. Day
c/o Rock Bottom Restaurants, Inc.
1050 Walnut Street, Suite 402
Boulder, Colorado 80302
Fax No.: (303) 417-4199

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

[REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK.]

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

DIVERSIFIED OPPORTUNITIES
GROUP LTD.

By: JACOBS ENTERTAINMENT
LTD., its manager

By: /s/ David C. Grunenwald

Title: Vice President

BLACK HAWK GAMING &
DEVELOPMENT COMPANY, INC.

By /s/ Robert D. Greenlee

Its Chief Executive Officer

/s/ Robert D. Greenlee

ROBERT D. GREENLEE

/s/ Frank B. Day

FRANK B. DAY

Exhibit G

BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

SHAREHOLDERS AGREEMENT

THIS AGREEMENT is made as of November 12, 1996, by and among BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC., a Colorado corporation (the "Company"), DIVERSIFIED OPPORTUNITIES GROUP LTD., an Ohio limited liability company or its nominee as described in Section 12 (the "Investor"), and ROBERT D. GREENLEE ("Greenlee") and FRANK B. DAY ("Day"). The Investor, Greenlee and Day are sometimes collectively referred to as the "Shareholders" and individually as a "Shareholder."

RECITALS

A. Pursuant to a certain Amended and Restated Purchase Agreement dated as of even date herewith, by and between Investor and the Company (the "Purchase Agreement"), Investor is acquiring certain Shares and a Note which is convertible into certain Shares (each as defined in the Purchase Agreement) of the Company.

B. It is a condition to closing the transactions contemplated by the Purchase Agreement that the parties enter into this Agreement for the purposes, among others, of (i) establishing the composition of the Company's Board of Directors (the "Board"), (ii) assuring continuity in the management and ownership of the Company, and (iii) limiting the manner and terms by which the Shareholders' Shares may be transferred.

C. Capitalized terms used herein are defined in Paragraph 7 hereof.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

1. COVENANTS WITH RESPECT TO VOTING.

(a) From and after the Closing (as defined in the Purchase Agreement) and until the occurrence of both of the conditions described in Sections 1(a)(i) and 1(a)(ii) below, each of Greenlee and Day shall vote all of

his Shareholder Shares (as defined in paragraph 7 hereof) and any other voting securities of the Company over which such Shareholder has voting control and shall take all other necessary or desirable actions within his control (whether in his capacity as a stockholder, director, member of a board committee or officer of the Company or otherwise, and including, without limitation, attendance at meetings in person or by proxy for purposes of obtaining a quorum and execution of written consents in lieu of meetings), and the Company shall take all reasonable, necessary or

desirable actions within its control (including, without limitation, calling special board and shareholder meetings), to ensure that the size of the Board remains at seven (three members being nominees of the Investor) and voting for the election of Jeffrey P. Jacobs as Chief Executive Officer and Co-Chairman of the Board of Seller and to duly call or cause the Company to call a special meeting of shareholders of the Company to occur on or before January 31, 1997 (the "Special Meeting") to approve Investor's acquisition of the Shares which may be acquired upon conversion of the Note and to vote or continue to vote at the Special Meeting or otherwise, as the case may be, their Shares in favor of the following proposals, which will become effective at such time as Purchaser owns 820,000 or more Shares:

(i) expanding the number of directors of the Company to nine and electing (or, if already appointed by the Board, ratifying the appointment of five directors designated by the Investor (the "Investor Directors")); and

(ii) adopting staggered terms for the Company's Board in accordance with Section 7-108-106 of the Colorado Business Corporation Act and, no later than the next annual meeting of Shareholders following such time as the Investor owns 820,000 or more Shares, nominating directors to the three classes as follows: Class I shall have three directors (one nominee of the Company and two nominees of the Investor, Class II shall have three nominees (two nominees of the Company and one of the Investor) and Class III shall have three nominees (two nominees of the Investor and one of the Company);

(iii) electing or ratifying the election of Jeffrey P. Jacobs as Chief Executive Officer and as Chairman of the Board of the Company;

(iv) at the request of the Investor, electing at least one

of the Investor Directors to the board of directors of any of the Company's Subsidiaries (a "Sub Board"); or

(v) at the request of the Investor, at least one of the Investor Directors shall be a member of the Compensation Committee and, at the request of the Investor, at least one of the Investor Directors shall be a member of any other committee of the board or a Sub Board, and any other committees of the Board or a Sub Board shall be created only upon the approval of six members of the Board.

(b) The removal from the Board or a Sub Board (with or without cause) of any representative designated pursuant to this Paragraph 1 by the Investor shall be at the Investor's written request, but only upon such written request and under no other circumstances.

(c) In the event that any representative designated hereunder by the Investor hereunder ceases to serve as a member of the Board or a Sub Board during his term of office, the resulting vacancy on the Board or the Sub Board shall be filled by a representative designated by the Investor as provided hereunder.

(d) The Company shall pay the reasonable out-of-pocket expenses incurred by each director in connection with attending the meetings of the Board, any Sub Board and any committee thereof.

(e) If any party fails to designate a representative to fill a directorship pursuant to the terms of this Paragraph 1, the election of an individual to such directorship shall be accomplished in accordance with the Company's bylaws and applicable law.

(f) Greenlee's and Day's obligation to vote their Shares as described in this Paragraph 1 constitutes a voting agreement created under Section 7-107-302 of the Colorado Business Corporation Act.

2. IRREVOCABLE PROXY. IN ORDER TO SECURE EACH OF GREENLEE'S AND DAY'S OBLIGATION TO VOTE HIS SHAREHOLDER SHARES AND OTHER VOTING SECURITIES OF THE COMPANY IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPH 1 HEREOF, EACH OF GREENLEE AND DAY HEREBY APPOINTS THE INVESTOR AS HIS TRUE AND LAWFUL PROXY AND ATTORNEY-IN-FACT, WITH FULL POWER OF SUBSTITUTION, TO VOTE ALL OF HIS

SHAREHOLDER SHARES AND OTHER VOTING SECURITIES OF THE COMPANY FOR THE ELECTION AND/OR REMOVAL OF DIRECTORS AND ALL SUCH OTHER MATTERS AS EXPRESSLY PROVIDED FOR IN PARAGRAPH 1. THE INVESTOR MAY EXERCISE THE IRREVOCABLE PROXY GRANTED TO HIM/IT HEREUNDER AT ANY TIME GREENLEE OR DAY FAILS TO COMPLY WITH THE PROVISIONS OF THIS AGREEMENT. THE PROXIES AND POWERS GRANTED BY GREENLEE AND DAY PURSUANT TO THIS PARAGRAPH 2 ARE COUPLED WITH AN INTEREST AND ARE GIVEN TO SECURE THE PERFORMANCE OF THEIR RESPECTIVE OBLIGATIONS TO THE INVESTOR UNDER THIS AGREEMENT. SUCH PROXIES AND POWERS SHALL BE IRREVOCABLE-FOR THE TERM SET FORTH IN PARAGRAPH 1 OF THIS AGREEMENT AND SHALL SURVIVE THE DEATH, INCOMPETENCY, DISABILITY OR BANKRUPTCY OF GREENLEE OR DAY AND THE SUBSEQUENT HOLDERS OF THEIR SHAREHOLDER SHARES.

3. REPRESENTATIONS AND WARRANTIES OF GREENLEE AND DAY

Each of Greenlee and Day represents and warrants that (i) each is the record owner of the number of Shareholder Shares set forth opposite his name on Schedule A attached hereto, and (ii) such Shareholder has not granted and is not a party to any proxy, voting trust or other agreement which is inconsistent with, conflicts with or violates any provision of this Agreement. No holder of Shareholder Shares shall grant any proxy or become party to any voting trust or other agreement which is inconsistent with, conflicts with or violates any provision of this Agreement.

4. RESTRICTIONS ON TRANSFER OF SHAREHOLDER SHARES.

(a) TRANSFER OF SHAREHOLDER SHARES. No Shareholder shall sell, transfer, assign, pledge or otherwise dispose of (whether with or without consideration and whether voluntarily or involuntarily or by operation of law) any interest in any Shareholder Shares (a "Transfer"), except pursuant to the provisions of this Paragraph 4; provided however that any Shareholder may, without restriction and without notice to any other Shareholder, transfer Shareholder Shares by INTER VIVOS gift or testamentary disposition to a transferring Shareholder's spouse or lineal descendants or to a trust for the benefit of such persons, to a family partnership consisting of the Shareholder and/or such persons if the designated transferee, heir, trust or partnership, upon transfer of record ownership of such Shares, agrees to be bound by the terms and provisions of this Agreement.

(b) FIRST OFFER RIGHT. Subject to Paragraph 4(c), below, at least 30 days prior to making any Transfer of any Shareholder Shares (the "Election Period"), the transferring Shareholder (the "Transferring Shareholder") shall deliver a written notice (an "Offer Notice") to the Company and the other Shareholders (the "Other Shareholders"). The Offer Notice shall

disclose in reasonable detail the proposed number of Shareholder Shares to be transferred, the proposed terms and conditions of the Transfer and the identity of the prospective transferee(s) (if known). Each Other Shareholder may elect to purchase all (but not less than all) of his Pro Rata Share (as defined below) of the Shareholder Shares specified in the Offer Notice at the price and on the terms specified therein by delivering written notice of such election to the Transferring Shareholder as soon as practical but in any event within 20 days after delivery of the Offer Notice. Any Shareholder Shares not elected to be purchased by the end of such 20-day period shall be reoffered for the ten-day period prior to the expiration of the Election Period by the Transferring Shareholder on a pro rata basis to the Other Shareholders who have elected to purchase their Pro Rata Share and, if there are any such Shareholder Shares remaining after such allocation, the Company shall have the right to purchase such remaining Shareholder Shares. If the Other Shareholders and/or the Company have elected to purchase Shareholder Shares from the Transferring Shareholder, the transfer of such shares shall be consummated as soon as practical after the delivery of the election notice(s) to the Transferring Shareholder, but in any event within 15 days after the expiration of the Election Period. To the extent that the Company and the Other Shareholders have not

elected to purchase all of the Shareholder Shares being offered, the Transferring Shareholder may, within 90 days after the expiration of the Election Period, transfer such Shareholder Shares to one or more third parties at a price no less than the price per share specified in the Offer Notice and on other terms no more favorable to the transferees thereof than offered to the Company and the Other Shareholders in the Offer Notice. Any Shareholder Shares not transferred within such 90-day period shall be reoffered to the Other Shareholders under this Paragraph 4 prior to any subsequent Transfer. The purchase price specified in any Offer Notice shall be payable solely in cash at the closing of the transaction or in installments over time, and no Shareholder Shares may be pledged except on terms and conditions satisfactory to the Investor. Each Shareholder's "Pro Rata Share" shall be based upon such Shareholder's proportionate ownership of all Shareholder Shares owned by Shareholders other than the Transferring Shareholder.

(c) EXCEPTION FOR MARKET TRANSACTIONS. Should a Transferring Shareholder wish to sell Shareholder Shares in a bona-fide open market transaction, pursuant to Rule 144 adopted under the Securities Act of 1933 or otherwise, such Shareholder, at least 48 hours prior to entering a sell or limit order with respect to such shares, shall so advise the Company and the Other Shareholders who shall have a period of 48 hours to elect to purchase their Pro Rata Share of such shares at the price which could have been obtained upon execution of the order on the open market during such 48 hour period. If the

Other Shareholders and/or the Company have elected to purchase Shareholder Shares from the Transferring Shareholder, the transfer of such Shares shall be consummated with three days after the Company and/or any Shareholder elects to purchase Shareholder Shares under this Paragraph 4(c). To the extent that the Company and the Other Shareholders have not elected to purchase all of the Shareholder Shares being offered pursuant to this Paragraph 4(c), the Transferring Shareholder may transfer such Shares in such open market transaction or as otherwise described above. Any Shareholder Shares not so transferred shall be reoffered to the Other Shareholders under this Paragraph 4 prior to any subsequent Transfer.

5. LEGEND.

(a) Each certificate evidencing Shareholder Shares and each certificate issued in exchange for or upon the transfer of any Shareholder Shares covered hereby shall be stamped or otherwise imprinted with a legend in substantially the following form:

> The transfer of the securities represented by this certificate is subject to the conditions specified in the Shareholders Agreement, dated as of November 12, 1996 and as amended and modified from time to time, between the issuer (the "Company") and certain stockholders, and the Company reserves the right to refuse the transfer of such securities until such conditions have been fulfilled with respect to such transfer.

The Company shall imprint such legend on certificates evidencing Shareholder Shares outstanding as of the date hereof.

6. TRANSFER. Prior to transferring any Shareholder Shares to any Person, the Transferring Shareholder shall cause the prospective transferee to be bound by this Agreement and to execute and deliver to the Company and the Other Shareholders a counterpart of this Agreement.

7. DEFINITIONS.

"Affiliate" of a Person means any other Person controlling, controlled by or under common control with such first Person.

"Board" has the meaning set forth in the preamble.

"Closing" has the meaning set forth in the Purchase Agreement.

"Common Stock" means the Company's common shares, $.001 par value.

"Company" has the meaning set forth in the preamble.

"Investor" has the meaning set forth in the preamble.

"Investor Directors" has the meaning set forth in Paragraph 1(a).

"Note" has the meaning set forth in the Purchase Agreement.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Purchase Agreement" has the meaning set forth in the preamble.

"Shareholder Shares" means (i) any Common Stock purchased or otherwise acquired by any Shareholder, and (ii) any Common Stock issued or issuable with respect to the securities referred to in clause (i) above by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization.

"Shareholders" has the meaning set forth in the preamble.

"Sub Board" has the meaning set forth in Paragraph l(a)(v).

"Subsidiary" means, with respect to any Person, any corporation limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the limited liability company, partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control the managing director or general partner

of such limited liability company, partnership, association or other business entity.

"Transfer" has the meaning set forth in Paragraph 4.

8. TRANSFERS IN VIOLATION OF AGREEMENT. Any Transfer or attempted Transfer of any Shareholder Shares in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Shareholder Shares as the owner of such shares for any purpose.

9. AMENDMENT AND WAIVER. Except as otherwise provided herein, no modification, amendment or waiver of any provision of this Agreement shall be effective against the Company or the Shareholders unless such modification, amendment or waiver is approved in writing by the parties hereto. The failure of any party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

10. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement in such jurisdiction or affect the validity, legality or enforceability of any provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

11. ENTIRE AGREEMENT. Except as otherwise expressly set forth herein, this Agreement embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior

understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

12. SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, this Agreement shall bind and inure to the benefit of and be enforceable by the parties hereto and may not be assigned; provided, however, subject to any required approval of the Division, the Commission (both as defined in the

Purchase Agreement) and the state and local liquor licensing authorities, the Investor may assign its rights and obligations hereunder, in whole or in part, to one or more corporations, limited liability companies, partnerships, trusts or other entities which are under common control with, or controlled through equity and/or voting control by the Investor or Jeffrey P. Jacobs; it being acknowledged that (i) any entity managed by Jacobs Entertainment Ltd. and/or Jeffrey P. Jacobs, (ii) any entity in which either Jacobs Entertainment Ltd. or Jeffrey P. Jacobs is one of the trustees and/or one of the beneficiaries or (iii) any entity in which either Jacobs Entertainment Ltd. or Jeffrey P. Jacobs beneficially owns 15% or more of the outstanding equity securities constitutes common control.

13. COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

14. REMEDIES. The Company and the Shareholders shall be entitled to enforce their rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in their favor. The parties hereto agree and acknowledge that money damages would not be an adequate remedy for any breach of the provisions of this Agreement and the Shareholders may in their discretion apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

15. NOTICES. Except for notices given in accordance with Section 4(c), which shall be deemed given only upon receipt by the Company and the Other Shareholders, all notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, sent to the recipient by reputable overnight courier service (charges prepaid) or mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid or sent by telecopier. Such notices, demands and other communications shall be sent to the Company, the Investor, Greenlee and Day at the addresses indicated below:

Notices to the Investor:

Diversified Opportunities Group Ltd.
c/o Jacobs Entertainment Ltd.
425 Lakeside Avenue

Cleveland, OH 44114
Attention: Jeffrey P. Jacobs
Fax No.: (216) 861-6315

with a copy (which shall not constitute notice) to:

Hahn Loeser Parks
3300 BP America Building
200 Public Square
Cleveland, OH 44114-2301
Attention: Stephen P. Owendoff, Esq.
Fax No.: (216) 241-2824

Notices to the Company:

Black Hawk Gaming & Development Company, Inc.
2060 Broadway, Suite 400
Boulder, Colorado 80302
Attention: Stephen R. Roark, President
Fax No.: (303) 444-7968

with a copy (shall not constitute notice) to:

Jones & Keller P.C.
1625 Broadway, Suite 1600
Denver, Colorado 80202
Attention: Samuel E. Wing, Esq.
Fax No.: (303) 893-6506

Notices to Greenlee:

Robert D. Greenlee
c/o Black Hawk Gaming & Development Company, Inc.
2060 Broadway, Suite 400
Boulder, Colorado 80302
Fax No.: (303) 444-7968

Notices to Day:

Frank B. Day
c/o Rock Bottom Restaurants, Inc.
1050 Walnut Street, Suite 402
Boulder, Colorado 80302
Fax No.: (303) 417-4199

16. GOVERNING LAW. ALL ISSUES AND QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, INTERPRETATION AND ENFORCEABILITY OF THIS AGREEMENT AND THE EXHIBITS AND SCHEDULES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF COLORADO, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW RULES OR PROVISIONS (WHETHER OF THE STATE OF COLORADO OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF COLORADO.

17. BUSINESS DAYS. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or legal holiday in the State of Colorado, the time period shall automatically be extended to the business day immediately following such Saturday, Sunday or legal holiday.

18. DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

DIVERSIFIED OPPORTUNITIES
GROUP LTD.

By: JACOBS ENTERTAINMENT LTD.,
its manager

By /s/ David C. Grunenwald

Its Vice President

BLACK HAWK GAMING &
DEVELOPMENT COMPANY, INC.

By /s/ Robert D. Greenlee

Its Chief Executive Officer

/s/ Robert D. Greenlee

ROBERT D. GREENLEE

/s/ Frank B. Day

FRANK B. DAY

1

Exhibit H

OPERATING AGREEMENT

OF

BLACK HAWK/JACOBS ENTERTAINMENT, LLC

A COLORADO LIMITED LIABILITY COMPANY

EFFECTIVE AS OF NOVEMBER 12, 1996

2

THIS OPERATING AGREEMENT made as of the 12th day of November, 1996 for BLACK HAWK/JACOBS ENTERTAINMENT, LLC (the "Company") by and among BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC., a Colorado corporation ("Black Hawk"), and BH ENTERTAINMENT LTD., an Ohio limited liability company ("Entertainment"), and DIVERSIFIED OPPORTUNITIES GROUP LTD., an Ohio limited liability company ("Diversified").

RECITALS

WHEREAS, concurrently herewith, Black Hawk and Diversified are entering into an Amended and Restated Purchase Agreement (the "Purchase Agreement");

WHEREAS, it is a condition to the closing of the transactions contemplated by the Purchase Agreement that the parties hereto form the Company on the terms and subject to the conditions hereinafter set forth;

WHEREAS, the parties desire to form the Company as a limited liability company under the laws of the State of Colorado to develop and manage a casino project (the "Project") in the City of Black Hawk, County of Gilpin, State of Colorado; and

WHEREAS, the parties desire to enter into this Operating Agreement to reflect certain agreements among them and to replace and supersede that certain Joint Venture Agreement dated December 15, 1994, by and between Black Hawk and Jacobs Investments, Inc.; Entertainment and Diversified being the assignees of Jacobs Investments, Inc.

NOW, THEREFORE, in consideration of the foregoing, of mutual promises of the parties hereto, and of other good and valuable consideration, the receipt

and sufficiency of which are hereby acknowledged, the parties hereby mutually agree as follows:

ARTICLE I

DEFINITIONS

The following terms used in this operating Agreement shall have the following meanings (unless otherwise expressly provided herein):

"ACT" shall mean the Colorado Limited Liability Company Act.

"AFFILIATE" means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by, or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (iii) any officer, director, or general partner of such Person, or (iv) any Person who is an officer, director, general partner, trustee, or holder of ten percent (10%) or more of the voting interests of any Person described in clauses (i) through (iii) of this sentence. For purposes of this definition, the term "controls," "is controlled by," or "is under common control with" shall mean the possession, direct or indirect, of the power to direct or cause

the direction of the management and policies of a Person or Entity, whether through the ownership of voting securities, by contract or otherwise.

"ANNUAL OPERATING PLAN" shall have the meaning ascribed in Section 5.11 of this Operating Agreement.

"APPRAISAL" shall mean the following process for determining the fair market value of an interest in the Company: The fair market value of an interest in the Company shall be the value agreed upon by the Members, or if an agreement cannot be reached within thirty (30) days after such value is requested by any Member (the "Determination Date"), then within twenty (20) business days thereafter each Member shall select a reputable qualified appraiser, each such appraiser having no less than ten (10) years experience in the gaming industry and each being familiar with the prices then being paid for comparable businesses. If either Member shall fail to designate its appraiser within said twenty (20) business day period and thereafter shall fail to do so within three (3) days after written notice by the other party requesting such designation, then such appraiser shall be appointed by the office of the American Arbitration Association. The two appraisers shall separately complete their appraisals within thirty (30) days after the date that the later of them is designated. The two appraisers shall then meet together with the Members or their

representatives, and at such meeting each appraiser shall present to the other a sealed letter setting forth the appraiser's judgment as to the fair market value of the interest in the Company and attempt to persuade all Members to reach agreement as to the value. If all of the Members (or their representatives) do not reach agreement, and if the higher amount set forth in either such letter shall not exceed one hundred ten percent (110%) of the lower amount, then the value shall be the average of the amounts set forth in the two letters. If, however, the higher amount set forth in either of the two letters shall exceed one hundred ten percent (110%) of the lower amount, then within ten (10) business days after the initial delivery of the sealed letters the two appraisers shall designate a third appraiser having the same minimum qualifications as the first two. If the first two appraisers shall fail to agree upon the designation of a third appraiser, then the third appraiser shall be appointed by the American Arbitration Association. The third appraiser shall conduct such investigations and hearing as he shall deem appropriate and within thirty (30) days after his date of designation shall choose a value in the range of the values determined by the appraisers selected by the Members as the fair market value as of the Determination Date. The decision of the third appraiser shall be in writing and shall be binding upon each Member. The costs of the Appraisal shall be shared by all Members in accordance with their Membership Interests.

"ARTICLES OF ORGANIZATION" shall mean the Articles of Organization of the Company as filed with the Office of the Secretary of State of the State of Colorado in the form attached as Exhibit A hereto, as the same may be amended from time to time.

"BANKRUPTCY" means, with respect to any Person, (i) the making of an assignment for the benefit of creditors, (ii) the filing of a voluntary petition in bankruptcy, (iii) the adjudication of such Person as bankrupt or insolvent; (iv) the filing by such Person of a

petition or answer seeking for himself or itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under a statute, law or regulation; (v) the filing by such Person of an answer or other pleading admitting or failing to contest the material allegation of a petition filed against him or it in any proceeding of this nature; (vi) seeking, consenting to, or acquiescence by such Person in the appointment of a trustee, receiver, or liquidator of him or it or of all or any substantial part of his or its property; (vii) the commencement of any proceeding against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, if such proceeding has not been dismissed within 120 days after such

commencement; or (viii) the appointment without the consent of such Person or acquiescence of a trustee, receiver, or liquidator of such Person or of all or any substantial part of his or its properties, if the appointment is not vacated or stayed within 90 days, or if within 90 days after the expiration of any such stay, the appointment is not vacated.

"BOOK BASIS" means the adjusted basis of an item of property as reflected in the books of the Company, determined and maintained in accordance with this Operating Agreement and with the capital accounting rules contained in Treasury Regulation Section 1.704- 1(b)(2)(iv).

"BUDGET" means the Budget proposed and adopted with respect to a Fiscal Year of the Company pursuant to Section 5.11 of this Operating Agreement.

"CAPITAL ACCOUNT" means the account maintained by the Company for each Member in accordance with the provisions of Treasury Regulation Section 1.704-1(b) and Section 7.4 of this Operating Agreement.

"CAPITAL INTEREST" shall mean the proportion that a Member's Capital Account bears to the aggregate Capital Accounts of all Members whose Capital Accounts have positive balances as adjusted from time to time.

"CAPITAL PROCEEDS" means the net cash proceeds realized by the Company resulting from (1) a Capital Transaction, (2) any refinancing of indebtedness of the Company, or (3) the elimination of the necessity for any funded reserve in connection with any mortgage or other indebtedness of the Company.

"CAPITAL TRANSACTION" means the sale, exchange, liquidation or other disposition of, or any condemnation award or casualty loss recovery with respect to, all or substantially all of the property of the Company.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"COMPANY" shall refer to Black Hawk/Jacobs Entertainment, LLC.

"CONSENT" means the written consent of a Person to do the act or thing for which the Consent may be required.

"DEFICIT CAPITAL ACCOUNT" shall mean with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the taxable year, after giving effect to the following adjustments:

(i) credit to such Capital Account any amount which such

Member is obligated to restore under Section 1.704-1(b)(2)(ii)(c) of the Treasury Regulations, as well as any additions thereto pursuant to the next to last sentence of Sections 1.704-2(g)(1) and (i)(5) of the Treasury Regulations, after taking into account thereunder any changes during such year in partnership minimum gain (as determined in accordance with Section 1.704-2(d) of the Treasury Regulations) and in the minimum gain attributable to any partner nonrecourse debt (as determined under Section 1.704-2(i)(3) of the Treasury Regulations); and

(ii) debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations.

This definition of Deficit Capital Account is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and 1.704-2, and will be interpreted consistently with those provisions.

"DEPRECIATION" means, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Fiscal Year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Manager.

"ENTITY" shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association or any foreign trust or foreign business organization.

"FISCAL YEAR" shall mean the Company's fiscal year, which shall be the calendar year.

"GIFTING MEMBER" shall mean any Member who gifts, bequeaths or otherwise transfers for no consideration (by operation of law or otherwise) all or any part of its Membership Interest in accordance with the provisions of Article IX of this Operating Agreement.

"GROSS ASSET VALUE" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by the mutual agreement of the Members, provided that the initial Gross Asset Values of the assets contributed to the Company pursuant to Section 7.1 hereof shall be the agreed values of such assets as set forth in Section 7.1;

(ii) The Gross Asset Values of all Company assets may be adjusted to equal their respective gross fair market values, as determined by the mutual agreement of the Members as of the following times: (a) the acquisition of an additional interest by any new or existing Member in exchange for more than a de minimis contribution of property (including money); (b) the distribution by the Company to a Member of more than a de minimis amount of property as consideration for a Membership Interest; and (c) the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the Manager reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

(iii) The Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the gross fair market value of such asset on the date of distribution as determined by the mutual agreement of the Members; and

(iv) The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m) and Section 7.4 and subparagraph (iv) under the definition of Net Profits and Net Losses; provided, however, that Gross Asset Values shall not be adjusted pursuant to subparagraph (iv) to the extent the Manager determines that an adjustment pursuant to subparagraph (ii) of this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (iv).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraph (i), (ii) or (iv) of this definition, then such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses.

"LIQUIDATOR" means the Manager or, if there is no Manager at the time in question, such other Person as may be appointed in accordance with applicable law who shall be

7

responsible to take all actions related to the winding up and distribution of assets of the Company.

"MANAGER" shall mean Entertainment or any other Person that accompanies or succeeds it in that capacity in accordance with this Operating Agreement.

"MEMBER" shall initially mean each of Black Hawk, Entertainment and Diversified, in their capacities as Members, and thereafter shall mean each of the foregoing so long as it remains a Member of the Company in accordance with the terms of this Operating Agreement, and each person who may hereafter become a Member in accordance with the terms of this Operating Agreement.

"MEMBER CAPITAL" means an amount equal to the sum of all the Members' Capital Account balances determined immediately prior to an allocation to the Members pursuant to Section 8.1(b) of any Disposition Gain or Disposition Loss, increased by the aggregate amount of Disposition Gain to be allocated to the Members pursuant to Section 8.1(b)(i) or decreased by the aggregate amount of Disposition Loss to be allocated to the Members pursuant to Section 8.1(b)(ii).

"MEMBERSHIP INTEREST" shall mean the entire interest of a Member in the Company, including without limitation, the right to receive distributions (liquidation or otherwise) and allocations of profits and losses. Initial Membership Interests of the Members are as follows, although actual voting, governance and other rights deriving from membership, and the allocation of them, are subject to the specific provisions of this Operating Agreement:

Black Hawk	-	75%
Entertainment	-	24%
Diversified	-	1%

"NET CASH FLOW" means the Net Profits or Net Losses of the Company as shown on the books of the Company adjusted for any accrual items and further adjusted by the addition of all items set forth in subsection (i) below and by the deduction of all items set forth in subsection (ii) below:

(i) (A) the amount of Depreciation taken in computing such taxable income; (B) all other receipts of the Company not included in taxable income (exclusive of Capital Contributions), the proceeds of loans and similar capital receipts provided for elsewhere; (C) the net proceeds of sale, exchange, condemnation, destruction or other event resulting from the disposition of any part (but not all or substantially all) of the property owned by the Company, to the extent

not included in such taxable income; (D) amounts released from Reserves; and (E) any other funds deemed available for distribution and designated as Net Cash Flow by the Manager.

(ii) (A) all principal payments for the current Fiscal Year on all loans and on similar obligations of the Company, if any; (B) expenditures of the acquisition of property of the Company and similar capital outlay items not deducted for federal income tax purposes; and (C) amounts added to Reserves.

Net Cash Flow shall be determined separately for each Fiscal Year and shall not be cumulative.

"NET PROFITS" and "NET LOSSES" shall mean for each taxable year of the Company an amount equal to the Company's net taxable income or loss for such year as determined for federal income tax purposes (including separately stated items) in accordance with Section 703 of the Code with the following adjustments:

(i) Any items of income, gain, loss and deduction allocated to Members pursuant to Section 8.2 shall not be taken into account in computing Net Profits or Net Losses for purposes of this Operating Agreement;

(ii) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Net Profits and Net Losses (pursuant to this definition) shall be added to such taxable income or loss;

(iii) Any expenditure of the Company described in Section 705(a)(2)(B) of the Code and not otherwise taken into account in computing Net Profits and Net Losses (pursuant to this definition) shall be subtracted from such taxable income or loss;

(iv) In the event the Gross Asset Value of any Company asset is adjusted pursuant to clause (ii) or (iii) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Profits and Net Losses;

(v) Gain or loss resulting from any disposition of any Company asset with respect to which gain or loss is recognized for federal income tax purposes shall be computed with reference to the Gross Asset

Value of the asset disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value; and

(vi) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year.

"NOTICE" means a writing containing the information required by this Agreement to be communicated to a Person and sent by registered or certified United States mail, postage prepaid and registered or certified with returns receipt requested, or sent by some form of

overnight express delivery to such Person at the last known address of such Person or sent by facsimile (receipt confirmed). All Notices shall be effective upon being deposited in the United States mail or with such overnight express delivery service. However, the time period in which a response to any such Notice must be given shall commence to run from the date of delivery or attempted delivery as noted on the return receipt of the Notice by the addressee thereof or the records of the Entity effecting the overnight express delivery. Notwithstanding the foregoing, any written communication containing such information sent to such Person actually received by such Person shall constitute Notice for all purposes of this Agreement.

"OPERATING AGREEMENT" shall mean this Operating Agreement as originally executed and as amended from time to time.

"PERSON" shall mean any individual or Entity, and the heirs, executors, administrators, legal representatives, successors and assigns of such "Person" where the context so permits.

"POLICY BOARD" shall mean the board established by the Members as contemplated by Section 5.3, which Policy Board shall have full responsibility and authority for the operation and management of the Company's business affairs. Initially, the Policy Board shall have five members (three appointed by Entertainment and two appointed by Black Hawk).

"PROJECT" shall have the meaning ascribed to it in the recital paragraphs.

"RESERVES" shall mean, with respect to any fiscal period, funds set aside or amounts allocated to such period to reserves which shall be maintained in amounts deemed sufficient by the Members for working capital or other

reasonable business needs.

"REQUIRED INTEREST" shall mean Members owning 100% of the Membership Interests of the Company.

"SELLING MEMBER" shall mean any Member which sells, assigns, or otherwise transfers for consideration all or any portion of its Membership Interest in accordance with the provisions of Article IX of this Operating Agreement.

"SERVICE" means the Internal Revenue Service.

"STATE" means the State of Colorado.

"TAX MATTERS PARTNER" means Entertainment.

"TRANSFERRING MEMBER" shall, depending on the context, refer to a Selling Member, a Gifting Member or both.

"TREASURY REGULATIONS" shall include temporary and final regulations promulgated under the Code in effect as of the date of filing the Articles of organization and the corresponding sections of any regulations subsequently issued that amend or supersede such regulations.

"WITHDRAWAL EVENT" shall have the meaning ascribed in Section 12.1(a)(iii) of this Operating Agreement.

ARTICLE II

FORMATION OF COMPANY

SECTION 2.1 MEMBERS. The names and business addresses of the initial Members are as follows:

Black Hawk Gaming & Development
Company, Inc.
2060 Broadway, Suite 400
Boulder, Colorado 80302

BH Entertainment Ltd.
c/o Jacobs Entertainment Ltd.
425 Lakeside Avenue

Cleveland, Ohio 44114

Diversified Opportunities Group Ltd.
c/o Jacobs Entertainment Ltd.
425 Lakeside Avenue
Cleveland, Ohio 44114

2.2 FORMATION AND NAME. The Company was formed as a Colorado limited liability company as of November _____, 1996, upon the filing of Articles of Organization with the Colorado Secretary of State. This Operating Agreement constitutes the sole agreement, and supersedes any prior oral or written agreements, of the Members relating to the Company.

2.3 NAME. The name of the Company is Black Hawk/Jacobs Entertainment, LLC.

2.4 PRINCIPAL PLACE OF BUSINESS. The principal place of business of the Company shall be 2060 Broadway, Suite 400, Boulder, Colorado 80302. The Company may locate its places of business and registered office at any other place or places as the Manager may from time to time determine.

2.5 REGISTERED OFFICE AND REGISTERED AGENT. The Company's initial registered office shall be at the office of its registered agent at 2060 Broadway, Suite 400, Boulder, Colorado 80302, and the name of its initial registered agent at such address shall be Black Hawk Gaming & Development Company, Inc. The registered office and registered agent may be changed from time to time by filing the address of the new registered office and/or the name of the new registered agent with the Secretary of State pursuant to the Act.

2.6 TERM. The term of the Company shall commence upon the filing of the Articles of Organization with the Colorado Secretary of State and shall expire on December 31, 2036, or such later date as may be fixed by amendment of this Operating Agreement, unless the Company is earlier dissolved in accordance with either the provisions of this Operating Agreement or the Act.

ARTICLE III

BUSINESS OF COMPANY

3.1 PERMITTED BUSINESSES. The business of the Company shall be the development, ownership and management of the Project and in connection

therewith:

(a) to accomplish any lawful business whatsoever, or which shall at any time appear conducive to or expedient for the protection or benefit of the Company and its assets;

(b) to exercise all other powers necessary to or reasonably connected with the Company's business which may be legally exercised by limited liability companies under the Act; and

(c) to engage in all activities necessary, customary, convenient, or incident to any of the foregoing.

ARTICLE IV

GENERAL ECONOMIC TERMS AND SECURITY

4.1 PURCHASE AGREEMENT TERMS. Subject to the terms of the Purchase Agreement, Diversified is acquiring 190,476 Shares (as defined in the Purchase Agreement) and is loaning to Black Hawk an amount that ultimately will equal $6,000,000. The loan is evidenced by a Convertible Note of even date herewith (the "Note"). The Note provides, among other things, that prior to payment in full of the principal balance of the Note, all or any portion of the unpaid principal balance shall be convertible into Shares of Black Hawk at any time upon the election of Diversified and, if not yet fully converted, shall, unless the provisions of Article XI of this Operating Agreement apply, be automatically converted into Shares at such time as (i) Diversified has acquired or received all necessary

and appropriate regulatory, licensing and other approvals from the Colorado Division of Gaming (the "Division"), the Colorado Limited Gaming Control Commission (the "Commission") and the State and local liquor licensing authorities and (ii) the Commission approves the issuance to the Company of a retail gaming license (such date of conversion being hereafter referred to as the "Conversion Date"). The proceeds of the loan received by Black Hawk pursuant to the Note shall be contributed to the capital of the Company by Black Hawk.

4.2 NASD APPROVAL. Notwithstanding anything to the contrary contained in Section 4.1, in the event Black Hawk does not obtain NASD Approval (as defined in the Purchase Agreement), Diversified shall have no further obligation to make any investment in or loan to Black Hawk beyond the acquisition of the 190,476 Shares and the initial $1,500,000 loan for the First Note (as defined in

the Purchase Agreement). At such time, the First Note shall be deemed to have been cancelled, the 190,476 Shares acquired by Diversified shall be deemed to have been redeemed by Black Hawk, and Diversified shall be deemed to have made a $2,500,000 capital contribution to the Company and the parties' Membership Interests and other interests in the Company shall be adjusted so that Black Hawk shall have a 50% Membership Interest and Diversified and Entertainment shall have an aggregate 50% Membership Interest and, thereafter, the parties shall make such capital contributions as are necessary to equalize their Capital Accounts in accordance with the foregoing.

4.3 SECURITY. As security for Black Hawk's obligations to Diversified under the Note, pursuant to the terms of an Assignment, Pledge and Security Agreement (the "Security Agreement") of even date herewith, Black Hawk is granting Diversified a first priority lien in 100% of Black Hawk's Membership Interest and the products and proceeds thereof, including but not limited to its Capital Interest, interest in Net Profits and Net Losses and Net Cash Flow of the Company, and all other rights and privileges associated with Black Hawk's membership in the Company; provided, however, that Diversified's remedies upon an event of default under the Note shall be limited (i) to obtaining accrued but unpaid interest thereon and (ii) in the same manner as if it exercised its Purchase Right described in Sections 11.2(a) and (b), below, (provided that all of the events described in Section 11.2(b) occur).

ARTICLE V

MANAGEMENT

5.1 MANAGER.

(a) Subject to the other provisions of this Operating Agreement, the business and affairs of the Company shall be managed by the Manager. The Manager shall direct, manage and control the business of the Company to the best of its ability. Except for decisions, actions or situations in which the approval of the Policy Board or the

Members is expressly required by this Operating Agreement or by non-waivable provisions of applicable law, the Manager shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business.

(b) No Person may serve as Manager unless it is a Member and holds at least a twenty percent (20%) Membership Interest in the Company.

(c) The Members hereby designate Entertainment as the initial Manager; provided, however, that from and after the Conversion Date, Black Hawk also shall be designated as a Manager and, thereafter, Entertainment and Black Hawk shall have equal rights as Manager. Notwithstanding the foregoing, following the Conversion Date, Entertainment shall continue to serve as the Tax Matters Partner.

5.2 POWERS AND DUTIES OF MANAGER.

(a) Without limiting the generality of Section 5.1, but subject to the limitations set forth in Section 5.4, the Manager shall have the power and authority, on behalf of the Company to:

(i) Cause the Company to pay all required taxes, rents, assessments and other obligations of the Company;

(ii) On behalf of the Company, execute and supervise contracts to be entered into by the Company and execute all other instruments and documents, including, without limitation, checks, drafts, notes and other negotiable instruments, mortgages or deeds of trust, security agreements, financing statements, documents providing for the acquisition, mortgage or disposition of the Company's property, assignments, bills of sale, leases and any other instruments or documents necessary, in the opinion of the Manager, to the business of the Company;

(iii) Borrow money for the Company from banks, other lending institutions, Members, or Affiliates of Members in accordance with this Agreement or on such terms as may be approved by the Members, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums. No debt shall be contracted or liability incurred by or on behalf of the Company except to the extent expressly provided in this Operating Agreement or as approved by the Policy Board;

(iv) Purchase liability and other insurance to protect the Company's property and business;

(v) Invest any Company funds temporarily (by way of example but not limitation) in time deposits, short-term governmental

obligations, commercial paper or other investments; and

(vi) Take any action and do and perform all other acts which (A) are necessary or appropriate to the conduct of the Company's business, including all actions necessary to fulfill the Company's obligations to maintain the development of the Project, but (B) do not require approval of the Policy Board under this Operating Agreement, unless such action or acts are specifically authorized by the Budget or the Annual Operating Plan.

(b) The Manager shall be responsible for and hereby covenants that:

(i) as Tax Matters Partner, it will provide: (A) notice of each Member's name, address and profits interest to be furnished to the Service in accordance with Section 6223(c) of the Code, provided the Tax Matters Partner has knowledge of such Member's name, address and profits interest, (B) notice of all administrative and judicial proceedings for the adjustment at the partnership (Company) level of partnership (Company) items shall be sent to each known Member, and (C) if the Service notifies the Company of any administrative proceeding, notice will be sent to the Service in accordance with Section 6230(e) of the Code;

(ii) it will exercise good faith in all activities relating to the conduct of the business of the Company and will take no action with respect to the business and property of the Company which is not reasonably related to the achievement of the purpose of the Company;

(iii) extended risk insurance in favor of the Company acceptable to the Policy Board and workmen's compensation and public liability insurance in favor of the Company in amounts satisfactory to the Policy Board will be kept in force during the term of the Company as to property of the Company;

(iv) all funds of the Company will be deposited in a separate bank account or accounts as shall be determined by the Manager;

(v) at the Company's cost and expense, it will provide or cause to be provided each Member (A) within thirty (30) days after the end of each fiscal quarter, a report of operations for such quarter, including a balance sheet, a statement of income and expenses and a cash flow statement for the quarter then ended, (B) within ninety (90) days after the end of each Fiscal Year of the Company, reviewed and compiled and, if necessary, audited financial statements prepared by Deloitte & Touche (or such other independent accountants as may be selected by the Members) in accordance with generally accepted accounting principles and such

financial information with respect to such Fiscal Year of the Company as shall be reportable for federal and state income tax purposes, (C) tax returns for the Company as set forth in Section 8.10; and (D) regular and periodic (but not less than quarterly) reports and updates regarding the Project;

(vi) comply with all contracts, agreements and obligations and all governmental rules, regulations, laws, ordinances and requirements, applicable to the Project and management of the Company; and

(vii) in hiring professionals on behalf of the Company, it will consider, on a reasonable basis, any business issues or concerns raised by any Member with respect to any one or more candidates for such engagement.

5.3 POLICY BOARD.

(a) Subject to the authority granted to the Manager, the Policy Board shall have full authority for operating and managing the Company and the Project. Actions and decisions of the Policy Board shall require the vote or Consent of a majority of the members of the Policy Board. The Policy Board shall make all decisions on behalf of the Company not specifically reserved herein to the Manger.

(b) There shall be five Members of the Policy Board. The Policy Board members and the Member of the Company appointing such individuals are as follows:

Entertainment	Black Hawk
1) Jeffrey P. Jacobs	1) Robert D. Greenlee
2) David C. Grunenwald	2) Stephen R. Roark
3) Robert H. Hughes	

All members of the Policy Board shall serve in such capacity without compensation from the Company. Each Member of the Company may at any time and from time to time upon Notice to the other Members replace any of its designees to the Policy Board should such designee die, become disabled, resign or for any reason cease to serve on the Policy Board.

(c) From and after the date on which Diversified controls Black Hawk's Board of Directors, one of the Members of the Policy Board designated by Entertainment shall resign and Black Hawk shall have the right to

nominate the fifth member of the Policy Board. If, however, Jeffrey P. Jacobs ("Jacobs") ceases to be Chief Executive Officer or Chairman of the Board of Black Hawk, the Policy Board shall consist of six members, with three members being designated by each of Entertainment and Black Hawk and thereafter decisions of the Policy Board shall require the vote or consent of four of the members of the Policy Board.

5.4 RESTRICTIONS ON AUTHORITY OF THE MANAGER.

The Manager shall not have the authority to, and covenants and agrees that it shall not, do any of the following acts without the majority Consent of the members of the Policy Board:

(a) Cause or permit the Company to engage in any activity that is not consistent with the purposes of the Company as set forth in Section 3.1 hereof;

(b) Do any act in contravention of this Operating Agreement;

(c) Do any act which would make it impossible to carry on the ordinary business of the Company, except as otherwise provided in this Operating Agreement;

(d) Confess a judgment against the Company or execute an assignment for the benefit of creditors;

(e) Utilize Company property, or assign rights in specific property of the Company, for other than a Company purpose;

(f) Perform any act that would cause the Company to conduct business in a state which has neither enacted legislation which permits limited liability' companies to organize in such state nor permits the Company to register to do business in such state as a foreign limited liability company;

(g) Cause the Company to voluntarily take any action that would cause Bankruptcy of the Company;

(h) Cause the Company to acquire any equity or debt securities of any Member or any of its Affiliates, or otherwise make loans to any Member or any of its Affiliates;

(i) Direct the business and affairs of the Company and

exercise the rights and powers granted by Section 5.2 in a manner that would cause or effect a significant change in the nature of the Company's business;

(j) Cause the Company to admit any additional Members;

(k) Sell, lease, encumber or otherwise dispose of all or any part of the Project or Company assets, except for a liquidating sale in connection with the dissolution of the Company or the casual sale or other disposition of Company assets with a fair market value of less than $10,000 in a single transaction or $100,000 in the aggregate;

(l) Except as otherwise contemplated by this Agreement, cause the Company to enter into any contract or obligation in excess of $50,000;

(m) Borrow money on behalf of the Company;

(n) Except as otherwise contemplated by this Agreement, cause the Company to enter into any contract or agreement with any Affiliate of any Member, unless the compensation provided thereunder is in accordance with Section 6.7 and the services to be provided are approved by the Manager and are reasonably necessary for the Company's business;

(o) Cause dissolution of the Company;

(p) Establish, add to and release funds from Reserves;

(q) Cause the Company to enter into any joint venture, partnership or other Entity; or

(r) Agree or consent to any material amendment of, or the execution of, any Agreement, contract or other document relating to the Project.

5.5 DUTIES OF MANAGER AND POLICY BOARD. Each of the Manager and Policy Board shall perform their respective duties in good faith, in a manner each reasonably believes to be in the best interests of the Company, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.

5.6 MANAGERS AND MEMBERS OF THE POLICY BOARD HAVE NO EXCLUSIVE DUTY TO COMPANY. Neither the Manager nor the members of the Policy Board shall be required to manage the Company as its sole and exclusive function and each (and/or any Member) (i) may have other business interests and may engage in other activities in addition to those relating to the Company, including,

without limitation, subject to this Agreement, and the Master Joint Venture Agreement (as defined in the Purchase Agreement), participation in ventures which compete, or may compete, with the business of the Company and (ii) shall incur no liability to the Company or to any of the Members as a result of engaging in any such other business or venture.

5.7 BANK ACCOUNTS. The Manager may from time to time open bank accounts in the name of the Company, and the Policy Board shall designate the sole signatories on such accounts.

5.8 RESIGNATION. The Manager of the Company may resign at any time by giving Notice to the Members. Any such resignation of a Manager shall take effect upon receipt of Notice thereof or at such later time as shall be specified in such Notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to

make it effective. The failure of a Manager to satisfy or to continue to satisfy the requirements of Section 5.1(b) shall be deemed to constitute the resignation of such Manager, effective immediately and without Notice or any further action upon such failure. Upon resignation of a Manager, until a new Manager is appointed pursuant to Section 5.8, the management of the Company shall revert to and be vested in the Policy Board. The resignation of a Manager shall not affect the former Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.9 VACANCIES. Any vacancy occurring for any reason in the position of Manager of the Company shall be filled by Entertainment until the Conversion Date and, thereafter, by the Members holding the Required Interest.

5.10 RIGHT TO RELY ON THE MANAGER. Any Person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by the Manager as to:

(a) The identity of the Manager or any Member;

(b) The existence of nonexistence of any fact or facts which contribute a condition precedent to acts by the Manager or which are in any other manner germane to the affairs of the Company;

(c) The Persons who are authorized to execute and deliver any instrument or document of the Company; or

(d) Any act or failure to act by the Company or any other

matter whatsoever involving the Company or any Member with respect to the business of the Company.

5.11 ANNUAL OPERATING PLAN AND BUDGET.

(a) The Manager shall prepare for the approval of the Policy Board, which approval shall not be unreasonably withheld, each Fiscal Year (no later than thirty (30) days prior to the end of the then current Fiscal Year) a business plan ("Annual Operating Plan") for the next Fiscal Year. Each Annual Operating Plan shall consist of a strategic plan setting forth the Company's goals and objectives regarding the Project during the next Fiscal Year. Any such Annual Operating Plan shall also include such other information or other matters necessary in order to inform the Policy Board of the Company's business and prospects and to enable the Policy Board to make an informed decision with respect to their approval of such Annual Operating Plan.

(b) The Manager shall prepare for the approval of the Policy Board, which approval shall not be unreasonably withheld, each Fiscal Year (no later than thirty (30) days prior to the end of the then current Fiscal Year) a budget ("Budget") for the next Fiscal Year. If the proposed Budget for any given year is not approved by the Policy Board by the

first day of such year, then, until such time as the Members approve a Budget for that year, the Manager shall be authorized to expend only such funds as are required to preserve and protect the value of the Project and satisfy the Company's obligations under existing contracts with Persons.

ARTICLE VI

RIGHTS AND OBLIGATIONS OF MEMBERS

6.1 LIMITATION OF LIABILITY. Each Member's liability shall be limited as set forth in this Operating Agreement, the Act and other applicable law. A Member will not be personally liable for any debts, obligations, liabilities or losses of the Company beyond its respective Capital Contributions and any obligation of a Member under Section 7.1, 7.2 or 7.4 to make Capital Contributions, as specifically agreed in accordance with Section 7.5 or as otherwise required by law.

6.2 LIST OF MEMBERS. Upon written request of any Member, the Manager shall provide a list showing the names, addresses and Membership Interests of all Members.

6.3 COMPANY BOOKS. In accordance with the Act, at the expense of the Company, the Manager shall maintain and preserve, during the term of the Company, and for five (5) years thereafter, all books, records and accounts of all operations and expenditures of the Company and other relevant Company documents. Upon reasonable request, each Member (or its representative) shall have the right, during ordinary business hours, to inspect and copy such Company documents at the requesting Member's expense. In addition to complete accounting records, at a minimum, the Company shall keep at its principal place of business the following records:

(a) A current list of the full name and last known business, residence, or mailing address of each Member, assignee, member of the Policy Board and Manager, both past and present;

(b) A copy of the Articles of Organization of the Company and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;

(c) Copies of the Company's federal, state, and local income tax returns and reports, if any, for the four most recent years;

(d) Copies of the Company's currently effective written Operating Agreement, copies of any writings permitted or required with respect to a Member's obligation to contribute cash, property or services, and copies of any financial statements of the Company for the three most recent years;

(e) Minutes of every annual, special meeting and court-ordered meeting of the Manager or the Members; and

(f) Any written consents obtained from Members for actions taken by Members without a meeting and from members of the Manager for actions taken by the Manager without a meeting.

6.4 LIABILITY OF A MEMBER TO THE COMPANY. A Member who receives a distribution in violation of this Agreement or the Act is liable to the Company to the extent now or hereafter provided by the Act.

6.5 NO COMMITMENTS ON BEHALF OF THE COMPANY. Except as provided in this Operating Agreement, each Member agrees that it will not take any action which will commit or bind, or purport to commit or bind, the Company or any other Member to any act, agreement, contract or undertaking of any kind or nature whatsoever, or incur debt in the name of or on behalf of the Company or create

any lien upon any of the properties or the other assets of the Company or hold itself out as authorized to act on behalf of the Company or any Member, unless permitted by this Operating Agreement or expressly authorized in advance to do so by approval of the other Member. Each Member agrees that it will indemnify the Company and the other Member(s) against any and all claims, damages, losses and liabilities to which the Company or any other Member may be or become subject arising or resulting from the breach by such Member of this Section 6.5.

6.6 PAYMENT OF COSTS AND EXPENSES. All reasonable costs and expenses of the Company and (to the extent fairly allocable to the Company) of the Manager and/or the Policy Board will be borne by and charged to the Company, including, without limitation: (i) out-of pocket expenses incurred by the Company, the Manager or the Policy Board in connection with the organization of the Company; (ii) fees and expenses of consultants, appraisers, custodians, counsel, independent public accountants, actuaries and other agents; (iii) finders, placement, brokerage and other similar fees; (iv) out-of-pocket costs of meetings with (including travel), and reports to, the Members or the Policy Board; (v) costs and expenses incurred for the preparation and distribution of financial reports, tax reports, and other information for the benefit of the Members or as specifically requested by a Member; (vi) any taxes, fees or other governmental charges levied against the Manager or its income or assets or in connection with its business or operations; and (vii) costs of any agency or administrative actions or hearings, any governmental action or third-party litigation or other matters that are the subject of indemnification pursuant to Article X hereof; (viii) costs of winding-up and liquidating the Company, and (ix) all other reasonable costs and expenses of the Company, the Manager or the Policy Board in connection with this Agreement.

6.7 MEMBER OR AFFILIATES DEALING WITH COMPANY.

(a) A Member or any Affiliate of a Member shall have the right to contract or otherwise deal with the Company for the sale of goods or services only if (i) the terms and conditions of such contract are fully disclosed in writing to all Members not less than thirty (30) business days prior to the effective date of such contract, (ii) compensation paid or promised for such goods or services is reasonable and competitive (i.e., at fair market value) and is paid only for goods or services actually furnished to the Company, (iii) the goods or services to be furnished are reasonable for and necessary to the Company, and (iv) the terms for the furnishing of such goods and services are at least as favorable to the Company as would be obtainable in an arm's length transaction. Any contract covering such transactions shall be in writing. Any payment made to a Member or any Affiliate of a Member for such goods or services shall be fully disclosed to all Members, and no Affiliate shall, by the making

of lump-sum payments to any other Person for disbursement by such other Person, circumvent the provisions of this Section 6.7.

(b) Notwithstanding the provisions of Section 6.7(a), no Member or Affiliate of a Member shall:

(i) participate in any arrangement which would circumvent the provisions of Section 6.7(a), including but not limited to receipt of a rebate or give-up; or

(ii) receive any insurance brokerage fee or write any insurance policy covering the Company.

6.8 MEMBER LOANS. Nothing in this Operating Agreement shall prevent any Member from making secured or unsecured loans to the Company by agreement with the Company and approval of all of the Members; provided, however, each Member shall be entitled to proportionately participate in making such loan(s) on the same terms as made by any Member.

ARTICLE VII

CAPITAL CONTRIBUTIONS, MEMBER LOANS, FINANCIAL OBLIGATIONS AND CAPITAL ACCOUNTS

7.1 MEMBERS' CAPITAL CONTRIBUTIONS.

(a) As its Capital Contribution to the Company, Entertainment and Diversified have or will assign, or cause to be assigned, and contribute those items set forth on Exhibit B. For Capital Account purposes, the Members acknowledge that the Agreed Value of such Capital Contribution is $5,000,000.

(b) As its Capital Contribution to the Company, Black Hawk has or will assign, or cause to be assigned, and contribute those items set forth on Exhibit B. For

Capital Account purposes, the Members acknowledge that the Agreed Value of such Capital Contribution is $15,000,000.

7.2 ADDITIONAL CAPITAL. Except as may be required or desired by the Policy Board, no Member shall be required to contribute capital to the Company beyond its initial Capital Contribution. Additional Capital Contributions shall

be made by each of the Members in proportion to their Membership Interests.

7.3 PROVISIONS NOT FOR BENEFIT OF CREDITORS. None of the terms, covenants, obligations or rights contained in this Article VII is or shall be deemed to be for the benefit of any person or Entity other than the Members and the Company, and no such third person shall under any circumstances have any right to compel any actions or payments by the Manager and/or the Members.

7.4 CAPITAL ACCOUNTS.

(a) A separate Capital Account will be maintained for each Member. Each Member's Capital Account will be increased by (1) the amount of money contributed by such Member to the Company; (2) the fair market value of property contributed by such Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code); (3) allocations to such Member of Net Profits; (4) any items in the nature of income and gain which are specially allocated to the Member pursuant to paragraphs (a), (b), (c), (d), (e), (i) and/or (j) of Section 8.2; and (5) allocations to such Member of income described in Section 705(a)(1)(B) of the Code. Each Member's Capital Account will be decreased by (1) the amount of money distributed to such Member by the Company; (2) the fair market value of property distributed to such Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Section 752 of the Code); (3) allocations to such Member of expenditures described in Section 705(a)(2)(B) of the Code; (4) any items in the nature of deduction and loss that are specially allocated to the Member pursuant to paragraphs (a), (b), (c), (d), (e), (f), (i) and/or (j) of Section 8.2; and (5) allocations to the account of such Member of Net Losses.

(b) In the event of a permitted sale or exchange of a Membership Interest in the Company, the Capital Account of the transferor shall become the Capital Account of the transferee to the extent it relates to the transferred Membership Interest in accordance with Section 1.704-1(b)(2)(iv) of the Treasury Regulations.

(c) The manner in which Capital Accounts are to be maintained pursuant to this Section 7.4 is intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder. If, in the opinion of the Company's accountants, the manner in which Capital Accounts are to be maintained pursuant to the preceding provisions of this Section 7.4 should be modified in order to comply with Section 704(b) of the Code and the Treasury Regulations thereunder, then

notwithstanding anything to the contrary contained in the preceding provisions of this Section 7.4, the method in which Capital Accounts are maintained shall be so modified; provided, however, that any change in the manner of maintaining Capital Accounts shall not materially alter the economic agreement between or among the Members.

(d) Upon liquidation of the Company (or any Member's Membership Interest or an assignee's Membership Interest, except as otherwise provided in this Operating Agreement), liquidating distributions will be made in accordance with the positive Capital Account balances of the Members and assignees, as determined after taking into account all Capital Account adjustments for the Company's taxable year during which the liquidation occurs. Liquidation proceeds will be paid in accordance with Section 12.3(b). The Company may offset damages for breach of this Operating Agreement by a Member or assignee whose interest is liquidated (either upon the withdrawal of the Member or the liquidation of the Company) against the amount otherwise distributable to such Member.

(e) Except as otherwise required in the Act (and subject to Sections 6.1 and 6.4), no Member or assignee shall have any liability to restore all or any portion of a deficit balance in such Member's or assignee's Capital Account.

7.5 WITHDRAWAL OR REDUCTION OF MEMBERS' CONTRIBUTIONS

(a) A Member shall not receive out of the Company's property any part of its Capital Contribution until all liabilities of the Company, except liabilities to Members on account of their Capital Contributions, have been paid or there remains property of the Company sufficient to pay them.

(b) A Member, irrespective of the nature of its Capital Contribution, has only the right to demand and receive cash in return for its Capital Contribution.

ARTICLE VIII

ALLOCATIONS, DISTRIBUTIONS, ELECTIONS AND REPORTS

8.1 (a) ALLOCATIONS OF PROFITS AND LOSSES FROM OPERATIONS. Subject to Section 8.1(b) and 8.2 the Net Profits and Net Losses of the Company for each Fiscal Year shall be allocated to the Members in proportion to their respective Membership Interests.

(b) ALLOCATIONS OF GAIN OR LOSS UPON SALE OR OTHER DISPOSITION OF THE PROPERTY UPON LIQUIDATION OF THE COMPANY. The Net Profits or Net Losses from the sale or other disposition of the property or any portion thereof (such Net Profits or Net Losses determined by reference to the Book Basis of such property to the Company, and without including any income from interest on any deferred portion of the sale price) ("Disposition Gain" and Disposition Loss,"

respectively) for each fiscal year of the Company shall be allocated to the Members as follows:

24

(i) DISPOSITION GAIN. Subject to the allocations set forth in Sections 8.2, Disposition Gain shall be allocated to the Members as follows:

(A) First, to any Members with deficit balances in their respective Capital Accounts, until such balances are restored to zero;

(B) Second, among the Members in such proportions and in such amounts as would result in the Capital Account balance of each Member equaling, as nearly as possible, the amount of the distribution that such Member would receive if an amount equal to the Member Capital were distributed to the Members pursuant to Section 8.4; and

(C) Any remaining Disposition Gain shall be allocated to the Members in accordance with their respective Percentage Interests.

(ii) DISPOSITION LOSS. Subject to the allocations set forth in Sections 8.2, Disposition Loss shall be allocated to the Members as follows:

(A) First, to those Members with positive balances in their respective Capital Accounts in amounts equal to their respective Capital Account balances; provided, however, that if the amount of Disposition Loss to be allocated is less than the sum of the Capital Account balances of all Members having positive Capital Account balances, then the Disposition Loss shall be allocated to such Members in such proportions and in such amounts as would result in the Capital Account balance of each such Member equaling, as nearly as possible, the amount of the distribution that such Member would receive if an amount equal to the Member Capital were distributed to such Members pursuant to Section 8.4; and

(B) Any remaining Disposition Loss shall be allocated to the Members in accordance with their respective Membership Interests.

(iii) INTEREST INCOME ON SALE. Income from interest on any deferred portion of the Net Capital Proceeds with respect to a sale or other disposition of Property shall not be deemed to be gain on such sale, and such income shall be considered an item of gross income and allocated to the Member receiving the interest to which such income is attributable.

8.2 SPECIAL ALLOCATIONS TO CAPITAL ACCOUNTS AND CERTAIN OTHER INCOME TAX ALLOCATIONS. Notwithstanding Section 8.1 hereof:

(a) In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6) of the

Treasury Regulations, which create or increase a Deficit Capital Account of such Member, then items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such year and, if necessary, for subsequent years) shall be specially allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Deficit Capital Account so created as quickly as possible. It is the intent that this Section 8.2(a) be interpreted to comply with the alternate test for economic effect set forth in Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations.

(b) In the event any Member would have a Deficit Capital Account at the end of any Company taxable year which is in excess of the sum of any amount that such Member is obligated to restore to the Company under Section 1.704-1(b)(2)(ii)(c) of the Treasury Regulations and such Member's share of minimum gain as defined in Section 1.704-2(g)(1) of the Treasury Regulations (which is also treated as an obligation to restore in accordance with Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations), the Capital Account of such Member shall be specially credited with items of Membership income (including gross income) and gain in the amount of such excess as quickly as possible.

(c) Notwithstanding any other provision of this Section 8.2, if there is a net decrease in the Company's minimum gain as defined in Treasury Regulation Section 1.704-2(d) during a taxable year of the Company, then, the Capital Account of each Member shall be allocated items of income (including

gross income) and gain for such year (and if necessary for subsequent years) equal to that Member's share of the net decrease in Company minimum gain. This Section 8.2(c) is intended to comply with the minimum gain chargeback requirement of Section 1.704-2 of the Treasury Regulations and shall be interpreted consistently therewith. If (i) in any taxable year that the Company has a net decrease in the Company's minimum gain, (ii) the minimum gain chargeback requirement would cause a distortion in the economic arrangement among the Members, and (iii) it is not expected that the Company will have sufficient other income to correct that distortion, then the Manager may in its discretion (and shall, if requested to do so by a Member) seek to have the Internal Revenue Service waive the minimum gain chargeback requirement in accordance with Treasury Regulation Section 1.704-2(f)(4).

(d) Items of Company loss, deduction and expenditures described in Section 705(a)(2)(B) which are attributable to any nonrecourse debt of the Company and are characterized as partner (Member) nonrecourse deductions under Section 1.704-2(i) of the Treasury Regulations shall be allocated to the Members' Capital Accounts in accordance with said Section 1.704-2(i) of the Treasury Regulations.

(e) Beginning in the first taxable year in which there are allocations of "nonrecourse deductions" (as described in Section 1.704-2(b) of the Treasury Regulations) such deductions shall be allocated to the Members in the same manner as Net Profit or Net Loss is allocated for such period.

(f) In accordance with Section 704(c)(1)(A) of the Code and Section 1.704-1(b)(2)(i)(iv) of the Treasury Regulations, if a Member contributes property with a fair market value that differs from its adjusted basis at the time of contribution, income, gain, loss and deductions with respect to the property shall, SOLELY FOR FEDERAL INCOME TAX PURPOSES (and not for Capital Account purposes), be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company and its fair market value at the time of contribution.

(g) Pursuant to Section 704(c)(1)(B) of the Code, if any contributed property is distributed by the Company other than to the contributing Member within five years of being contributed, then, except as provided in Section 704(c) (2) of the Code, the contributing Member shall, SOLELY FOR FEDERAL INCOME TAX PURPOSES (and not for Capital Account purposes), be treated as recognizing gain or loss from the sale of such property in an amount equal to the gain or loss that would have been allocated to such Member under Section 704(c) (1)(A) of the Code if the property had been sold at its fair market value at the time of the distribution.

(h) In the case of any distribution by the Company to a Member or assignee, such Member or assignee shall, SOLELY FOR FEDERAL INCOME TAX PURPOSES (and not for Capital Account purposes), be treated as recognizing gain in an amount equal to the lesser of:

(i) the excess (if any) of (A) the fair market value of the property (other than money) received in the distribution over (B) the adjusted basis of such Member's Membership Interest or assignee's Membership Interest in the Company immediately before the distribution reduced (but not below zero) by the amount of money received in the distribution, or

(ii) the Net Precontribution Gain (as defined in Section 737(b) of the Code) of the Member or assignee. The Net Precontribution Gain means the net gain (if any) which would have been recognized by the distributes Member or assignee under Section 704(c)(1)(B) of the Code of all property which (1) had been contributed to the Company within five years of the distribution, and (2) is held by the Company immediately before the distribution, had been distributed by the Company to another Member or assignee. If any portion of the property distributed consists of property which had been contributed by the distributes Member or assignee to the Company, then such property shall not be taken into account under this Section 8.2(h) and shall not be taken into account in determining the amount of the Net Precontribution Gain. If the property distributed consists of an interest in an Entity, the preceding sentence shall not apply to the extent that the value of such interest is attributable to the property contributed to such Entity after such interest had been contributed to the Company.

(i) All recapture of income tax deductions resulting from sale or disposition of company property shall be allocated to the Member or Members to whom the deduction that gave rise to such recapture was allocated hereunder to the extent that such Member is allocated any gain from the sale or other disposition of such property.

(j) Any credit or charge to the Capital Accounts of the Members pursuant to Sections 8.2(a), (b), (c), (d), and/or (e) hereof shall be taken into account in computing subsequent allocations of profits and losses pursuant to Section 8.1, so that the net amount of any items charged or credited to Capital Accounts pursuant to Sections 8.1 and 8.2(a), (b), (c), (d), and/or (e) shall, to the extent possible, be equal to the net amount that would have

been allocated to the Capital Account of each Member pursuant to the provisions of this Article VIII if the special allocations required by Sections 8.2(a), (b), (c), (d), and/or (e) hereof had not occurred.

8.3 INTENTIONALLY OMITTED.

8.4 DISTRIBUTIONS. Except as provided in Section 12.3, all Company Net Cash Flow, Capital Proceeds, or other cash or property shall be distributed at least quarterly, after payment of debts of the Company to the extent required (including the payment of debts to Members) and the setting aside of any Reserves which the Members deem reasonably necessary for contingent, unforeseen or unmatured Company obligations, to the Members in the same manner as Net Profits and Net Losses are allocated as set forth in Section 8.1.

8.5 LIMITATION UPON DISTRIBUTIONS. No distribution shall be declared and paid unless, after the distribution is made, the then fair market value of the assets of the Company are in excess of all liabilities of the Company, except liabilities to Members on account of their contributions.

8.6 PRIORITY AND RETURN OF CAPITAL. Except as may be expressly provided in this Article VIII, no Member or assignee shall have priority over any other Member or assignee, either as to the return of Capital Contributions or as to Net Profits, Net Losses or distributions; provided that this Section shall not apply to loans (as distinguished from Capital Contributions) which a Member has made to the Company.

8.7 ACCOUNTING PRINCIPLES. The profits and losses of the Company shall be determined in accordance with generally accepted accounting principles applied on a consistent basis.

8.8 INTEREST ON AND RETURN OF CAPITAL CONTRIBUTIONS. No Member shall be entitled to interest on its Capital Contribution or to return of its Capital Contribution, except as otherwise specifically provided for herein.

8.9 ACCOUNTING PERIOD. The Company's accounting period shall be the calendar year.

8.10 RETURNS AND ELECTIONS. The Manager shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business. Copies of such returns, or pertinent information therefrom, shall be furnished to the Members within a reasonable time after the end of the Company's Fiscal Year.

All elections permitted to be made by the Company under federal or state tax laws shall be made by the Manager with the prior approval and direction of the Members.

8.11 DISTRIBUTIONS IN KIND. No Member shall be entitled to demand and receive property other than cash in return for his Capital Contributions to the Company. No Company assets shall be distributed in kind except as and in such manner as may be specifically agreed and approved by the Members. The amount by which the fair market value of any property to be distributed in kind to the Members exceeds or is less than the tax basis of such property shall, to the extent not otherwise recognized by the Company, be taken into account in computing Net Profits and Net Losses of the Company for purposes of allocations and distributions to the Members under this Article VIII.

ARTICLE IX

ASSIGNMENTS AND TRANSFERS

9.1 GENERAL. Except for the pledge and assignment by Black Hawk to Diversified of its Membership Interest and as otherwise specifically provided herein, neither a Member nor an assignee shall have the right to:

(a) sell, assign, transfer, exchange, pledge or otherwise transfer for consideration, (collectively, "sell" or "sale"), or

(b) gift, bequeath or otherwise transfer for no consideration whether or not by operation of law, including without limitation, in the case of Bankruptcy (collectively "gift")

all or any part of its Membership Interest. Each Member hereby acknowledges the reasonableness of the restrictions on sale and gift of Membership Interests imposed by this Operating Agreement in view of the unique terms, the Company purposes and the relationship of the Members. Accordingly, the restrictions on sale and gift contained herein shall be specifically enforceable. Any attempt to effect a sale or gift of a Membership Interest in contravention of this Section 9.1 shall be deemed null and void.

9.2 NO ASSIGNMENT OR TRANSFER IN ABSENCE OF UNANIMOUS CONSENT.

(a) Notwithstanding anything contained herein to the contrary, except Sections 12.1(c) and (d) below, no sale or gift of a Membership Interest

to a proposed assignee which is not a Member immediately prior to the sale or gift shall be permitted or shall be effective without the prior Consent of all of the remaining Members, which Consent may be given or withheld in the sole and absolute discretion of such Members; provided, however, (x) each of Entertainment or Diversified may assign its rights hereunder, in whole or in part, to one or more corporations, limited liability companies, partnerships, trusts or other entities which are under common control with or control through equity ownership and/or voting control by, Entertainment, Diversified or Jacobs; it being acknowledged that (i) any entity managed by Jacobs Entertainment Ltd. ("JEL") or Jacobs, (ii) any entity in which either of JEL or Jacobs is one of the trustees and/or one of the beneficiaries or (iii) any entity in which either JEL or Jacobs beneficially owns 15% or more of the outstanding equity securities constitutes common control and (y) Black Hawk may assign its rights hereunder, in whole or in part, to one or more corporations, limited liability companies, partnerships, trusts or other entities which are wholly-owned by Black Hawk.

(b) Further notwithstanding anything contained herein to the contrary, notwithstanding the Consent of the remaining Members to the sale or gift of a Membership Interest to an assignee in accordance with Section 9.2(a) above, no assignee (other than a permitted assignee of Entertainment or Diversified as described in 9.2(a)) which is not a Member immediately prior to the sale or gift shall have any right to exercise any rights as a Member, to participate in the management of the business and affairs of the Company or to become a Member without the further Consent of all of the remaining Members. Such assignee shall have only the rights of an assignee under Section 7-80-702 of the Act.

(c) No assignment or transfer of a Member's interest in the Company shall be effective unless and until Notice (including the name and address of the proposed assignee and the date of such transfer) has been provided to the Company and the non-transferring Member(s).

(d) Upon and contemporaneously with any sale or gift of a Transferring Member's Membership Interest in the Company which does not at the same time transfer the balance of the rights associated with the Membership Interest transferred by the Transferring Member (including, without limitation, the rights of the Transferring Member to participate in the management of the business and affairs of the Company), all remaining rights and interests otherwise retained by the Transferring Member which immediately prior to such sale or gift were associated with the transferred Membership Interest shall lapse.

(e) The remaining Members may require the Selling Member or Gifting Member and the proposed assignee to execute, acknowledge and deliver to the remaining Members such instruments of transfer, assignment and assumption and such other

certificates, representations and documents, and to perform all such other acts which the remaining Members may deem necessary or desirable to:

(i) constitute the assignee as a Member, donee or successor-in-interest as such;

(ii) confirm that the Person desiring to acquire an interest or interests in the Company, or to be admitted as a Member, has accepted, assumed and agreed to be subject and bound by all of the terms, obligations and conditions of this Operating Agreement, as the same may have been further amended (whether such Person is to be admitted as a new Member or will merely be an assignee);

(iii) preserve the Company after the completion of such sale, transfer, assignment, or substitution under the laws of each jurisdiction in which the Company is qualified, organized or does business;

(iv) maintain the status of the Company as a partnership for federal tax purposes; and

(v) assure compliance with any applicable state and federal laws including securities laws and regulations.

9.3 EFFECTIVE DATE. Any sale or gift of a Membership Interest or admission of a Member in compliance with this Article IX shall be deemed effective as of the later of the last day of the calendar month in which the remaining Members' Consent thereto was given (if such Consent is required) or such date that the assignee complies with Section 9.2. The Transferring Member agrees, upon request of the remaining Members, to execute such certificates or other documents and perform such other acts as may be reasonably requested by the remaining Members from time to time in connection with such sale, transfer, assignment, or substitution.

9.4 INDEMNITY. The Transferring Member hereby indemnifies the Company and the remaining Members against any and all loss, damage or expense (including, without limitation, reasonable attorney's fees and tax liabilities or loss of tax benefits) arising directly or indirectly as a result of any transfer or purported transfer in violation of this Article IX.

ARTICLE X

INDEMNIFICATION AND DAMAGES

10.1 INDEMNITY OF THE MANAGER, MEMBERS OF THE POLICY BOARD, EMPLOYEES AND OTHER AGENTS. To the maximum extent permitted under the Act, the Company

shall indemnify the Manager, members of the Policy Board and the Members and make advances

for expenses to the maximum extent permitted under the Act. The Company shall indemnify its employees and other agents who are not managers to the fullest extent permitted by law, provided that such indemnification in any given situation is approved by the Members. The Manager, the members of the Policy Board and the Members (and their respective officers, directors, employees and agents) shall be indemnified by the Company from any liability resulting from any act omitted or performed by them in good faith on behalf of the Company and in a manner reasonably believed by them to be within the scope of the authority conferred upon them by this operating Agreement and in the best interest of the Company; provided, however, that any indemnity under this Article X shall be provided out of and be limited to the extent of the Company assets only and shall not include any liabilities arising under the Securities Act of 1933, and no Member shall have any personal liability therefor.

10.2 LIABILITY FOR ACTS AND OMISSIONS. No Manager or Member (and no officer, director, employee or agent of a Manager or a Member) shall be liable, responsible or accountable, in damages or otherwise, to the Company or the Members for or as a result of any act, omission or error in judgment which was taken, omitted or made by them in good faith on behalf of the Company and in a manner reasonably believed by them to be within the scope of the authority granted to them by this Operating Agreement and in the best interest of the Company, except for fraud, deceit, willful misconduct, gross negligence or a knowing violation of the law. The Manager or Member may consult with such legal or other professional counsel as it may select. Any action taken or omitted by it in good faith reliance on, and in accordance with, the opinion or advice of such counsel shall be full protection and justification to it with respect to the action taken or omitted.

10.3 REIMBURSEMENT. If (i) a Member ("Paying Member") shall pay any amount on behalf of or for the account of the Company with respect to any liability, obligation, undertaking, damage or claim for which the Company shall or may (pursuant to contract or applicable law) be liable or responsible, or with respect to making good any loss or damage sustained by, or paying any duty, costs, claim or damage incurred by, the Company, and (ii) such payment was made by the Paying Member because the Members authorized such payment by the Paying Member, then (except as otherwise expressly provided in this Operating Agreement) the Paying Member shall have a right of contribution from the Members and the other Members shall reimburse the Paying Member for such amount as shall have been so paid thereby in accordance with such other Members' proportionate Membership Interests in the Company.

10.4 DAMAGES. In the event that a Member violates or breaches any of its representations, warranties or agreements under this Operating Agreement, becomes a Resigning Member, or is terminated as a result of its Bankruptcy, resignation, expulsion or dissolution, then, in any such event, such Member shall be liable to the Company and to the other Members for damages incurred by the Company and such other Members and arising from such violation, breach, resignation, Bankruptcy, expulsion or dissolution. Except as otherwise provided in this Operating Agreement, the foregoing remedy is in addition to and

not in limitation of the right of the Company and the other Members to recover damages resulting from any default or breach by a Member hereunder and any other right or remedy of the Company and the other Members at law or in equity. Each Member acknowledges that the damages suffered by the Company may include expenses relating to the Company's efforts to exercise its rights and remedies upon such breach or default. To the extent required to recover the damages suffered by the Company, the Company and the other Members shall have the right to set-off any cash or property otherwise payable on account of the defaulting Member's Membership Interest and to retain such cash or property. Except as otherwise provided in this Operating Agreement, the selection of which remedy or remedies to pursue will be made is the sole and absolute discretion of the other Members, and the pursuit of any remedy shall not operate as a waiver of the rights of such Members or the Company to pursue any other remedy against the defaulting Member.

ARTICLE XI

REGULATORY CONCERNS AND MANDATORY REDEMPTION EVENTS

11.1 GOVERNMENT REGULATIONS.

(a) The parties hereto acknowledge that the proposed business of the Project is subject to stringent government regulation including supervision by the Division and the Commission.

(b) The parties also acknowledge that Entertainment and certain of its Affiliates are presently seeking appropriate gaming licenses from the Division (Jacobs has already obtained a key employee license), and that no assurance can be given that such licenses will be issued or when such licenses may be issued.

(c) If any license, registration, application or other form of

required governmental filing for the Project or otherwise, is denied, reserved, revoked or suspended for any reason, including but not limited to the participation of a person unacceptable or unsuitable to the Division and the Commission or other Governmental Authority (as defined in the Purchase Agreement), the affected party hereto (each of Black Hawk, Entertainment, Diversified or the affected Affiliate) shall take all measures necessary to remedy or correct the deficiency. In the case where the Division, the Commission or other Governmental Authority denies or reserves approval for gaming operations or other business operations of a party hereto because of the participation of an unacceptable or unsuitable person, that party shall forthwith expel such person(s) and substitute a person(s) acceptable to the Division, the Commission or other Governmental Authority, or otherwise take measures to remedy or correct the deficiency.

11.2 CASINO INVESTIGATION.

(a) In the event that, on or before January 1, 1998, the Commission has not approved a retail gaming license for the Project casino ("Licensing Approval") and, on or before such date, Entertainment, in its sole but reasonable discretion, has reason to believe that the Project casino will not receive such Licensing Approval and such failure to obtain Licensing Approval is attributable to the Division's and the Jefferson County, Colorado District Attorney's office's investigation into check cashing and bad check collection practices of the Gilpin Hotel Casino of which Black Hawk is the general manager and a joint venture participant and/or certain of the Gilpin Hotel Casino's personnel and agents (the "Casino Investigation"), Entertainment shall have the right and option to acquire (the "Purchase Right") all of Black Hawk's interest in the Company, except that portion that is actually transferred to the Holder (as defined below) in full satisfaction of the Note as described in Section 11.2(b).

(b) Entertainment may elect such Purchase Right by delivering Notice of such election to Black Hawk on or before March 31, 1998. The purchase price for the Purchase Right shall be an amount equal to 90% of the fair market value of such interest determined as of the date Entertainment delivered its Notice. The fair market value of such interest shall be determined by an Appraisal. The purchase price for the Purchase Right shall be payable by Entertainment to Black Hawk pursuant to a promissory note which shall be payable over a ten year period and which shall bear interest at a rate equal to 2% in excess of the prime rate of interest as announced from time to time by the Wall Street Journal or shall be discounted (using the same rate) to present value if an earlier payoff is required under the Colorado Gaming Laws. The closing of the Purchase Right shall occur on a date mutually agreed to by Entertainment and

Black Hawk, which date shall be within 15 days following the completion of the Appraisal. At such time as Entertainment provides Notice of the election of its Purchase Right, Black Hawk shall be deemed to be in default of the Note. For four months thereafter or such longer period as the parties shall agree, so long as the Appraisal and purchase process is ongoing and not stayed, Diversified or any other related entity that is a Member and is holding the Note by permitted assignment from Diversified (collectively, the "Holder") shall take no enforcement action on the Note (other than the collection of accrued but unpaid interest thereon and sending any notices or filing any claims it deems appropriate.) Concurrently with the closing of the Purchase Right, Black Hawk shall transfer to the Holder in exchange for the cancellation of the Note, and the Holder shall accept in full satisfaction of its rights under the Note, the following property (collectively, the "Note Satisfaction Property"): 40% of each of Black Hawk's (a) Capital Interest, (b) Membership Interest, and (c) interest in Net Profits, Net Losses, and Net Cash Flow of the Company; together with all membership rights associated with any of the foregoing, and all proceeds and products of any of the foregoing. On the Closing Date, Black Hawk shall cease to be a Member, shall cease to have any management function in the Company, and the members of the Policy Board appointed by it shall be terminated and replaced by designees of the Holder and Entertainment.

(c) In the event Entertainment has exercised the Purchase Right, within two years of the opening of the Project casino, Black Hawk shall have the right to reacquire

its 75% Membership Interest in the Company on the terms and subject to the conditions hereinafter set forth. Provided Black Hawk can prove to Entertainment, in Entertainment's sole but reasonable discretion, that the involvement of Black Hawk in the Project will not detrimentally affect the Project casino and provided Black Hawk obtains Licensing Approval, Black Hawk shall have the right and option to reacquire its 75% Membership Interest in the Company (the "Repurchase Right"). Black Hawk may elect such Repurchase Right by delivering Notice to Entertainment of the exercise of such Repurchase Right. The purchase price for the Repurchase Right representing 60% of its Membership Interest shall be an amount equal to the purchase price for the Purchase Right, plus an amount equal to Black Hawk's proportionate share of any additional capital contributions made to the Company from and after the closing of the Purchase Right. In addition, the purchase price for the Repurchase Right representing 40% of its Membership Interest shall be 1,142,857 Shares (as adjusted in accordance with Section 2(e) of the Purchase Agreement) to be issued by Black Hawk to the Holder. The closing of the Repurchase Right shall occur on a date mutually agreed to by Black Hawk and Entertainment, which date shall be within 30 days after the date which Black Hawk gave Notice to Entertainment and

Holder of the Repurchase Right and at such time, the economic and control position of Black Hawk, Entertainment and Holder, as to both the Company and Black Hawk, shall be made to be equivalent to what would have been the positions of such parties immediately following the Conversion Date.

(d) The parties acknowledge that the redemption provisions contained in this Article XI and the terms hereof (including price and payment terms) are subject to the Colorado Gaming Laws (as defined below) and the discretion of the Commission and the Division.

11.3 AUTOMATIC DIVESTITURE.

(a) If, prior to the issuance by the Commission of appropriate gaming licenses to the Company for the Project casino, any of the following occur to a Member, all interests of that Member (the "Affected Member") will automatically and immediately terminate, and the Affected Member will cease to be a Member, all subject only to any contrary requirements of the Colorado Gaming Laws (as defined below.) The divestiture events are as follows:

(i) The Affected Member is charged with or convicted of any criminal offense, if a conviction of the offense in question would, pursuant to the Colorado gaming laws (C.R.S. Section 12-47.1-101 et seq., as the same may be amended or supplemented from time to time, together with the regulations promulgated thereunder -- collectively, the "Colorado Gaming Laws") disqualify the Affected Member from obtaining a gaming license. However, where a Member is only charged with a criminal offense and not convicted, and where the Commission and the Division upon request have agreed to defer pursuing any action based upon such charges against the Company's application for a gaming license, or where any such actions of the Division or Commission are subject to a

stay order, then the Affected Member's Membership Interest shall not be subject to divestiture under this subdivision (i).

(ii) The Affected Member, or any Entity that it owns or controls, incurs a revocation of any Colorado gaming or alcohol beverage license, and it is determined through arbitration pursuant to Section 15.2 below, that such revocation has a material adverse affect upon the issuance to the Company of a gaming or alcohol beverage license.

(iii) The Division issues a formal recommendation against the issuance to the Company of an operator or retail gaming license, which recommendation cites the participation of the Affected Member as a

material factor in the decision.

(iv) The Commission denies the issuance to the Company of an operator or retail gaming license, citing the participation of the Affected Member as a factor in the decision, or the Commission conditions the issuance of a retail gaming license on the Company removing the Affected Member in the Company or its casino operations.

(v) The Company's alcoholic beverage license applications are denied by either the state or local licensing authority, citing the participation of the Affected Member as a material factor in the decision.

(vi) The Affected Member is found to be an "unsuitable person" within the meaning of the Colorado Gaming Laws.

(vii) The Commission or the Division advise the Company in writing, or it is otherwise determined through arbitration pursuant to Section 15.2 below, that a decision on the Company's gaming license application is being delayed beyond the later of (x) one year following the filing of the Company's application for a retail gaming license or (y) January 1, 1998, and the Company is advised before or after said date that the sole reason for further delay is the participation of or concerns about the Affected Member.

(b) The Company shall continue in existence notwithstanding the automatic termination of any Member pursuant to Section 11.3(a) above, notwithstanding any provision of this Operating Agreement to the contrary. The occurrence of any of the events enumerated in Section 11.3(a) above, if the Affected Member is Black Hawk, shall constitute an Event of Default under the Note, and the Note shall automatically be accelerated, all without notice or other action of any kind by the Holder. The automatic termination of the Membership Interest shall cause the percentage Membership Interest of the Holder to increase by an amount equal to 40% of the percentage Membership Interest of Black Hawk as it existed immediately prior to its automatic termination. For example, if Diversified is the Holder, Diversified's percentage Membership Interest would increase to 31% (1% + the product of (75% x 40%)). The percentage Membership Interest of Entertainment shall increase by an amount equal to 60% of the percentage Membership

Interest of Black Hawk as it existed immediately prior to its automatic termination. For example, Entertainment's Membership Interest would increase to 69% (24% + the product of (75% x 60%)). The Company shall be liable to Black Hawk for the value of its terminated Membership Interest as follows. The Company

shall pay in full for 40% of the terminated Membership interest by canceling the Note, which the Holder shall immediately contribute to the Company to enable the Company to make payment. The Company shall pay in full for the remaining 60% of the terminated Membership Interest as follows: the Company and Black Hawk shall determine the fair market value of that portion of the Membership Interest by an Appraisal. Upon determination, the Company shall deliver a note (the "Payoff Note") to Black Hawk for 90% of the value found by the Appraisal. The Payoff Note shall be payable over a ten year period and shall bear interest at a rate equal to 2% in excess of the prime rate of interest as announced from time to time by the Wall Street Journal or shall be discounted (using the same rate) to present value if an earlier payoff is required under the Colorado Gaming Laws. Entertainment agrees to contribute to the Company, in time for payments to be made under the Payoff Note, additional capital in an amount equal to the payments to be made, which additional capital shall be used solely for that purpose. On request of Black Hawk, Entertainment will also execute a guaranty of the Payoff Note, and any payments made pursuant to the guaranty will be deducted from the additional capital requirements that it would otherwise have. In the event the Affected Member is either Entertainment or Diversified, both will be treated as being the Affected Member. The percentage Membership Interest of Black Hawk shall increase by an amount equal to the percentage Membership Interest of both Entertainment and Diversified as such Membership Interests existed immediately prior to their automatic termination. The Company shall be liable to the Affected Member (both Entertainment and Diversified) for the value of their terminated Membership Interest by the Appraisal method and issuance of the Payoff Note in the same manner as described above. Black Hawk agrees to contribute to the Company, in time for payments to be made under the Payoff Note, additional capital in an amount equal to the payments to be made, which additional capital shall be used solely for that purpose. On request of the Affected Member, Black Hawk will also execute a guaranty of the Payoff Note, and any payments made pursuant to the guaranty will be deducted from the additional capital requirements that it would otherwise have. On the date of automatic termination pursuant to this Section 11.3(b), the Affected Member shall cease to be a Member, shall cease to have any management function in the Company and the members of the Policy Board appointed by it shall be terminated and replaced by designees of the other Member(s) of the Company.

(c) Subject only to the contrary requirements of the Colorado Gaming Laws, the Affected Member pursuant to this Section 11.3 shall have, for a period of two years from and after the event causing the involuntary termination, the right to reacquire its Membership Interest on the same terms described above in Section 11.2(c); provided, however, that if Entertainment or Diversified is the Affected Member, no Shares shall be issued as part of the purchase price for the repurchase right described in this Section 11.3(c) (the "11.3(c) Repurchase Right") and Diversified and Entertainment shall have the right to reacquire 100% of their respective Membership Interests that was divested by paying to

Black Hawk an amount equal to what Black Hawk paid for such Membership Interests, plus an amount equal to their proportionate share of any additional capital contributions made to the Company from and after the date of the event causing the involuntary termination. The closing of the 11.3(c) Repurchase Right shall occur on a date mutually agreed to by Black Hawk, Diversified and Entertainment, which date shall be within 30 days after the date which Diversified and Entertainment gave Notice to Black Hawk of the 11.3(c) Repurchase Right and at such time, the economic and control position of Black Hawk, Entertainment and Diversified, as to both the Company and Black Hawk, shall be made to be equivalent to what would have been the positions of such parties immediately following the Conversion Date.

11.4 RIGHT OF FIRST PARTICIPATION. In the event that the right of first participation asserted by Black Hawk's partners at the Gilpin Hotel Casino is determined in a final adjudication (whether by arbitration or declaratory judgment action or otherwise), and the outcome of such determination provides Black Hawk's partners at the Gilpin Hotel Casino with a 50% Membership Interest in the Company, thereafter, Entertainment shall have the right to acquire 50% of Black Hawk's then Membership Interest. If such determination provides Black Hawk's partners with a 25% interest in the Company, thereafter Entertainment shall have the right to acquire 25% of Black Hawk's then Membership Interest. The price and payment terms for such Membership Interest shall be as agreed to by the parties.

11.5 ADDITION OF MEMBER. Notwithstanding anything to the contrary contained in this Article XI, if, upon the occurrence of any event described in this Article XI, there is only one remaining Member, then such Member shall be entitled to cause one or more additional persons to become members in order to enable the existence of the Company to continue.

ARTICLE XII

DISSOLUTION AND TERMINATION

12.1 DISSOLUTION.

(a) The Company shall be dissolved upon the occurrence of any of the following events:

(i) expiration of the period fixed for the duration of the Company pursuant to Section 2.6 hereof;

(ii) the unanimous written agreement of all Members; or

(iii) upon the death, retirement, resignation, removal, expulsion, Bankruptcy or dissolution of a Member or occurrence of any

other event which

terminates the continued Membership of a Member in the Company (a "Withdrawal Event"), unless the business of the Company is continued by the consent of all the remaining Members within 90 days after the Withdrawal Event.

(b) As soon as possible following the occurrence of any of the events specified in this Section 12.1 effecting the dissolution of the Company, the Liquidator shall execute a certificate of dissolution in such form as shall be prescribed by the Act and the Colorado Secretary of State and file the same with the Colorado Secretary of State's office.

(c) If a Member who is an individual dies or a court of competent jurisdiction adjudges him to be incompetent to manage his person or his property, the Member's executor, administrator, guardian, conservator, or other legal representative ("Successor") may exercise all of the Member's rights for the purpose of settling his estate or administering his property, provided, however, that for purposes of Section 9.2 and Section 12.1(a) (iii), the Successor shall not be considered a Member and shall have no right to vote, approve or consent to any matter pursuant to such provisions.

(d) Except as expressly permitted in this Operating Agreement, a Member shall not voluntarily withdraw or resign or take any other voluntary action which directly causes a Withdrawal Event. Unless otherwise approved by all of the other Members, a Member who attempts to withdraw or resign (a "Resigning Member") or whose Membership Interest is otherwise terminated by virtue of a Withdrawal Event, regardless of whether such Withdrawal Event was the result of a voluntary act by such Resigning Member, shall become an assignee and be entitled to receive only those distributions to which such Resigning Member would have been entitled had such Resigning Member remained a Member (and only at such times as such distribution would have been made had such Resigning Member remained a Member). Damages for breach of this Section 12.1(d) may be offset against distributions by the Company to which the Resigning Member would otherwise be entitled.

(e) Notwithstanding anything to the contrary contained in this Article 12, if, upon the occurrence of any event described in this Section 12.1, there is only one remaining Member, then such Member shall be entitled to cause one or more additional persons to become Members in order to enable the existence of the Company to continue.

12.2 EFFECT OF FILING OF CERTIFICATE OF DISSOLUTION. Upon the filing

with the Colorado Secretary of State of a certificate of dissolution, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business or as may be otherwise permitted under the Act, but its separate existence shall continue until the winding up of its affairs is completed.

12.3 WINDING UP, LIQUIDATION AND DISTRIBUTION OF ASSETS.

(a) Upon dissolution, an accounting shall be made by the Company's independent accountants of the accounts of the Company and of the Company's assets, liabilities and operations, from the date of the last previous accounting until the date of dissolution. The Liquidator shall immediately proceed to wind up the affairs of the Company.

(b) If the Company is dissolved and its affairs are to be wound up, the Liquidator shall:

(i) Sell or otherwise liquidate all of the Company's assets as promptly as practicable (except to the extent the Members may determine to distribute any assets to the Members in kind);

(ii) Allocate any Net Profit or Net Loss resulting from such sales to the Members' and assignees' in accordance with Section 8.1 hereof;

(iii) Discharge all liabilities of the Company, including liabilities to Members and assignees who are also creditors, to the extent otherwise permitted by law, other than liabilities to Members and assignees for distributions and the return of capital, and establish such Reserves as may be reasonably necessary to provide for contingent liabilities of the Company (for purposes of determining the Capital Accounts of the Members and assignees, the amounts of such Reserves shall be deemed to be an expense of the Company); and

(iv) Distribute the remaining assets in the following order:

(1) If any assets of the Company are to be distributed in kind, the net fair market value of such assets as of the date of dissolution shall be determined by Appraisal or by agreement of the Members. Such assets shall be deemed to have been sold as of the date of dissolution for their fair market value, and the Capital Accounts of the Members and assignees shall be adjusted pursuant to the provisions of

Article VIII and Section 7.4 of this Operating Agreement to reflect such deemed sale.

(2) The positive balance (if any) of each Member's and assignees Capital Account (as determined after taking into account all Capital Account adjustments for the Company's taxable year during which the liquidation occurs) shall be distributed to the Members, either in cash or in kind, with any assets distributed in kind being valued for this purpose at their fair market value. Any such distributions to the Members in respect of their Capital Accounts shall be made in accordance with the time requirements set forth in Section 1.704-1(b)(2)(ii)(b)(2) of the Treasury Regulations.

(c) Notwithstanding anything to the contrary in this operating Agreement, upon a liquidation within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Treasury Regulations, if any Member has a Deficit Capital Account (after giving effect to all contributions, distributions, allocations and other Capital Account adjustments for all taxable years, including the year during which such liquidation occurs), such Member shall have no obligation to make any Capital Contribution, and the negative balance of such Member's Capital Account shall not be considered a debt owed by such Member to the Company or to any other Person for any purpose whatsoever.

(d) Upon completion of the winding up, liquidation and distribution of the assets, the Company shall be deemed terminated.

(e) The Liquidator shall comply with any applicable requirements of applicable law pertaining to the winding up of the affairs of the Company and the final distribution of its assets.

12.4 RETURN OF CONTRIBUTION NONRECOURSE TO OTHER MEMBERS. Except as provided by law or as expressly provided in this operating Agreement, upon dissolution, each Member shall look solely to the assets of the Company for the return of its Capital Contribution. If the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the cash contribution of one or more Members, such Member or Members shall have no recourse against any other Member.

ARTICLE XIII

MEETINGS OF MEMBERS

13.1 MEETINGS OF MEMBERS.

(a) ANNUAL MEETINGS. An annual meeting of Members may be held if so desired, and if held shall be at such time and on such date in the first three months of each year (commencing in 1997) as may be fixed by the Manager and stated in the notice of the meeting.

(b) SPECIAL MEETINGS. Special meetings of the Members shall be called upon the written request of the Manager, acting either with or without a meeting, or by any Member. Calls for such meetings shall specify the purposes thereof. No business other than that specified in the call shall be considered at any special meeting.

(c) NOTICES OF MEETINGS. Unless waived, written notice of each annual or special meeting stating the time, place, and the purposes thereof shall be given by personal delivery or by mail to each Member of record entitled to vote at or entitled to notice of the meeting, not more than sixty (60) days nor less than seven (7) days before any such meeting. If mailed, such notice shall be directed to the Member at its address as the same appears

upon the records of the Company. Any Member, either before or after any meeting, may waive any notice required to be given by law or under this Agreement. The giving of notice shall be deemed to have been waived by any Member who shall participate in any annual or special meeting.

(d) PLACE OF MEETINGS. Meetings of Members shall be held at the principal office of the Company unless the Manager determines that a meeting shall be held at some other place within or without the State of Colorado and causes the notice thereof to so state.

(e) QUORUM. Members holding a Required Interest present in person or by proxy, shall constitute a quorum for the transaction of business to be considered at such meeting; provided, however, that no action required by law or by the Articles or this Operating Agreement to be authorized or taken by the holders of a designated proportion of the Membership Interests may be authorized or taken by the holders of a designated proportion of the Membership Interests may be authorized or taken by a lesser proportion. The holders of a majority of the voting Membership Interests represented at a meeting, whether or not a quorum is present, may adjourn such meeting from time to time, until a quorum shall be present.

(f) RECORD DATE. The Manager may fix a record date for any lawful purpose, including without limiting the generality of the foregoing, the determination of Members entitled to (i) receive notice of or to vote at any meeting, (ii) receive payment of any distribution, (iii) receive or exercise rights of purchase of or subscription for, or exchange or conversion of, certificates or other securities, subject to any contract right with respect thereto, or (iv) participate in the execution of written consents, waivers or releases. Said record date shall not be more than sixty (60) days preceding the date of such meeting, the date fixed for the payment of any distribution or the date fixed for the receipt or the exercise of rights, as the case may be. If a record date shall not be fixed, the record date for the determination of Members who are entitled to notice of, or who are entitled to vote at, a meeting of Members, shall be the close of business on the date next preceding the day on which notice is given, or the close of business on the date next preceding the day on which the meeting is held, as the case may be.

(g) PROXIES. A person who is entitled to attend a Members' meeting, to vote thereat, or to execute consents, waivers or releases, may be represented at such meeting or vote thereat, and execute consents, waivers and releases, and exercise any of its other rights, by proxy or proxies appointed by a writing signed by such person.

(h) WRITTEN ACTION. Any action may be decided or approved, without notice, by written action signed by all of the Members.

ARTICLE XIV

DEBT FINANCING

14.1 It is contemplated by the parties that certain Affiliates of Entertainment will be providing guarantees for the Company's debt financing with Wells Fargo Bank, N.A. or such other lenders as may be selected by the Company. In the event that Entertainment's Affiliates provide such guarantees, the Company shall pay Entertainment an annual fee in an amount equal to 2% of the amount so guaranteed. The fee required to be paid pursuant to this Section 14.1 shall be paid on an annual basis in arrears on or before March 31. Notwithstanding the foregoing, one-half of the fee payable for 1997 pursuant to this Article XIV shall be deferred and paid in two (2) equal installments on or before March 31, 1999 and March 31, 2000, respectively.

ARTICLE XV

MISCELLANEOUS PROVISIONS

15.1 NOTICES. All Notices and communications required or permitted under this Operating Agreement to be sent to the Members shall be expressed in writing and delivered in person and sent and confirmed by certified or registered mail, return receipt requested, or sent by overnight courier service such as Federal Express, or sent by facsimile (receipt confirmed) to the Members at the following addresses, or at such other addresses as the parties shall designate by Notice to the other:

If to Black Hawk:

Black Hawk Gaming &
Development Company, Inc.
2060 Broadway, Suite 400
Boulder Colorado 80302
Attention: Stephen R. Roark, President
Fax No. (303) 444-7968

with a copy to:

Jones & Keller, P.C.
1625 Broadway, Suite 1600
Denver, Colorado 80202
Attention: Samuel E. Wing, Esq.
Fax No. (303) 825-8537

If to Entertainment or
Diversified:

c/o Jacobs Entertainment Ltd.
425 Lakeside Avenue
Cleveland, Ohio 44114
Attention: Jeffrey P. Jacobs
Fax No. (216) 861-6315

with a copy to:

Hahn Loeser & Parks
3300 BP America Building
200 Public Square
Cleveland, Ohio 44114
Attention: Stephen P. Owendoff, Esq.
Fax No. (216) 241-2824

15.2 ARBITRATION. If any dispute shall arise between the parties

pursuant to this Operating Agreement, such dispute shall be settled by arbitration pursuant to this Section 15.2. In such event, either party hereto may serve upon the other party a written notice demanding that the dispute be resolved pursuant to this Section 15.2. To the extent that any provision herein is inconsistent with any rule of the American Arbitration Association (the "AAA"), this Agreement shall prevail. The dispute or claim shall be heard in Chicago, Illinois by one (1) neutral arbitrator, if the parties can agree on the selection of said arbitrator, or if unable to agree, each party shall select (1) arbitrator and the two arbitrators chosen shall select the third arbitrator. If the dispute shall be heard by three (3) arbitrators, one (1) arbitrator will be selected by the party initiating the arbitration at the time of the submission to arbitration. Within seven (7) days after submission, the other party will select an arbitrator. Within seven (7) days after the first two (2) arbitrators are chosen, the third arbitrator will be selected. The third arbitrator selected shall not have any relationship to either of the parties. The arbitrators shall apply the internal law of the State of Colorado. Said arbitrator(s) shall be sworn faithfully and fairly to determine the question at issue. The arbitrator(s) shall afford to the parties a hearing and the right to submit evidence, with the privilege of cross examination and the right to compel testimony by applying for subpoena powers to appropriate judicial authority, on the question at issue, and shall, with all possible speed, make his/their determination in writing and shall give notice to the parties hereto of such determination. The concurring determination of the arbitrator, if heard by one, or of any two of said three arbitrator(s) shall be binding upon the parties hereto, or, in case no two of the arbitrators shall render a concurring determination, then the determination of the third arbitrator appointed shall be binding upon the parties hereto. The decision of the arbitrators shall be final and binding upon the parties hereto and shall be enforceable in any court having jurisdiction. Any arbitration shall be conducted in accordance with the then prevailing Commercial Rules of the AAA, or the successor party thereto from time to time in existence. The fees and expenses of the arbitrator(s) shall be divided equally between the parties so involved. The parties shall each bear their own expenses (including, but not limited to, attorneys' and witnesses' fees and expenses) in any arbitration proceedings.

15.3 DEVELOPMENT FEE. The Company shall pay Entertainment or its nominee the remaining portion of the development fee, which is estimated at $370,000.

15.4 ABRAHAMSON AND RICH. Any amounts paid or to be paid to Robert S. Rich or Ron Abrahamson pursuant to certain Settlement Agreements shall be treated as expenses of the Company.

15.5 BOOKS OF ACCOUNT AND RECORDS. Proper and complete records and books of account shall be kept or shall be caused to be kept by the Manager in which shall be entered fully and accurately all transactions and other matters relating to the Company's business in such detail and completeness as is customary and usual for businesses of the type engaged in by the Company. Such books and records shall be maintained as provided in Section 5.3. The books and records shall at all times be maintained at the principal executive office of the Company and shall be open to the reasonable inspection and examination of the Members, assignees or their duly authorized representatives during reasonable business hours.

15.6 APPLICATION OF COLORADO LAW. This Operating Agreement, and the application and interpretation hereof, shall be governed exclusively by its terms and by the laws of the State, and specifically the Act.

15.7 WAIVER OF ACTION FOR PARTITION. Each Member and assignee irrevocably waives during the term of the Company any right that it may have to maintain any action for partition with respect to the property of the Company.

15.8 AMENDMENTS. This Operating Agreement may not be amended except by the written agreement of all of the Members. Further, without the Consent of the Member or former Member, no amendment shall be adopted which prejudices the rights of a Member or former Member from exercising any repurchase or similar right described in this Operating Agreement.

15.9 EXECUTION OF ADDITIONAL INSTRUMENTS. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments and documents, and to provide such information, necessary to comply with any laws, rules or regulations, and to effectuate the provisions of this Operating Agreement.

15.10 CONSTRUCTION. Whenever the singular number is used in this Operating Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

15.11 HEADINGS AND PRONOUNS. The headings in this operating Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Operating Agreement or any provision hereof. All pronouns and only variations thereof shall be deemed to refer to masculine, feminine, or neuter, singular or plural as the identity of the Person or Persons may require.

15.12 WAIVERS. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Operating Agreement shall not constitute a waiver or prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

15.13 RIGHTS AND REMEDIES CUMULATIVE. The rights and remedies provided by this Operating Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

15.14 SEVERABILITY. If any provision of this Operating Agreement or the application thereof to any Person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Operating Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

15.15 HEIRS, SUCCESSORS AND ASSIGNS. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, and permitted successors and assigns.

15.16 CREDITORS. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any creditor of the Company.

15.17 COUNTERPARTS. This Operating Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

15.18 INVESTMENT REPRESENTATIONS. The undersigned Members and assignees, if any, understand (i) that the Membership Interests evidenced by this Operating Agreement have not been registered under the Securities Act of 1933, the Colorado or the Ohio Securities Act or any other state securities laws (the "Securities Acts") because the Company is issuing these Membership Interests in reliance upon the exemptions from the registrations requirements of the Securities Acts providing for issuance of securities not involving a public offering, (ii) that the Company has relied upon the fact that the Membership Interests are to be held by each Member for investment, and (iii) that exemption from registrations under the Securities Acts would not be available if the Membership Interests were acquired by a Member with a view to distribution.

Accordingly, each Member and assignee hereby confirms to the Company that such Member or assignee is acquiring the Membership Interests for such own Member's or assignee's account, for investment and not with a view to the resale or distribution thereof. Each Member and assignee agrees not to transfer, sell or offer for sale any portion of the Membership Interests unless (i) there is an effective registration or other qualification

46

relating thereto under the Securities Acts, or (ii) the holder of Membership Interests delivers to the Company an opinion of counsel, satisfactory to the Company, that such registration or other qualification under such Act and applicable state securities laws is not required in connection with such transfer, offer or sale. Each Member and assignee understands that the Company is under no obligation to register the Membership Interests or to assist such Member or assignee in complying with any exemption from registration under the Securities Acts if such Member or assignee should at a later date, wish to dispose of the Membership Interest. Furthermore, each Member realizes that the Membership Interests are unlikely to qualify for disposition under Rule 144 of the Securities and Exchange commission unless such Member is not an "affiliate" of the Company and the Membership Interest has been beneficially owned and fully paid for by such Member for at least three years.

Prior to acquiring the Membership Interests, each Member and assignee has made an investigation of the Company and its business and has had made available to each other Member and assignee all information with respect thereto which such other Member or assignee needed to make an informed decision to acquire the Membership Interest. Each Member and assignee considers himself or itself to possess experience and sophistication as an investor which are adequate for the evaluation of the merits and risks of such Member's or assignee's investment in the Membership Interest.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK.]

47

CERTIFICATE

The undersigned hereby agree, acknowledge and certify that the foregoing Operating Agreement, consisting of 45 pages, excluding the Table of Contents and attached Exhibits, constitutes the Operating Agreement of Black Hawk/Jacobs Entertainment, LLC adopted by the Members of the Company as of November 12, 1996.

MEMBERS: BLACK HAWK GAMING & DEVELOPMENT COMPANY, INC.

By:/S/ ROBERT D. GREENLEE

Robert D. Greenlee, Chairman

BH ENTERTAINMENT LTD.

By: Jacobs Entertainment Ltd., its manager

By:/S/ DAVID C. GRUNENWALD

Title: VICE PRESIDENT

DIVERSIFIED OPPORTUNITIES GROUP LTD.

By: Jacobs Entertainment Ltd., its manager

By:/S/ DAVID C. GRUNENWALD

Title: VICE PRESIDENT
