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*John Galt*

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LANCASTER COUNTY, NE

**LINCOLN SATELLITE LEASE AND OPERATING AGREEMENT**

Speakeasy

LESSEE: Lincoln's Big Red Lottery Services Ltd.

LESSOR: Shilar Inc.

Address: 3233 1/2 S. 13<sup>th</sup> St.

**Legal Description:**

IRREGULAR TRACT LOT 73 NE 2-9-6 & W H GREEN'S SUB BLOCK 2 LOTS 1 THRU 5 & BLOCK 3 ALL OF LOTS 1 THRU 4 & LOT 5 EX S5' & EX E PT FOR ROAD & VAC CAVE STREET

(11 lots)

**Please return to:**

William F. Harvey

Erwin Harvey Professional Corporation Attorneys

11248 John Galt Boulevard

Omaha NE 68137

402-339-7776

harveyppc@aol.com



This Satellite Lease and Operating Agreement is between Lincoln's Big Red Lottery Services Ltd., 11248 John Galt Boulevard, Omaha, NE 68137 and the undersigned "Satellite". In this Agreement: (i) "we" or "us" means Lincoln's Big Red Lottery Services Ltd.; (ii) "you" means the undersigned Satellite; (iii) "Premises" means the location specified below; (iv) "Game" means the legal gambling activities contemplated by this Agreement; (v) "Equipment" means any computer(s), input terminal(s), display device(s) and other equipment that we place at your Premises; and (vi) "Supplies" means tickets, bet slips and other items of personal property necessary to play the Game.

1. **Lease.** You hereby lease to us space within your Premises specified below. That space shall be as indicated on Attachment A or as mutually agreed and shall in any event be sufficient to allow play of the Game and placement of the Equipment in a manner that is convenient for your patrons. You agree that we may enter the Premises at any time during your normal business hours for purposes of inspecting or repairing the Equipment, viewing the manner in which the Game is offered, reviewing Game records, conducting Game audits, or exercising our rights under Section 7.

2. **Compliance with Law.** You agree to: (a) obtain and maintain in effect during the term of this Agreement all necessary and applicable licenses, permits, and approvals (including, but not limited to, a federal wagering stamp and any necessary licenses for your staff); and (b) comply with all "Regulatory Requirements" which include, but are not limited to, all applicable laws, regulations, ordinances, resolutions, rules and rulings promulgated by any federal, state or local government or any court, agency, instrumentality or official, and specifically including, without limitation, the agreement for the operation of a keno-type lottery between us and the City of Lincoln and related rules, agreements, memoranda of understanding, resolutions and actions, and the Nebraska County and City Lottery Act and regulations promulgated pursuant thereto, all as now existing or hereafter amended, adopted or replaced, and whether applicable to conducting the Game at your Premises, the operation of your business or otherwise.

3. **Rent.** We will pay you rent on the following basis (initial one): \_\_\_\_\_ (a) 5% of the amount wagered on the Game at the Premises each week; or (b) 5.25% for the first \$10,000 wagered on the Game at the Premises each week, plus 2.5% of any amount in excess of \$10,000 wagered on the Game at the Premises each week (the amount wagered on the Game at the Premises in any week is hereinafter referred to as the "Weekly Handle"). You may change your rental basis selection once during the term of this Agreement, on 15 days' prior written notice to us. We will pay rent at least twice each month on settlement dates we choose. We may withhold or offset rent against any amounts you owe us under this Agreement or otherwise. If there is a change in Regulatory Requirements that we consider to be adverse, we may decrease the amount of rent due hereunder upon 45 days' prior written notice.

4. **Staffing.** You agree to: (a) make the Game available to your patrons during your normal business hours and to prominently display the promotional and informational material we provide; (b) supervise and be responsible for the staffing necessary at your Premises for patrons to play the Game; and (c) require your staff to comply with all Game Rules (as defined below) and Regulatory Requirements. Staff members who have not been trained or approved by us or who have not been appropriately licensed shall not be permitted to have any duties with respect to the Game.

5. **Your Other Obligations.** You agree to comply with and perform all of your obligations under the Big Red Keno Satellite Manual (referred to herein as the "Game Rules"), as in effect from time to time, and which are incorporated herein by this reference. You further agree, at your expense, to: (a) provide and maintain (or reimburse us for) electrical power, phone lines (or other communications services designated by us) and any structural and other improvements necessary for conducting the Game at your Premises; (b) operate your business and the Premises in a clean, safe, orderly, lawful and respectable manner and condition, with no adverse changes as compared to when you became a Satellite facility for the Game; (c) maintain current, complete and accurate records pertaining to your business and transactions related to the Game and give us and/or relevant governmental officials access thereto promptly on request; (d) maintain commercially reasonable insurance (including, at least, public liability insurance) naming us as an additional insured and provide us with certificates evidencing the same on request; (e) pay all applicable taxes pertaining to conduct of the Game at your Premises (including, but not limited to, federal, state and local excise and occupational taxes); (f) use your best efforts to detect and prevent cheating with respect to the Game or tampering with the Equipment or Supplies and immediately report the same or your reasonable suspicions related thereto to us; and (g) maintain the confidentiality of all materials and information that we provide to you and return the same to us upon termination of the Agreement. You represent and agree that you have and will maintain all third party approvals necessary for you to perform under this Agreement.

6. **Your Rights/Our Responsibilities.** So long as you comply with this Agreement, we agree that you may be a sales outlet location for the gambling activities that we are legally allowed to offer at your Premises (including, but not limited to, keno and other gambling activities that may be permitted in the future). We will, at our own expense: (a) maintain any necessary central computer for the Game; (b) provide you with Equipment and Supplies; (c) repair (and, if necessary, replace) defective Equipment and insure (or self-insure) the same; (d) train one or more of your staff in operation of the Equipment; and (e) market the Game as we deem necessary (e.g., through on-Premises signs). We do not guarantee that operation of the Game or the Equipment will be uninterrupted or error-free. We will not be considered in default if our performance is prevented due to a cause beyond our control, including, but not limited to, computer and communications failures.

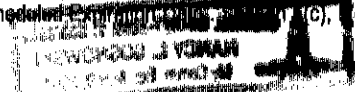
7. **Equipment.** All Equipment remains our property, shall not be considered fixtures and shall be returned to us immediately upon any termination or discontinuation pursuant to Sections 14 or 15. We may add to, remove from, or alter the Equipment at any time. You agree to use due care to safeguard the Equipment and agree to notify us immediately if any of it is lost, stolen, damaged, or destroyed or appears to be malfunctioning. You agree to reimburse us for any losses sustained as a result of your failure to comply with the foregoing or the negligence or intentional misconduct of you or your staff or patrons.

8. **Marketing and Protection of Marks.** You acknowledge that the name "Big Red Keno", the "Big Red" ball, and any other names, marks, slogans and similar materials that we may publish or distribute (the "Marks") are our property, whether or not trademarked, and you agree not to take any action to impair our ownership or the value thereof, or to bring the same into disrepute. You agree to obtain our prior written approval before you advertise or promote the Game or use the Marks.

9. **Conduct of the Game.** You agree to use reasonable efforts to ensure that persons playing the Game on your Premises are limited to your patrons physically present on your Premises. Except in the case of tickets written for 21 or more consecutive games, you shall require your patrons to redeem all winning tickets immediately after the last game to which they relate and prior to the calling of the next game. You shall redeem all winning tickets in the presence of all persons having purchased tickets at your Premises for the games to which such tickets relate, and you shall not permit players to purchase tickets, leave the Premises and return later for redemption. In the case of tickets written for 21 or more consecutive games, you may permit delayed redemption in accordance with the Game Rules.

10. **Game Funds.** You shall require all wagers on the Game to be paid in cash (meaning valid U.S. currency) at the time they are made. If you choose to cash checks for your patrons, you shall do so separately and at your own risk and shall not accept the same in our name. All cash proceeds of wagers and any non-cash proceeds that you accept in violation of this Agreement (collectively, "Game Funds") shall be our sole and exclusive property. You agree to: (a) hold Game Funds in trust for us; (b) keep Game Funds separate from your funds; and (c) prevent any of your creditors or other third parties from seizing or otherwise enforcing any lien, claim or other interest in Game Funds. All Game Funds, less prizes paid by you in accordance with the Game Rules, shall be deposited no later than noon of the first banking day after receipt into a separate bank account that we have approved. If the bank account is other than a direct deposit account, we are hereby authorized to transfer the balance of that account to our bank account on a daily basis and you agree to sign a funds transfer agreement to permit the same. We are entitled to immediate payment of any deposit of Game Funds not made when due or for any non-cash wager proceeds that you accept. Interest shall accrue thereon at the lesser of 24% per annum or the highest lawful rate.

11. **Term.** This Agreement shall be effective through March 9, 2003 and shall thereafter be automatically renewed for up to three additional consecutive renewal terms of five years each (each a "Renewal Term") unless we have given you written notice of non-renewal of this Agreement any time prior to the commencement of the next Renewal Term. The last day that this Agreement may be effective (taking into account all possible Renewal Terms) is the "Scheduled Termination Date" (c), (e), 5(g), 12, 13, and 16 shall survive any termination of this Agreement.



SUBJECT TO TERMS ON REVERSE

12. **Expanded Gambling.** If additional gambling activities are legalized in the future and you wish to offer those activities at the Premises, we agree to use our best efforts to make those activities available to you on mutually agreed terms. If we are unable to do so for any reason within six months after your written request for such legal gambling activities, you may discontinue your obligation to staff the Game in accordance with Section 14. In return for the foregoing and our other obligations herein, and in view of our significant capital investment in reliance hereon, you agree not to permit anyone other than us to offer, supply or install gambling activities (other than paper pickle cards as currently allowed by the Nebraska Pickle Card Lottery Act) at the Premises under any circumstances prior to the Scheduled Expiration Date of this Agreement.

13. **Indemnity.** You agree to indemnify, defend and hold us and the City harmless from and against any and all losses, costs, expenses (including reasonable attorneys' fees) and damages arising out of or related to: (a) your breach of this Agreement; or (b) any third party claim based on your, your staff's, or your patrons' acts or omissions; or (c) the conduct of your business or the condition of the Premises or any adjoining areas (including parking areas). We will not, however, be entitled to such indemnity if the sole proximate cause of proven damages was our own negligence or willful misconduct.

14. **Your Right to Terminate or Discontinue.** You may terminate this Agreement early if we materially default hereunder, and fail to cure our default within 30 days after receipt of written notice from you, specifying our default to be corrected. You may discontinue your responsibility to staff the Game: (a) if we propose a rent reduction pursuant to Section 3 and you give us written notice that you reject the same within 15 days after your receipt thereof; (b) if you determine, reasonably and in good faith, that continued staffing would be unprofitable; or (c) if we are unable to provide you, under Section 12, with additional gambling activities that you desire. Discontinuation of staffing shall not terminate this Agreement. We may, but are not required to, staff the Game at the Premises if you discontinue staffing. In such event, we may deduct the cost thereof from the rent due. If you discontinue staffing, any recommencement thereof by you will be subject to approval by us and applicable governmental authorities.

15. **Our Right to Terminate or Discontinue.** We may terminate this Agreement early or discontinue our responsibilities under Section 6 without causing a termination hereof if: (a) you or your staff fail to comply with Section 2 or Section 10 in any respect, or your license to act as a sales outlet location is denied or revoked; (b) you otherwise materially default hereunder, and fail to cure the same within 30 days after receipt of written notice from us; (c) you discontinue staffing for any reason; (d) a material adverse change occurs in your business, financial or other condition, in our good faith determination; (e) there is a change in ownership of your business entity or you transfer your interest in, or discontinue business at, the Premises; or (f) we determine in good faith, that a change in Regulatory Requirements will make continuation of our responsibilities hereunder impractical or unprofitable.

16. **Remedies.** If we terminate this Agreement early or exercise our right to discontinue in accordance with Section 15, we will be entitled to recover our damages, in addition to our other rights and remedies at law and in equity. Our damages are deemed to be no less than the product of: (i) the number of weeks remaining until the Scheduled Expiration Date; multiplied by (ii) eight percent (8%) of your average Weekly Handle (averaged for the period beginning with commencement of Satellite activities at your premises and ending 12 months prior to the event giving rise to such termination or discontinuance; if satellite activities at your premises continued for less than 15 months, we will use the average for the first half of such period). We will not, however, be entitled to damages if our termination or discontinuance was based solely on: (a) Section 15(f); or (b) Section 15(c) or 15(e), provided that you otherwise continue to comply with the terms of the Agreement until the Scheduled Expiration Date (including, but not limited to, your obligation not to permit additional gambling activities under Section 12, even in circumstances where we are unable to provide you with the additional gambling activities that you desire). You further agree that we shall be entitled to specific performance and/or injunctive relief to enforce the terms hereof, including, without limitation, injunctive relief against third parties with respect to violations pertaining to Section 12. As security for your performance of Section 12 and payment of our damages occasioned thereby, you hereby grant us a security interest in and assign to us any rents or other payments due under any lease or other agreement and any other revenues to which you may be entitled with respect to other gambling activities on the Premises and you also hereby grant us a power of attorney to sign and file on your behalf any financing statement or other document related to such security interest.

17. **Miscellaneous.** This Agreement: (a) is a continuation of any prior existing lease we may have with regard to the Premises; (b) supersedes the terms of any and all such leases and is the exclusive statement of the agreement of the parties with respect to the subject matter hereof; (c) may not be amended except in writing executed by the parties; and (d) shall be interpreted and enforced in accordance with the laws of the State of Nebraska. This Agreement continues to bind you, the Premises, any person or entity who occupies the Premises or operates the business currently conducted at the Premises after you, and any new premises to which the business is moved or expanded, through the Scheduled Expiration Date. You and the individual signing this Agreement agree that the Satellite's obligations under this Agreement will be binding upon any other person or entity which takes over the ownership or operation of the business currently conducted at the Premises, whether there or elsewhere, now or in the future. If any provision of this Agreement shall be unenforceable, the remaining provisions shall remain in effect. No waiver hereunder (whether by course of conduct or otherwise) shall be effective unless in writing and no waiver shall be considered a waiver of any other or further default. Our nonenforcement or waiver of any provision under any similar agreement(s) shall not be deemed a waiver of any provision under this Agreement. The parties intend their relationship under this Agreement to be that of independent contractors and not employees, agents, joint venturers, or partners; neither party shall have the power or authority to bind the other. Notices hereunder shall be given in writing by personal delivery or certified mail, addressed to the parties at the addresses set forth herein and shall be deemed given upon receipt.

Satellite Name: <u>Shirley, Inc</u> <u>dba Speakeasy</u>  Premises Address: <u>3233 1/2 So. 13th</u> <u>Lincoln, Ne 68502</u> (Premises legal description attached as Attachment A)	I have read and understand this Agreement (Front and Back) and am signing on behalf of myself and the Satellite named herein.  By: <u>Shirley Green</u> Name: <u>SHIRLEY GREEN</u> Title: <u>Owner/Pres</u>
State of Nebraska, County of Lancaster) ss: This instrument was acknowledged before me on <u>10-12-00</u> by <u>Shirley Green</u> the <u>Pres</u> <small>Name Title</small> of <u>Shirley, Inc dba Speakeasy</u> <small>Business Name</small> a <u>Nebraska Corporation</u> , on behalf of the <u>Corporation</u> <small>State and Type of Organization Type of Organization</small>  <u>Nancy L. Skonowski</u> , Notary	Accepted: Lincoln's Big Red Lottery Services Ltd. by Lincoln's Big Red Lottery Services Inc. as Managing General Partner  By: <u>John J. Hewitt</u> <small>John J. Hewitt, Vice President &amp; Gen. Mgr.</small> Dated: <u>10-12-2000</u>

