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## AMENDED AND RESTATED BALLROOM FACILITY MANAGEMENT AGREEMENT

**THIS AMENDED AND RESTATED MANAGEMENT AGREEMENT** (this "Agreement") is made as of November 9, 2011, by and among the **CITY OF RENO**, a municipal corporation ("City"), the **REDEVELOPMENT AGENCY OF THE CITY OF RENO**, a public body, corporate and politic, of the State of Nevada, and **DOWNTOWN MANAGEMENT COMPANY, LLC**, a limited liability company consisting of the Eldorado Resorts, LLC, Circus-Circus Casinos Inc., and The Circus and Eldorado Joint Venture dba The Silver Legacy Resort and Casino (the "Operator"), with reference to the following facts:

A. Pursuant to that certain Purchase and Sale Agreement dated November 2, 2005 between City, Eldorado Resorts, LLC and Circus-Circus Casinos, Inc., (the "Purchase Agreement"), the City acquired certain real property (the "Property") in downtown Reno located on the city block bordered by South Virginia Street and Center Street on the west and east, respectively, and by Fourth Street and Fifth Street on the south and north, respectively, as more particularly described in the Purchase Agreement;

B. City has completed construction of a multi-purpose tourism and convention facility located at 400 N. Center Street, in downtown Reno (the "Downtown Events Center"), which Downtown Events Center is contemplated as the first phase of a multi-phase capital improvement project approved by the Truckee Meadows Tourism and Revitalization Steering Committee (the "Stakeholders") in accordance with Chapter 432, Statutes of Nevada 1999, as amended;

C. City has constructed certain improvements on the Property intended to compliment the Downtown Events Center consisting of a ballroom of approximately 30,000 square feet, lobby or pre-function areas, a kitchen facility to serve the ballroom, common area storage, restrooms, utilities, ancillary landscaping and other appropriate and complimentary improvements, including, but not limited to, meeting rooms or air walls in the ballroom to separate the space into smaller meeting/banquet rooms (collectively, the "Ballroom Facility");

D. The Ballroom Facility has been identified by the Stakeholders as the second phase of the capital improvements project to be constructed in conjunction with, and as a compliment to, the Downtown Events Center;

E. Pursuant to the Act, the Agency is authorized to enter into a contract with an entity whose members include businesses located within four (4) city blocks of the district described in Section 2(b) of the Act to operate capital improvement projects such as the Ballroom Facility;

F. Operator is a company whose members include, or is controlled or owned by, businesses which qualify under the Act; and

G. On or about November 16, 2005, the Parties entered into that certain Management Agreement Ballroom Facility dated November 16, 2005, as amended by that Amendment to Management Agreement Ballroom Facility dated December 1, 2006 (collectively, the

"Management Agreement") as a condition of the Purchase Agreement pursuant to which Operator agreed to manage and operate the the Ballroom Facility on the terms therein.

H. The Parties desire Operator to operate and manage the Ballroom Facility and to amend the Management Agreement on the terms and conditions set forth herein.

**WITH REFERENCE TO THE FACTS RECITED ABOVE**, the City, the Agency and the Operator (the "Parties" or "parties") agree as follows:

## **ARTICLE 1 DEFINITIONS AND EXHIBITS**

### **1.1     Definitions.**

In addition to the terms defined elsewhere in this Agreement, the following definitions shall apply:

**"Act"** means Chapter 432, Statutes of Nevada 1999, as amended by Chapter 334, Statutes of Nevada 2001.

**"Agency"** means the Redevelopment Agency of the City of Reno, a public body, corporate and politic, organized and existing pursuant to the Community Redevelopment Law of the State of Nevada.

**"Agreement"** means this Management Agreement.

**"Ballroom Facility"** has the meaning set forth in Paragraph C of the recitals.

**"Capital Expenditure"** means expenditures approved by the City for Capital Improvements.

**"Capital Improvements"** means alterations, replacements or renovations of items that would be considered capital costs, including, but not limited to, the non-routine repair and replacement, not covered by any insurance policy, of the Ballroom Facility foundation, roof, exterior walls, utilities, sidewalks, curbs, asphalt or concrete parking improvements, doors, windows, interior walls, floors, ceilings, and other structural portions of the Ballroom Facility, carpeting, other permanently affixed floor coverings, painting, other permanent wall coverings, heating and ventilation, air conditioning, refrigeration, plumbing, mechanical, elevator, sprinklers, fire/life/safety equipment, security and energy management systems, any other similar items capitalized pursuant to generally accepted accounting principles, and any alterations or renovations required under the Americans with Disabilities Act of 1990.

**"City"** means the City of Reno, Nevada, a municipal corporation.

**"City Finance Director"** means the Finance Director of the City or his designee.

**"City Manager"** means the City Manager of the City or his designee.

**"Construction Fund"** means the funds designated and appropriated by the City, in an amount not less than \$18,000,000, for the acquisition, site preparation, site remediation and construction of the Ballroom Facility, including costs for the Initial FF&E.

**"Downtown Events Center"** means the Downtown Events Center located at 400 N. Center Street, in Reno, Nevada.

**"Downtown Facilities"** shall mean collectively the (1) National Bowling Stadium located at 300 N. Center Street, in Reno, Nevada; and (2) Downtown Events Center.

**"Downtown Facilities Manager"** shall mean any entity or person, other than Operator, engaged or retained by the City to manage or operate any of the Downtown Facilities.

**"Effective Date"** shall mean the date this Agreement has been validly executed by all Parties.

**"Fiscal Year"** means the period commencing on January 1 of each year and terminating December 31 or such other period which corresponds with the Operator's fiscal year.

**"Gross Revenues"** shall mean all revenues, from whatever source, received by Operator from the operation of the Ballroom Facility and from any income-generating activity carried on therein, including, but not limited to, the following: (1) all revenue received by Operator for the rental, lease or other use of any rooms or other space in the Ballroom Facility and all charges of any character made by Operator for the rendering of any service or work of any kind conducted in, on, or about or from said Ballroom Facility; (2) all revenue received by Operator from any pay telephones, vending machines, concessions and other merchandise sold in, on, or about or from the Ballroom Facility, if any; (3) the gross amount of all deposits forfeited by said Ballroom Facility customers and retained or received by Operator in connection with the operation of said Ballroom Facility; (4) all in-kind payments recorded by Operator or members of Operator for charges otherwise applicable for use of the Ballroom Facility; and (5) fees collected by Operator for storage rental in connection with the operation of the Ballroom Facility. Revenues from returned merchandise shall not be included as Gross Revenues.

**"Initial FF&E"** means equipment, furniture, displays, fixtures and similar property which exist as of the date the Certificate of Occupancy is issued by City as identified in the list of Initial FF&E recommended by Operator and approved by City. For purposes of this Agreement, Initial FF&E shall not include "Operator's Contribution."

**"Law"** means collectively, the (i) the Local Government Securities Act, Nevada Revised Statutes ("NRS") 350.500 through 350.720, inclusive; (ii) the Supplemental Bond Act, Chapter 279 of the NRS, as amended; (iii) City Ordinance No. 5316, adopted on March 26, 2002; and (iv) all other material statutes, ordinances, laws, rules, regulations, and requirements under Federal, State, City and other local authority applicable to the terms and conditions of this Agreement.

**“New FF&E”** means equipment, furniture, displays, fixtures and similar property which Operator provides to replace, repair or add to the Initial FF&E and/or Operator’s Contribution.

**“Net Profit”** means the amount Gross Revenues exceed Operating Expenses in any given Fiscal Year.

**“Operating Budget”** means the annual operating budget and Capital Improvement Plan (“CIP”) presented to and approved by the City Manager and City Council each December during the term of this Agreement, as modified pursuant to Section 2.4 of this Agreement. The Operating Budget may be amended with the approval of the City Council as provided by Section 2.4.

**“Operating Expenses”** means actual fees, costs and expenses incurred by Operator for the management, operation and maintenance of the Ballroom Facility including without limitation (a) obligations set forth in or agreements entered into pursuant to Article 2 of this Agreement, (b) annual required contributions into the Subaccount pursuant to the Capital Improvements Schedule; (c) payment of approved Capital Improvements expenditures in excess of funds available in the Subaccount; (d) except with respect to the “Operator’s Contribution”, all real and personal property taxes, if any assessed against the real property or improvements constituting the Ballroom Facility; and (e) in-kind Operating Loss Carryforward allowances from the immediately preceding year. Actual fees, costs and expenses incurred by Operator, which are not budgeted or are not approved non-budgeted items in accordance with Section 2.4 of this Agreement, are not “Operating Expenses”.

**“Operating Loss Carryforward”** has the meaning set forth in Section 4.1 of this Agreement.

**“Operating Losses”** means the amount Operating Expenses exceed Gross Revenues in any given Fiscal Year.

**“Operating Term”** has the meaning set forth in Section 3.1 of this Agreement.

**“Operator”** means Downtown Management Company, LLC, and any successor or assignee to the Operator’s rights under this Agreement to the extent permitted by this Agreement.

**“Proposed Capital Improvement Schedule”** means the capital improvement schedule prepared and proposed by Operator pursuant to Section 2.4 of this Agreement.

**“Purchase Agreement”** has the meaning set forth in Paragraph A of the Recitals.

**“Recommended Capital Improvement Schedule”** means the ten-year capital improvement schedule approved by the City Manager pursuant to Section 2.4 of this Agreement.

“**Subaccount**” means the Capital Improvement Subaccount, held by the City and established in accordance with Section 2.3.1 of this Agreement. The Subaccount remains the property of the City and the Operator has no title, interest, lien or set off rights on or against any portion of the Subaccount, except as set forth in this Agreement.

1.2 Exhibits. The following exhibits are attached to and incorporated into this Agreement:

Exhibit A	Form of Monthly and Annual Report
Exhibit B	Form of Operating Budget
Exhibit C	Operation Schedule
Exhibit D	Capital Improvement Schedule

## **ARTICLE 2**

### **MANAGEMENT AND OPERATION OF THE BALLROOM FACILITY**

2.1 Management Operation and Maintenance of Ballroom Facility. City and Agency hereby engage Operator as an independent contractor to manage, operate, and maintain the Ballroom Facility on an exclusive basis during the Operating Term. The parties agree that Operator is an independent contractor and this Agreement is entered into in conformance with the provisions of NRS 284.173. The parties agree that Operator is not an employee of the City and that there shall be no: (a) withholding of income taxes by the City; (b) industrial insurance provided by the City; (c) participation in group insurance plans which may be available to employees of the City; (d) participation or contributions by either the independent contractor or the City to any public employees retirement system; (e) accumulation of vacation leave or sick leave; or (f) unemployment compensation coverage provided by the City if the requirements of NRS 612.085 for independent contractors are met.

City and Agency grant to Operator the exclusive right, privilege, and obligation to manage, operate, and maintain the Ballroom Facility, collect all Gross Revenues, pay all Operating Expenses, provide various other services specified herein, for the benefit and convenience of the Ballroom Facility patrons and to perform such other acts that are necessary and proper to carry out its obligations under this Agreement, in accordance with the terms and conditions of this Agreement. Operator has no rights not expressly granted herein.

Operator shall manage, operate, and maintain the Ballroom Facility in compliance with all Laws. Operator shall manage, operate, and maintain the Ballroom Facility for use by the general public, and shall operate the Ballroom Facility in such a manner as to promote tourism. Nothing in this Agreement shall be construed as a lease or as granting Operator a possessory interest in the Ballroom Facility. Operator’s management authority and responsibility shall include the following:

2.1.1 Manage all operations of the Ballroom Facility, including administer, negotiate and execute employment contracts, service contracts, vendor agreements for catering, concessions and other services, user/rental agreements, booking commitments, licenses, and all other actions required in the ordinary course of operating the Ballroom Facility.

2.1.2 Subject to the limitations in Section 2.1.3, negotiate and execute user/rental and occupancy agreements for use of the Ballroom Facility. Operator shall have the exclusive right to schedule and book events at the Ballroom Facility during the Operating Term, but shall use its best efforts to cooperate and coordinate any scheduling or booking of events at the Ballroom Facility with the Downtown Facilities Manager to avoid conflicting uses of the Ballroom Facility and Downtown Facilities. Operator shall provide City with a schedule of events booked at the Ballroom Facility on a monthly basis, and at the annual meeting in December when the City Council adopts the Operating Budget. Operator agrees that all ticketed concert events with anticipated attendance in excess of 3,000 persons shall be offered by Operator first to the Downtown Facilities Manager for booking at the Downtown Events Center. In the event the Downtown Events Center is unavailable or the Downtown Facilities Manager does not book such event within fifteen (15) days after being notified by Operator, Operator may book such ticketed concert event at the Ballroom Facility. Subject to Section 7.2, all other events at the Ballroom Facilities are permitted; provided, however, so long as the Reno Sparks Convention and Visitors Authority ("RSCVA") is operating the Downtown Events Center, the Ballroom Facility shall not be constructed or modified in the future to expand the ballroom size beyond the approximate 30,000 square feet as currently designed without mutual agreement of the City and RSCVA.

2.1.3 Establish and adjust policies (including complimentary usage) for all user/rental and occupancy agreements subject to approval by the City Council; provided, however, any prices, rates and policies established shall be nondiscriminatory and comparable to rates and pricing policies employed by the Reno-Sparks Convention and Visitors Authority for comparable facilities in the area, including without limitation the Reno-Sparks Convention Center and/or the Downtown Events Center. Any use of the Ballroom Facility by any member of Operator shall be subject to the same policies, prices and rates applied to other comparable users. Prices, rates and policies are to be established in such manner as to promote tourism and to provide Operator flexibility to remain competitive with comparable facilities in the area. City Council shall review and approve Operator's policies for user/rental and occupancy agreements (including policies for complimentary usage) each December when it adopts the annual Operating Budget.

2.1.4 Operate and maintain the Ballroom Facility, including equipment and any improvements in a manner consistent with a first-class ballroom facility. At the conclusion of the term of this Agreement, or any extensions thereto, City shall retain ownership of the Ballroom Facility, including improvements made during the term of this Agreement. All losses in inventory of City-owned equipment shall be documented by Operator as soon as such losses are discovered by Operator and promptly notify City of such losses. Operator shall replace Initial FF&E and shall include funds in the Operating Budget to provide New FF&E as necessary and appropriate to operate the Ballroom Facility in accordance with this Agreement. Operator shall be entitled to pay for City Manager approved New FF&E from Gross Revenues. Operator shall be solely responsible for any excess costs to the extent Gross Revenues are insufficient to pay for City Manager approved New FF&E. Notwithstanding the foregoing, to the extent the aggregate annual costs for groups of like items of New FF&E exceeds \$10,000, and subject to the approval of the City Manager, Operator may pay for all such like items of New FF&E from

the Subaccount. At all times, equipment maintenance shall meet or exceed manufacturer's recommendations. Operator shall provide the City Manager with semi-annual reports customarily prepared and maintained by Operator during its normal course of operating, managing and maintaining the Ballroom Facility regarding equipment, maintenance and repairs.

2.1.5 Supervise and direct or retain third parties to supervise and direct all personnel and employees of the Ballroom Facility.

2.1.6 Provide insurance for the City and Operator, and provide security and risk management, though all terms and conditions on insurance policies are subject to approval by the City as provided in this Agreement.

2.1.7 Oversee risk, security management and insurance needs, though all terms and conditions on insurance policies are subject to approval by the City as provided in this Agreement.

2.1.8 Maintain the Ballroom Facility free of conditions that could jeopardize the safety of its employees, the Ballroom Facility patrons or the general public.

2.1.9 Use and apply any Gross Revenue from the operation of the Ballroom Facility as provided in Section 2.3.2 of this Agreement.

2.1.10 Maintain in full force and effect throughout the term of this Agreement a current business license issued by the City.

2.1.11 Any other acts Operator deems necessary or appropriate to operate the Ballroom Facility in a first class manner to promote tourism, all in accordance with the terms and conditions of this Agreement.

## 2.2 Limitations on Operator's Management Authority.

Notwithstanding any other provision in Section 2.1 or other provision of this Agreement, Operator's management and authority with respect to the Ballroom Facility shall be limited as provided in this Section 2.2.

2.2.1 Limitations on Use of Gross Revenues. Operator is prohibited from using Gross Revenues for any purpose that is not related to the management, operation or maintenance of the Ballroom Facility as provided in this Agreement.

2.2.2 Operating Term Limitations. Operator is prohibited from entering into any contract which extends beyond the lesser of: (a) any period proscribed by Law, (b) five (5) years; or (c) one (1) year beyond Operator's Term, except that during the Operating Term, Operator is authorized to rent or lease space for the Ballroom Facility more than one year beyond the end of the Operating Term so long as the rental or lease is either (i) made in conjunction with an event booked at the Downtown Events Center or (ii) approved by the City Manager.

2.2.3 Certain Contracts Subject to the City Manager's Approval. The following contracts are subject to the approval of the City Manager (i) all insurance related contracts; and (ii) all vendor or concession contracts that produce annual Gross Revenues in excess of \$50,000. The City Manager shall refer any such contract to City Council for approval.

2.2.4 Ballroom Facility Naming Rights and Other Intellectual Property Rights Agreements. Operator is required to obtain City Council's approval for all Ballroom Facility naming rights (i.e. the proposed name of the facility) and other intellectual property rights agreements or decisions involving assets of the Ballroom Facility. Any revenues associated with Ballroom Facility naming rights are the property of the City and the Operator is not entitled to include such revenues in Gross Revenues.

2.3 Administration of Gross Revenue and Operating Expenses; Reports.

2.3.1. All Gross Revenues generated by the Ballroom Facility shall be the sole and exclusive property of the City, managed by the Operator, and which Operator may deposit for the City in an account ("Account") managed by Operator and/or a Capital Improvement Subaccount ("Subaccount") held by City. Notwithstanding the Operator's receipt of Gross Revenues on behalf of the City, the Operator shall have no title, interest, lien or set-off rights on or against any portion of the Gross Revenues generated by the Ballroom Facility, except to pay Operating Expenses, deposit funds in the Subaccount, pay any Operating Loss Carryforward, and pay Net Profits to the City and Operator, as provided in this Agreement.

2.3.2 Except as provided in Section 2.3.3 of this Agreement, Operator shall expend Gross Revenues and funds in the Account in the following order of priority: first to pay all Operating Expenses and reimburse Operator for funds advanced to pay Operating Expenses pursuant to this Section 2.3.2; second, to deposit funds into the Subaccount as required by Section 2.3.3 of this Agreement; third to pay any Operating Loss Carryforward for the preceding Fiscal Year; and fourth, to pay Net Profit, if any, to the City and Operator pursuant to Section 4.1 of this Agreement. All Operating Expenses shall be paid by check or other written instrument (including direct deposit) and the purpose of the payment shall be clearly identified on the written instrument. Operator is responsible for advancing funds to pay any Operating Expenses for a specific booked event which are required to be paid prior to the receipt of any Gross Revenues associated with such booked event.

2.3.3 As of the date of this Agreement, City has on deposit the sum of \$500,000 in the Subaccount. Operator and City shall each deposit an equal amount not to exceed \$50,000 per year, to the extent funds are available under Section 2.3.2, into the Subaccount during the term of this Agreement. However, neither Operator nor City is required to deposit funds into the Subaccount if the balance of the Subaccount is greater than \$500,000. If at any time the Gross Revenues are insufficient to meet the foregoing \$100,000 annual Gross Revenue deposit to the Subaccount, Operator shall contribute the difference, which contribution shall increase and become part of the annual Operating Loss.

2.3.4 Within ninety (90) business days following the close of each Fiscal Year during the term hereof, Operator shall report (1) all Gross Revenues less Operating Expenses;



and (2) funds required to be deposited into the Subaccount, deposits made into the Subaccount and withdrawals of any funds from the Subaccount, said report to account for such figures during the period from the first to the last day of the Fiscal Year when said statement is to be rendered ("Report"). The Report shall be prepared and provided to the City in the form attached hereto as Exhibit "A". Operator shall make available to City invoices and such other supporting documentation reasonably evidencing the Operating Expenses set forth in the Report upon request. Each Report shall be certified as correct by Operator's General Manager. Within ninety (90) business days following the close of each Fiscal Year during the term hereof, Operator shall transfer to the City and Operator all Net Profits pursuant to Section 4.1.1.

2.3.5 Failure to furnish said Reports on time may result, in addition to any other City right or remedy available at law, termination of this Agreement by City, subject to the notice and cure provisions of Article 10 of this Agreement.

2.3.6 All bookkeeping, accounting, auditing, filing, record keeping, completion of forms, and other work necessary for the accomplishment of the requirements of this Section 2.3 shall be maintained within the geographical limits of the City and available for review by the City upon reasonable notice.

2.4 Operating Budget. At least thirty (30) days prior to the first day of each Fiscal Year, Operator shall prepare, file with the City Clerk, and provide to the City Manager and City Council for review and approval the Operating Budget in the line item form attached hereto as Exhibit B. The Operating Budget shall be prepared for each Fiscal Year. The Operating Budget shall include all projected Gross Revenues and Operating Expenses, including Capital Expenditures, related to the Ballroom Facility. Operator shall also prepare and include with the Operating Budget a recommended capital improvement schedule ("Recommended Capital Improvement Schedule") for the City's review, itemizing projected capital improvement expenditures required of the City for the ten (10) year period following the date each Operating Budget is provided to the City Council. The City Council shall review the Recommended Capital Improvement Schedule and make modifications, if any, to the Recommended Capital Improvement Schedule prior to approval. In addition, Operator shall prepare and provide to City monthly financial statements and results of operations of the Ballroom Facility, including Gross Revenues and Operating Expenses, and updated forecasts of operations. Operator shall further provide to the City Manager for review any modifications to the Operating Expenses contained in the Operating Budget on a monthly basis and unless City rejects any such modifications within thirty (30) days of receipt, Operator shall be entitled to include such modifications in the approved budgeted Operating Expenses. Any modifications to the Operating Budget which exceed the total annual budget amount previously approved by the City Council by \$100,000 or more, are subject to approval by the City Council, such approval not to be unreasonably withheld; provided, however, that Operator may make a modification to the Operating Expenses without the prior approval of the City Manager or City Council in order to book an event, concert, banquet or convention if sufficient off-setting revenue is available and/or provided by Operator to off-set any negative impact the booking of such event will have on Operating Expenses. Operator shall include in the immediate subsequent Report detailed information as to the impact, if any, on Operating Expenses as a result of any activity booked pursuant to the preceding sentence. To the extent Operator incurs costs in excess of the approved/amended

Operating Budget, Operator shall be solely responsible for such excess costs to the extent Gross Revenues are insufficient to pay for such expenses.

2.5 Access. Subject to any and all other relevant provisions herein contained, Operator has the right of access and ingress to, and egress from, the Ballroom Facility as deemed necessary.

2.6 Reservations. The grant of rights hereunder is subject to the following reservations: City and its authorized officers, employees, agents, contractors, subcontractors, and other representatives shall have the right to enter any of the Ballroom Facility to perform its obligations under this Agreement and to observe and evaluate the performance of Operator.

2.7 Annual Marketing Plan. At least thirty (30) days prior to the end of each Fiscal Year, Operator shall prepare and submit to City for its review and approval, a marketing plan for the Ballroom Facility. The marketing plan shall set forth the specific plans for the following Fiscal Year to market the Ballroom Facility in accordance with the requirements of Section 7.1 hereof.

2.8 Operator Contribution. Operator purchased and installed (other than the kitchen equipment, which was installed by Clark & Sullivan as part of the City's bid) at its own cost and expense for use at the Ballroom Facility those items described in Exhibits "E" and "E-1" attached hereto and incorporated herein ("Operator's Contribution"). The parties agree the values set forth in the Exhibits are estimates only, and Operator shall be responsible for any cost overruns, but shall bear the benefit of any cost savings, attributable to the costs of the Operator's Contribution. Except for Operator's purchase and installation (other than the kitchen equipment) of the Operator's Contribution, City shall remain solely responsible for all other costs and expenses, including cost overruns, incurred in the construction of the Ballroom Facility and any such increase in anticipated cost shall be included in the Construction Fund. The parties acknowledge and agree that the Operator's Contribution shall be owned by Operator during the term of this Agreement but become the Property of the City upon termination of this Agreement. Any New FF&E acquired to replace the Operator's Contribution shall be owned by City and acquired in accordance with the terms of the Management Agreement.

### **ARTICLE 3 OPERATING TERM**

3.1 Term and Condition. The term of this Agreement shall begin the first day a Certificate of Occupancy is issued for the Ballroom, and unless terminated sooner as provided herein, shall continue for a period of five (5) years thereafter. So long as no default exists and is outstanding, the initial term may automatically be extended for three (3) additional periods of five (5) years each (the initial term together with any extension is referred to herein as the "Operating Term"). Operator may terminate the Operating Term and its management and operation responsibilities pursuant to this Article 3 at any time upon at least three hundred sixty five (365) days notice to City. Operator agrees to cooperate in every way possible with any

succeeding operator of the Ballroom Facility, so that during the transition period that the public's use of the Ballroom Facility shall not be inconvenienced by a change of operators.

City may terminate this Agreement for cause upon the occurrence of an event described in Sections 2.3.5 pursuant to the provisions of Article 10.

3.2 Surrender of Possession. Operator agrees that upon expiration or termination of this Agreement, it will remove its personnel and equipment from the Ballroom Facility, leaving the Ballroom Facility in good condition and repair, reasonable wear and tear excepted.

Operator agrees that at least 30 days before the last day prior to the expiration or termination of this Agreement, it will provide City with the originals of all books, calendars, permits, records, licenses, contracts, lists of contracts, unused tickets and other documents pertaining to the Ballroom Facility and its operation, any insurance policies, bills of sale or other documents evidencing title or rights of the City, and any and all other records or documents pertaining to the Ballroom Facility, whether or not enumerated herein, which are requested by the City or necessary or desirable for the ownership and operation of the Ballroom Facility, which are in the Operator's possession ("Records").

Operator further agrees to do all other things reasonably necessary to cause an orderly transition of the management and operation of the Ballroom Facility without detriment to the rights of the City or to the continued management of the Ballroom Facility. This requirement is in addition to the financial record-keeping reporting and audit requirements set forth in Section 7.6 of this Agreement.

#### **ARTICLE 4 OPERATING PROFITS/LOSSES**

4.1. Share of Net Profit. For each Fiscal Year in which the Ballroom Facility generates Net Profit, Operator and City shall each be entitled to retain fifty percent (50%) of the Net Profit subject to Section 2.3.3.

4.2. Responsibility for Operating Losses. Operating Losses in any Fiscal Year may be carried forward only to the immediately succeeding Fiscal Year and shall be paid from the Gross Revenues of such subsequent Fiscal Year ("Operating Loss Carryforward"). Operator may, in its sole discretion, elect to receive all or a portion of the Operating Loss Carryforward "in kind" through offsets granted to Operator or Operator's members for charges otherwise applicable for use of the Ballroom Facility. Any "in-kind" payments recorded by Operator shall be recorded against Operating Loss Carryforward only for the immediate preceding Fiscal Year and as Gross Revenues of the Ballroom Facility for the then current Fiscal Year.

Operator shall solely be responsible for any Operating Losses incurred in the management, ordinary maintenance and operation of the Ballroom Facility and shall use its own funds to pay Operating Expenses to the extent Gross Revenues are insufficient. Any Operating Losses paid by Operator from its own funds may be carried forward only to the next Fiscal Year and (i) reimbursed from Gross Revenues in any such subsequent Fiscal Year; or (ii) received in

kind and offset against charges otherwise applicable for use of the Ballroom Facility by Operator or Operator's members in accordance with paragraph (a) above.

## **ARTICLE 5 ALTERATIONS, CAPITAL IMPROVEMENTS AND REPAIRS**

### **5.1     Alterations and Improvements.**

A.     Operator shall make no alterations or improvements to the Ballroom Facility, other than repairs in the ordinary course, without first obtaining the written approval of the City Manager, or his designated representative, or in the event the alteration or improvement is projected to cost more than \$100,000, the approval of the City Council, such approval not to be unreasonably withheld. All such alterations and improvements for which approval is obtained shall be at Operator's own expense, and shall comply with all building, electrical, health, and fire codes of the City of Reno. Plans for such work must be submitted to and approved in writing by the City Manager or his designated representative, or City Council as indicated above before work commences.

B.     Unless otherwise provided by written agreement, all additions to, improvements, and alterations of the Ballroom Facility made by Operator, except movable furniture and trade fixtures provided by Operator which can be removed without injury to City property shall immediately become a part of the realty as soon as constructed, shall be the property of City, and shall remain upon termination of this Agreement. Operator agrees that it will notify City, in writing, ten (10) days prior to the date work is to commence in order that City may post appropriate notices of non-responsibility. Operator shall at all times permit such notices to be posted and to remain posted for the time required by law.

C.     City may request, in writing, Operator to perform or contract for certain maintenance operations or equipment replacement for or at the Ballroom Facility not otherwise in this Agreement or included in the Operating Budget or Recommended Capital Improvement Schedule. Such services shall be paid from Gross Revenues.

### **5.2     Capital Improvements.**

A.     Operator may make all Capital Improvements to the Ballroom Facility as set forth in the then-current City approved Recommended Capital Improvements Schedule. Costs for Capital Improvements shall be paid from the Subaccount to the extent the Subaccount has funds available. Notwithstanding any other provision in this Agreement, to the extent that sufficient funds are not available in the Subaccount, or from Net Profits, insurance proceeds or third parties, costs incurred over and above amounts available may be paid by the City from its own separate funds.

B.     Operator agrees that it will not be entitled to any damages, for loss of business or otherwise, due to the closing, in part or in whole, as a result of construction of any Capital Improvement to the Ballroom Facility.

5.3 Maintenance and Cleaning- Liability for Damages. Operator shall be solely responsible for maintaining the premises in a clean, orderly and safe manner during the period in which the Ballroom Facility is open, including, by way of example and not as a limitation, rooms, ceilings, floors, walls, aisles, furniture, equipment, sidewalks, parking areas, pedestrian walkways, driveways, stairways, elevators and landscaping. Operator shall be responsible to City for any and all damages to Ballroom Facility caused by any act or omission (including the negligent or willful act(s)) of Operator, its employees, contractors, or agents. In accordance with Section 7.7 hereof, Operator acknowledges its obligation to indemnify City for any and all losses suffered by City as a result of any failure by Operator to perform its obligations under this Agreement. Operator shall provide the names and twenty-four (24) hour telephone numbers of those responsible members of its organization to be called by the City's security agent. When so notified, said responsible members shall assist on-site in securing the Ballroom Facility.

5.4 Maintenance, Repairs and Landscaping by Operator. Operator shall be solely responsible for all maintenance repairs, and landscaping of Ballroom Facility, except as otherwise noted in this Agreement. Operator shall immediately notify the City of any hazardous conditions at the Ballroom Facility. Operator shall take the necessary steps to close off hazardous areas to the public until repairs can be accomplished.

## **ARTICLE 6 TAXES & UTILITIES**

6.1 Property Tax. City and Operator agree that the Ballroom Facility property is not being leased or loaned to Operator or otherwise made available to Operator for Operator's own use. Except with respect to the Operator's Contribution, nothing in this Agreement shall be construed as granting Operator a possessory interest in the Ballroom Facility. Except with respect to the Operator's Contribution, to the extent any taxes, assessments (special or otherwise) and charges may be levied upon or with respect to the Ballroom Facility and any ad valorem taxes on personal property used in connection therewith or any real property taxes may be levied against the Ballroom Facility, such taxes or charges shall be paid as Operating Expenses.

6.2 Payroll and Taxation. Operator hereby represents and warrants that all individuals provided by Operator to perform services or work under this Agreement will be employees or subcontractors of Operator, and Operator (or its subcontractors) will make or cause to be made all necessary payroll deductions for disability and unemployment insurance, social security, withholding taxes and other applicable state and federal withholding taxes on behalf of such individuals.

6.3 Utilities. Operator shall be responsible for arranging for all necessary utilities. Costs for utilities shall be treated as Operating Expenses.

## **ARTICLE 7 MISCELLANEOUS OPERATION TERMS**

7.1 Cooperative Marketing with Downtown Facilities. Operator shall market the Ballroom Facility both as a stand-alone facility and, to the extent reasonably possible, jointly

with the Downtown Facilities Manager in conjunction with the Downtown Facilities. City shall require the Downtown Facilities Manager, to the extent reasonably possible, to jointly market the Downtown Facilities with the Ballroom Facility. For purposes of Sections 7.1, 7.2, 7.3 and 7.5 of this Agreement, Operator acknowledges that the City has an existing contract with the Downtown Facilities Manager and that such contract creates limitations with respect to the City's ability to cooperate with the Operator under this provision. Operator acknowledges the City limitations in this respect and agrees that it would not be reasonable for the City to violate in term or spirit any agreement or understanding the City has with the Downtown Facilities Manager.

7.2 Cooperation on Booking Events. City shall, to the extent reasonably possible, ensure that the Downtown Facilities Manager use its commercially reasonable best efforts to cooperate and coordinate any scheduling or booking of events at the Downtown Facilities with Operator. Operator shall use its commercially reasonable best efforts to cooperate and coordinate scheduling or booking events at the Ballroom Facility with the Downtown Facilities Manager. To the extent reasonably possible, Operator shall give priority to joint bookings with the Downtown Facilities Manager for events at the Ballroom Facility and Downtown Facilities provided such events are booked eighteen (18) months in advance.

7.3 Pricing of Downtown Facilities By Others. To the extent reasonably possible, City shall not, and to the extent reasonably possible shall assure that Downtown Facilities Manager shall not establish or impose rates, prices or policies for use of the Downtown Facilities which are not comparable or competitive, or which are disparate in any manner, with the rates, prices or policies established or imposed at any other publicly owned or operating convention related facilities in the Reno/Sparks area.

7.4 Signage and Physical Appearance of Ballroom Facility. City shall have the exclusive right to determine whether to place all permanent signage, posters, or advertisement, if any, on the exterior of the Ballroom Facility. Any revenues derived from exterior advertisements on the Ballroom Facility shall be paid directly to the City, and will be excluded in the calculation of Gross Revenues. Operator is prohibited from placing any permanent signage, poster or advertisement on the interior of the Ballroom Facility without City's prior written consent. After obtaining written approval from the City Manager, Operator may place interior signage at the Ballroom Facility for the advertisement of any hotel-casino resort, restaurant or gaming related activities, including advertisement for any business affiliated with a member of Operator. Any revenues derived from such advertisements, excluding naming rights addressed in Section 2.2.4, will be included in the calculation of Gross Revenues.

City expressly reserves the exclusive right to control the permanent physical appearance of the exterior and interior of the Ballroom Facility, including but not limited to permanent, furnishings, artwork, window, wall and floor coverings and other similar permanent physical appearance qualities of the Ballroom Facility. If the City chooses for any reason to alter the permanent physical appearance of the Ballroom Facility or to prohibit the Operator from commencing or continuing any practice affecting the permanent physical appearance of the Ballroom Facility, the City shall have the right to do so at any time without any consent from the Operator. Operator shall promptly comply with the City's direction under this paragraph.

7.5 Catering and Concessions. Except as otherwise provided in Section 2.2 of this Agreement and subject to the Law, City acknowledges and agrees that nothing prohibits Operator in the exercise of its authority under Section 2.1 from entering into an agreement with a member of Operator or a subsidiary or affiliate of Operator to provide catering or concession services, including food and beverage, or other related services at the Ballroom Facility. City shall allow, and shall require, to the extent reasonably possible, any Downtown Facilities Manager to allow, Operator, any member of Operator, or any subsidiary or affiliate of a member of Operator to bid on and provide catering services at any of the Downtown Facilities on a non-exclusive basis to any user of such facilities that desires to use Operator or any such entity related to Operator for catering.

7.6 City's Right to Audit Operator's Books and Records.

A. Within ninety (90) days after the end of the Operator's Fiscal Year (December 31), Operator will deliver to City an audit by an independent auditor (such auditor approved by the City), of Operator's books and records related to the operation of the Ballroom Facility. Costs incurred by Operator for audits shall be paid from Gross Revenues as an Operating Expense. The audit will be encompassed within the Operator's independent auditor's integrated audit of the Operator's financial statements and internal controls. Operator acknowledges that the primary purpose of such audit shall be to enable the City to determine, clearly and accurately, the amount of Gross Revenues received by the Operator from the operation and management of the Ballroom Facility, the Gross Revenues deposited into the Account, and any differences between the Gross Revenues reported, the deposits and audited revenues, all operating expense reimbursements and to verify that the form and method of Operator's record keeping provide adequate and proper control and check of all such revenue. Additionally, the purpose of the audit shall be to enable the City to determine that significant terms of the Agreement are complied with. This type of audit would be limited to once every four (4) years and would be initiated upon request by the City. Operator shall deliver an original, signed copy of each such annual audit to the City and the City Finance Director by the earlier of (i) thirty (30) days after the completion of such audit or (ii) ninety (90) days after the end of the Fiscal Year covered by such audit. If Operator does not deliver an audit in accordance with the above time schedule, Operator shall be subject to an initial late charge of Five Hundred Dollars (\$500.00) which shall accrue at a rate of Five Hundred Dollars (\$500.00) for each additional month the audit is delinquent. Such late charges will be paid by Operator from its own separate funds and will cover administrative costs incurred by the City associated with the delay in delivery of the audit. Should an additional audit or agreed-upon procedures engagement be required by the City specifically related to the Ballroom Facility's operations, the costs incurred by Operator for such audit shall also be paid from Gross Revenues as an Operating Expense.

B. Books and Records. Operator shall establish and maintain books, records and systems of account, in accordance with generally accepted accounting principles ("GAAP"), consistently applied reflecting all business operations of Operator transacted under this Agreement. To the extent Operator has not complied with GAAP, the City may require Operator to restate its books, records and systems of account to conform to such requirements. These books, records and systems of account shall be retained by Operator within the geographical

limits of the City during the term of this Agreement and shall be available at all reasonable times, with or without notice, for inspection and audit by the City. Upon expiration or early termination of this Agreement, all such books, records and systems of account shall be delivered to the City.

C. Basic Security requirements. Operator shall furnish security guards at such times, at such locations, as reasonably necessary to provide adequate protection of property and patrons of the Ballroom Facility.

D. Basic Cleaning Requirements. Operator shall ensure that the cleaning services undertaken at the Ballroom Facility are of the highest quality.

E. Administrative Fee. Operator shall be allowed to include an Administrative Fee to cover costs not directly attributable to the Ballroom Facility but reasonably necessary to support the operation, including costs for management and administration, human resources, insurance coverage, auditing/accounting services, storage, information technology, etc., not otherwise directly charged to the Ballroom Facility. The total Administrative Fee may be paid as an Operating Expense. This Administrative Fee must be included in the annual budget and approved by the City Manager.

F. Prohibition Against Additional Compensation. Except as provided in Section 4.1 or Section 7.6(E), Operator shall not receive any payment, fee, compensation or other consideration, whether monetary or in-kind (except as otherwise provided in this Agreement), relating to, directly or indirectly, the management, use or operation of the Ballroom Facility, or any services with respect thereto, without the prior written consent of the City Manager.

#### 7.7 Indemnification.

A. Operator shall indemnify, hold harmless, and (at City's request with counsel acceptable to City), defend City, the members of their respective governing bodies, directors, officers, employees, agents, servants (each of which persons and entities are collectively referred to herein as "Indemnitees"), to the extent not paid by insurance, from any and all actions, causes of actions, claims, injuries (including, without limitation, injury to or death of an employee of Operator), liabilities (of every kind, nature and description), losses, demands, debts, liens, obligations, judgments, administrative fines, damages, costs, expenses, and attorneys' fees (collectively referred to herein as "Actions") caused by or arising out of:

- (i) a material breach of Operator's obligations, representations or warranties under this Agreement,
- (ii) any fraud or breach of fiduciary duty by Operator under this Agreement,
- (iii) any negligent (passive or active) or willful acts or omissions in the course of performance by Operator under this Agreement,



- (iv) any claim for personal injury (including death) or property damage to the extent based on the Operator's strict liability or caused by any negligent act, error or omission of Operator,
- (v) any infringement or violation by Operator of the patent, copyright, trademark, trade name, service mark, trade secret right or other proprietary or intellectual property right of any other person or entity in connection with this Agreement.

B. For the purposes of the preceding Subsection (i) through (v), the term "Operator" includes, without limitation, Operator, its officers, directors, employees, representatives, agents, servants, consultants, subconsultants, contractors and subcontractors.

C. Operator acknowledges and agrees that it has an immediate and independent obligation to indemnify and defend Indemnitees from any Action which falls within this indemnification provision, which obligation shall arise at the time an Action is tendered to Operator by City and continues at all times thereafter, without regard to any alleged or actual contributory negligence of any Indemnitee. Notwithstanding anything to the contrary contained herein, Operator's liability under this indemnity shall not apply to any Action arising from the negligent or willful misconduct of an Indemnitee.

D. City shall give Operator prompt written notice of any such Action and shall fully cooperate with Operator in the defense and all related settlement negotiations to the extent that cooperation does not conflict with City's interests. Notwithstanding the foregoing, City shall have the right, if Operator fails or refuses to defend City with counsel acceptable to City, to engage their own counsel for the purposes of participating in the defense. In no event shall Operator agree to the settlement of any claim described herein without the prior written consent of City. City shall not unreasonably withhold such consent.

E. The indemnity set forth in this section shall not be limited by the City's insurance requirements set forth in Section 7.9 of this Agreement or by any other provision of this Agreement and the provisions of this Section 7.7 shall survive termination of this Agreement.

7.8 No Gaming. Operator acknowledges and agrees that in no event shall any gaming, as defined in Chapter 463.0153, Nevada Revised Statutes, as hereafter amended, and as defined by the Internal Revenue Service, take place at the Ballroom Facility.

#### 7.9 Liability and Property Damage Insurance.

During the term of this Agreement, Operator shall maintain full force and effect an insurance policy or policies issued by an insurance company rated by A.M. Best Co. having a current rating not less than A- and reasonably satisfactory to the Risk Manager of the City and the City Manager, and in form reasonably approved by the City Attorney. Operator shall provide comprehensive General Liability insurance with limits not less than \$10,000,000 each occurrence combined single limit for Bodily Injury and Damage, including coverages for

Contractual Liability, Personal Injury, Broadform Damage, Products and Completed Operations, with an annual aggregate limit of \$4,000,000, and comprehensive Automobile Liability insurance with limits not less than \$1,000,000 each occurrence, including coverages for owned, non-owned and hired vehicles, as applicable.

Said policy or policies shall include Operator, the City, and their respective officers, members, agents, and employees, jointly and severally, as additional insured, and as respects such additional insured and requires that the policy or policies shall stipulate that, coverage applies as primary insurance and that no other insurance effected by said additional insured shall be called upon contribute to a loss covered by said policy or policies. Said policy or policies shall provide thirty (30) days written notice of change or cancellation, and said written notice shall be delivered to the City's Risk Manager, City of Reno, One East First Street, 15<sup>th</sup> Floor Reno, NV 89500. A certificate of insurance shall be delivered to the City's Risk Manager upon issuance. The costs of said insurance shall be included in the Operating Budget and paid as an Operating Expense.

#### 7.10 Worker's Compensation Insurance and Social Security.

Operator shall maintain Worker's Compensation Insurance in compliance with State of Nevada law, and certificates of insurance under such policy shall be delivered to the City's Risk Manager, City of Reno, One East First Street, 15<sup>th</sup> Floor Reno, NV 89500. Said certificates shall provide ten (10) days notice of cancellation to the City's Risk Manager, and shall provide that the company waives rights of subrogation against City, and its respective officers, members, agents, and employees. Operator shall, upon request, furnish to the City's Risk Manager adequate evidence of provision for Social Security and Unemployment Compensation. The costs of said insurance shall be included in the Operating Budget and paid as an Operating Expense.

7.11 City Events. Operator shall permit the City to hold events at the Ballroom Facility sponsored by the City up to twelve (12) days during each calendar year. City and Operator shall mutually agree upon a schedule for such events so that such events will not conflict with events scheduled by Operator. Upon request by City, Operator shall provide all management, personnel and on-site services required for such events and the City shall reimburse Operator for all costs and expenses reasonably incurred by Operator and shall pay all other costs and expenses related to such events. If appropriate, the City shall enter into a management agreement with Operator for services related to such special events. Subject to applicable laws and without waiving any statutory immunities, the City shall defend, indemnify and hold harmless Operator and its members, officers, agents and contractors ("Operator's Indemnitees") from and against any and all present and future Claims arising during the term of this Agreement from or in connection with any events held by the City whether such Claim shall be discovered before or after termination of this Agreement. The City's indemnity obligations under this Section shall not extend to Claims arising as a result of the Operator's Indemnitees' gross negligence or willful misconduct. Operator shall notify the City promptly of any claim, action or proceeding and shall cooperate fully in its defense. The obligation of City under this Section shall survive the expiration or earlier termination of this Agreement.

## **ARTICLE 8 ASSIGNMENT AND TRANSFERS**

Upon 30 days' written notice to Operator, City may assign, transfer or convey all or a portion of its interest in the Property or this Agreement. Upon 30 days' written notice to City, Operator may assign its obligations and rights to manage and operate the Ballroom Facility or a member of Operator may assign its interest in Operator (1) without the consent of City if the assignee or transferee owns or operates a gaming establishment located within the special assessment district created pursuant to the Act, or (2) to any other entity with the written consent of the City, which consent shall not be unreasonably withheld; provided, however, that it shall not be unreasonable for the City to withhold consent of such assignment or transfer under this clause (2) where the City reasonably determines that the assignee or transferee of the interest in Operator has insufficient financials and/or net worth to satisfy the existing and potential obligations and liabilities of the Operator under this Agreement. Upon the assignment or transfer of any interest in Operator as permitted above, (i) the new holder of the assigned or transferred interest in Operator shall automatically become obligated for all obligations and liabilities of this Agreement arising after the date of the assignment or transfer and shall be bound as provided in Article 12 of this Agreement evidenced in a manner satisfactory to the City, and (ii) the former holder of the assigned or transferred interest shall have no responsibility for any obligations and liabilities of the Operator arising on or before the date of the assignment or transfer. At the time Operator provides written notice to the City of the purported transfer or assignment pursuant to clause (2) above, Operator shall provide the City with financial documents establishing the financials and net worth of the new interest holder in Operator so City can make a reasonable determination as to whether it will consent to such assignment or transfer. Performance of any obligation by an approved assignee or transferee shall be deemed to have satisfied Operator's duty to perform such obligation.

## **ARTICLE 9 DISPUTE RESOLUTION**

### **9.1     Arbitration/Mediation of Certain Disputes.**

Notwithstanding the provisions of Article 9, all disputes arising under this Agreement shall be subject to mediation and then to arbitration under Section 9.2 (collectively, "Disputes").

### **9.2     Disputes.**

(a)     Good Faith Negotiation by Parties. Operator and City shall attempt to resolve, through good faith negotiation between them, any Dispute subject to this Article 9 for a period of ten (10) days after the Dispute is raised by either Operator or City in a written notice to the other Party. Operator and City shall each be represented in such negotiations by one or more representatives with decision making and settlement authority sufficient to resolve the Dispute, subject to approval of the party's governing body, where required.

(b) Mediation and Arbitration. Any Dispute that cannot be resolved by Operator and City during such ten (10) day good faith negotiation period may be submitted by either Party first to mediation, said mediation to be held within fifteen (15) days after written demand by either side for such mediation.

(1) The mediator ("Mediator") will be selected by mutual agreement of the parties at or prior to the time a mediation issue arises. If no agreement can be reached within thirty (30) days after written notice, a single neutral Mediator shall be appointed by the then presiding judge of the Second Judicial District Court In And For Washoe County, State of Nevada, unless the parties agree otherwise. The Mediator appointed must have at least ten (10) years of experience in resolving disputes similar to the dispute at issue.

(2) The mediation must be completed within thirty (30) days after the date the demand for mediation is first made.

(3) If a dispute has not been resolved through an agreement in principle between the parties within the period specified in Section 9.2(b)(2) above, the matter may upon written demand of either party be submitted to arbitration. The arbitration shall be conducted and a decision shall be entered into within six (6) months of the date of the written demand and the parties shall cooperate in good faith to ensure that this time frame is maintained. For good cause shown, the arbitrator may extend the time frame for completion of the arbitration by three (3) months on one occasion only.

(4) The arbitrator ("Arbiter") will be selected by mutual agreement of the parties at or prior to the time a mediation issue arises. If none of the Arbiters selected is able or willing to serve, a single neutral Arbiter shall be appointed by the then presiding judge of the Second Judicial District Court In And For Washoe County, State of Nevada, unless the parties agree otherwise. The Arbiter appointed must have at least ten (10) years of experience in resolving disputes similar to the dispute at issue.

(5) The arbitration shall be conducted according to Nevada Revised Statutes 38.02 through 38.248, as amended, except as otherwise agreed to herein. The decision of the Arbiter shall be binding, subject only to the parties' rights to vacate, modify or appeal the award as provided in NRS 38.241, 38.242 and 38.247; subject, however to limitations on vacation or appeal of an award under Section 10.2.2 of this Agreement. Judgment upon the Arbiter's decision may be entered in any court of competent jurisdiction.

(6) Initially, each Party to the mediation or arbitration will advance its proportionate share of the fees and costs of the Mediator and the Arbiter, if any. The non-prevailing Party in the arbitration shall pay the Mediator's and Arbiter's fees and costs.

(7) Except as otherwise provided in this Article 9 or in Article 10, the provisions of this Article 9 shall constitute the sole and exclusive form and procedures of dispute resolution of any and all Disputes subject to this Article 9, whether arising before or after the Effective Date.

9.3 Exceptions to Mediation/Arbitration. Either party may file suit in a court of competent jurisdiction in Washoe County, Nevada to the extent the party seeks temporary or preliminary injunctive relief.

9.4. Acknowledgment:

**NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN SECTION 9.2 DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY NEVADA LAW AND THIS AGREEMENT AND EXCEPT AS OTHERWISE PROVIDED HEREIN, YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN SECTION 9.2. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY UNDER NEVADA LAW. YOUR AGREEMENT TO THIS PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT THE MATTERS INCLUDED IN SECTION 9.2 TO NEUTRAL ARBITRATION IN ACCORDANCE HERewith**

Agreed and Accepted by: \_\_\_\_\_ Agreed and Accepted by: \_\_\_\_\_  
(Operator) (City)

9.5 Proceeding Pending Resolution of a Dispute. Pending agreement or other resolution of any Dispute, or other dispute hereunder, Operator will proceed in accordance with (i) its obligations pursuant to this Agreement that are not subject to dispute and (ii) all obligations that are subject to dispute pending resolution of the dispute, unless either party obtains an order for injunctive relief from a Court of competent jurisdiction upon a showing irreparable harm.

## **ARTICLE 10 DEFAULT AND TERMINATION**

10.1 City Default. The following event, if uncured after expiration of the applicable cure period, shall constitute a "City Default": the City breaches any material provision of this Agreement, fails to use the Property for convention and tourism purposes consistent with the Act and with the advice and consent of the stakeholders as defined in the Act, or otherwise fails to comply with any other term, covenant or condition of this Agreement.

10.1.1 In the event of a City Default, Operator shall notify the City in writing of its purported breach or failure, and the City shall have thirty (30) days from receipt of such notice to cure such breach or failure. If the City does not cure within such period, then Operator shall be entitled to (i) terminate this Agreement by written notice to the City; (ii) prosecute an

action for damages; (iii) obtain specific performance of this Agreement or any provision hereof; and (iv) pursue any other rights afforded it in law or in equity (including, without limitation, the right to recover all costs and expenses incurred by the Operator in connection with this Agreement); provided, however, in the event the cure of such purported breach or failure will reasonably require greater than thirty (30) days to complete, then such City Default will not be deemed to exist provided the City promptly commences and thereafter diligently pursues to completion the cure of such purported breach or failure and completion of the cure occurs no later than ninety (90) days after the initial written notice provided by the Operator, unless extended by Operator.

10.1.2 Notwithstanding any provision in Section 10.1.1 or any other provision of this Agreement, in the event of the cancellation of an event at the Ballroom Facility due to a City Default, neither Operator nor any of its members shall have any right to claim any damages for such cancelled event(s) except for actual out-of-pocket incurred expenses and damages claimed by third parties against Operator as a result of said City Default less (as to Operator only) proceeds, if any, received by Operator from special event insurance policies; provided, however, in no event shall the rights of any member of Operator to seek damages arising from cancellation of an event due to a City Default be less than rights held by any other third party for damages arising from such type of cancellation. Operator and its members hereby waive any such claim by executing this Agreement. Under no circumstances shall City be responsible to Operator or any of its members for consequential damages for the cancellation of an event at the Ballroom Facility. Nothing in this Section shall limit or prohibit Operator or its members from seeking declaratory or injunctive relief under Section 9.5.

10.2 Operator Default. Each of the following events, if uncured after expiration of the applicable cure period, shall constitute an "Operator Default:"

(1) The Operator does not attempt diligently and in good faith to cause satisfaction of all conditions in Article 2 with respect to the Ballroom Facility.

(2) The Operator breaches any material provision or otherwise fails to comply with any other term, covenant or condition of this Agreement.

(3) The filing by or against Operator of any petition in bankruptcy.

(4) Operator fails to deposit Gross Revenues within the time prescribed in Section 2.3.3 hereof.

(5) Operator unreasonably fails to pay any material undisputed Operating Expense on a timely basis;

(6) Operator fails to submit a Report when due.

(7) Operator unreasonably fails to keep all portions of the Ballroom Facility open pursuant to the schedule set forth on Exhibit C.

(8) Any material representation or warranty made by the Operator in this Agreement is found to have been untrue or incorrect as of the effective date hereof.

(9) Operator fails to pay when due any amount owing from Operator to City or any of its agencies, commissions or departments, including, without limitation, rents, taxes, fees or other charges. The failure of the City to insist upon the strict performance of any of the terms, conditions, covenants or provisions herein contained shall not be deemed a waiver of any subsequent breach or default of the terms, conditions, covenants and provisions in this Agreement.

(10) Operator incurs costs or expenses relating to the Ballroom Facility, such costs or expenses are not included in the Operating Budget or approved as amendments by the City Manager, and Operator fails to timely pay such costs or expenses out of its own separate funds to the extent Gross Revenues are insufficient to pay such costs or expenses.

10.2.1 In the event of an Operator Default, the City shall first notify the Operator in writing of its purported breach or failure, and the Operator shall have thirty (30) days from receipt of such notice to cure such breach or failure. If the Operator does not cure within such period, then subject to the provisions of Section 10.2.2 and 10.2.3, City shall be afforded all of the following rights and remedies: (i) terminating in writing this Agreement; (ii) prosecuting an action for damages; (iii) seeking specific performance of this Agreement; and (iv) any other remedy permitted by law; provided, however, in the event the cure of such purported breach or failure will reasonably require greater than thirty (30) days to complete, then such Event of Default will not be deemed to exist provided the Operator promptly commences and thereafter diligently pursues to completion the cure of such purported breach or failure and completion of the cure occurs no later than ninety (90) days after the initial written notice provided by the City, unless extended by City.

10.2.2 In the event the City seeks to terminate Operator for a Operator Default, then prior to terminating the Operator, the City shall first proceed with mediation and arbitration as provided under Article 9 of this Agreement and obtain a written decision by the Arbiter establishing that the City has the right under this Agreement to terminate the Operator; provided, however, that (a) the mediation must be concluded no later than 30 days after the date completion of the cure for such Operator Default should have occurred pursuant to Section 10.2.1 of this Agreement, and (b) the Arbiter's decision for matters under this Section 10.2.2 shall be final and binding and the Arbiter must serve said decision on the Operator and the City and file it with a court of competent jurisdiction no later than six (6) months from the date the City notified Operator of the Operator Default. The mediation and arbitration timeline conditions in the preceding sentence ("Timeline Conditions") may be extended by the Arbitrator for good cause by three (3) months on one occasion only. If the Timeline Conditions do not occur in a timely fashion, and material delay was not caused by the City, City shall have the right to immediately terminate the Operator. If material delay was caused by the City, the Timeline Conditions shall be extended to make up for the City's material delay. With respect to the Arbiter's decision regarding the City's right (or lack thereof, as the case may be) to terminate Operator under this Agreement, the parties hereby knowingly and voluntarily waive their respective rights to vacate or appeal said decision under NRS 38.241 and 38.247.

10.2.3 In the event the Arbiter determines that the City has the right to terminate Operator, the City shall have the right to immediately terminate Operator and shall not be subject to any related claim for damages or other relief by Operator relating to the termination of Operator. In the event that Arbiter determines that the City does not have the right to terminate Operator, Operator shall have the right to continue managing, operating and maintaining the Ballroom Facility under this Agreement. In the event that Operator decides not to participate in mediation or arbitration pursuant to this Agreement, the City shall have the right to immediately terminate Operator and shall not be subject to any related claim for damages or other relief by Operator relating to the termination of Operator.

10.3 Survival. Upon termination of this Agreement under this Article 10, the following provisions of this Agreement shall survive. This Section exists for reference purposes only, and does not alter the scope or nature of the surviving provisions.

## **ARTICLE 11 COMPLIANCE WITH EQUAL OPPORTUNITY LAWS, REGULATIONS AND RULES AND OTHER LAWS**

11.1 In the course of performing this Agreement, Operator and City shall observe the provisions of applicable Federal and Nevada law prohibiting acts of discrimination and shall not discriminate against any person in the performance of work under the present Agreement because of race, religion, color, sex, disability, national origin ancestry, or age.

11.2 In all solicitations or advertisements for employees, Operator shall include the phrase, "equal opportunity employer," or a similar phrase to be approved by the Nevada Equal Rights Commission ("NERC").

11.3 In the course of performing this Agreement, if Operator fails to comply with any material provisions of applicable Law, Operator shall be deemed to have breached the present Agreement and it may be terminated if not cured as provided in Section 10.

11.4 Subject to Section 10.2.2, in the course of performing this Agreement, if Operator is found guilty of a violation of Federal and/or Nevada law prohibiting discrimination under a decision or order of NERC which has become final, and if the City Manager finds that there exists a pattern and practice by Operator of NERC violations, Operator shall be deemed to have breached this Agreement and this Agreement may be terminated.

11.5 Operator shall comply with applicable provisions of the Americans with Disabilities Act (42 U.S.C. 1201 et seq.) as well as all other federal, state, and local laws, ordinances and regulations applicable to this Agreement and Operator's management, operation and maintenance of the Ballroom Facility and will furnish any certification required by any federal, state or local governmental agency in connection therewith.

11.6 Operator shall include the provisions of paragraphs (1) through (5) above in every subcontract so that such provisions will be binding upon such subcontractor.



## **ARTICLE 12 CAPITALIZATION**

Operator shall have an initial capitalization of at least \$500,000 at the time a Certificate of Occupancy is issued, which Operator may use to pay Operating Expenses or other obligations related to this Agreement.

## **ARTICLE 13 MISCELLANEOUS**

13.1 Legal Power and Authority. Subject to applicable Law, the Operator and City each have the legal power, right, and authority to enter into this Agreement and consummate the transactions contemplated by this Agreement. The individual executing this Agreement on behalf of the Operator and City each has the legal power, right, and actual authority to bind the Operator and City to the terms, provisions, and conditions of this Agreement.

13.2 No Conflict or Breach. Neither the execution and delivery of this Agreement, nor the incurrence of the obligations set forth in this Agreement, nor the consummation of the transaction contemplated by this Agreement, will conflict with or result in a breach of any of the provisions of, or constitute a default under, any other instrument or document to which the Operator or City is a party or by which the Downtown Facilities may be bound.

13.3 Notices, Demands and Communications. Formal notices, demands, and communications between the Parties shall be sufficiently given if, and shall not be deemed given unless, served personally, or dispatched by certified mail, return receipt requested, or by facsimile transmission or reputable overnight delivery service with a receipt showing date of delivery, to the principal offices as follows:

City: City of Reno  
One East First Street, 15<sup>th</sup> Floor  
Reno, NV 89500  
Attn: City Manager

With a copy to: City Attorney  
City of Reno  
One East First Street, 3<sup>rd</sup> Floor  
Post Office Box 1900  
Reno, NV 89505

Operator: Downtown Management Company, LLC  
100 West Liberty Street, 10<sup>th</sup> Floor  
P.O. Box 2670  
Reno, NV 89505

With a copy to: McDonald Carano Wilson

P.O. Box 2670  
Reno, NV 89505  
Attn: John Frankovich

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected party may from time to time designate by mail as provided in this Section 13. Notice shall be deemed to have been received at the time indicated on the receipt for delivery or refusal of delivery.

13.4 Non-Liability of Officials, Employees and Agents. No member, official, employee or agent of the City shall be personally liable to the Operator, or any successor in interest, in the event of any default or breach by the City or for any amount, which may become due to the Operator or successor or on any obligation under the terms of this Agreement. No member, officer, director or partner of the Operator shall be liable for any breach of any obligation of the Operator under this Agreement.

13.5. Time of the Essence: Force Majeure. Time is of the essence in this Agreement. Notwithstanding any other provision of this Agreement, no Party shall be liable for any failure to comply or delay in complying with its obligations hereunder if such failure or delay is due to acts of God, inability to obtain labor, strikes, lockouts, lack of materials, governmental restrictions, enemy actions, civil commotion, fire, unavoidable casualty or other similar causes significantly beyond such Party's reasonable control.

13.6 Inspection of Books and Records. The City has the right at all reasonable times to inspect and copy the books, records and all other documentation of the Operator pertaining to its operation of the Ballroom Facility. Operator shall maintain said records within the geographical limits of the City. The Operator also has the right at all reasonable times to inspect and copy the books, records and all other documentation of the City pertaining to their obligations under this Agreement.

13.7 Title of Parts and Sections. Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any of its provisions.

13.8 Applicable Law. This Agreement shall be interpreted under the laws of the State of Nevada.

13.9 Severability. If any term of this Agreement is held in a final disposition by a court of competent jurisdiction to be invalid, then the remaining terms shall continue in full force unless the rights and obligations of the Parties have been materially altered by such holding of invalidity.

13.10 Legal Actions. If any legal action is commenced to interpret or to enforce the terms of this Agreement or to collect damages as a result of any breach of this Agreement, then the party prevailing in any such action shall be entitled to recover against the Party not prevailing

all reasonable attorneys' fees and costs incurred in such action (and any subsequent action or proceeding to enforce any judgment entered pursuant to an action on this Agreement).

13.11 Binding Upon Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, and assigns of each of the Parties. Any reference in this Agreement to a specifically named Party shall be deemed to apply to any successor, heir, administrator, executor, successor, or assign of such Party who has acquired an interest in compliance with the terms of this Agreement or under law.

13.12 Parties Not Co-Venturers. Nothing in this Agreement is intended to or does establish the Parties as partners, co-venturers, or principal and agent with one another.

13.13 Entire Understanding of the Parties. This Agreement (including the exhibits to this Agreement) constitutes the entire understanding and agreement of the Parties with respect to the management of the Ballroom Facility.

13.14 Approvals. Whenever this Agreement calls for City approval, consent, or waiver, the written approval, consent, or waiver of the City Manager shall constitute the approval, consent, or waiver of the City, without further authorization required from the City Council. Where this Agreement specifically refers to City Council, then City Council approval, consent or waiver is required. The City hereby authorizes the foregoing persons to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of the City.

13.14.1 All approvals under this Agreement shall be subject to a reasonableness standard, except where a sole discretion standard is specifically provided.

13.15 Subject to Laws and Police Powers. Operator shall comply with all Laws. All terms and conditions of this Agreement shall be subject to all applicable Laws and to the extent that any term or condition is in violation of any applicable Law, such term or condition shall be void and unenforceable. Any conflict between the provisions of this Agreement and any present or future lawful exercise of the City's police powers shall be resolved in favor of the latter. Subject to the right of the City police powers, in the event of a conflict between this Agreement and any ordinance of general applicability, (so long as the ordinance was not designed to avoid any obligations of the City under this Agreement), such conflict shall be resolved in favor of the ordinance.

13.16 Amendments. The Parties can amend this Agreement only by means of a writing signed by all Parties.

13.17 Third Party Beneficiary. So long as the RSCVA is operating the Downtown Events Center, the RSCVA is an intended third party beneficiary of the Operator's obligations and covenants contained in Sections 2.1.2, 7.1 and 7.2 of this Agreement.

13.18 Retention of Sovereign Immunity Protections. Notwithstanding any other provision in this Agreement, nothing herein shall be construed to compromise, reduce or

otherwise limit the rights of the City to sovereign immunity or other liability protections for government entities, employees and agents under the Law, including, but not limited to, its sovereign immunity rights under Chapter 41, Nevada Revised Statutes, all such rights hereby reserved by the City.

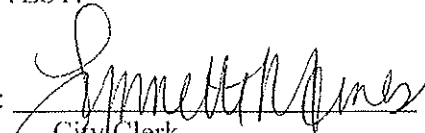
13.19 Multiple Originals; Counterparts. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

**AS OF THE DATE FIRST WRITTEN ABOVE,** the Parties evidence their agreement to the terms of this Agreement by signing below:

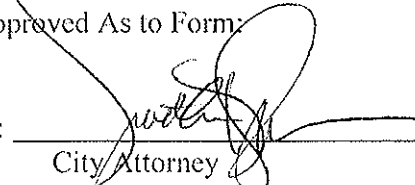
CITY OF RENO

By:   
Mayor

ATTEST:

By:   
City Clerk

Approved As to Form:

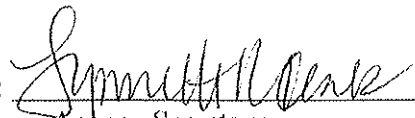
By:   
City Attorney



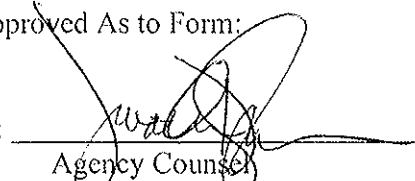
REDEVELOPMENT AGENCY OF THE  
CITY OF RENO

By:   
Chairman

ATTEST:

By:   
Agency Secretary

Approved As to Form:

By:   
Agency Counsel



DOWNTOWN MANAGEMENT COMPANY,  
LLC

By: Eldorado Resorts, LLC  
Its: Member

By:   
Donald Carano, C.E.O.

By: The Circus and Eldorado Joint Venture  
dba the Silver Legacy Resort and Casino  
Its: Member

By: Eldorado Resorts, LLC

By:   
Donald Carano, C.E.O.

By: Galleon, Inc.

By: \_\_\_\_\_

Its: \_\_\_\_\_

By: Circus-Circus Casinos, Inc.  
Its: Member

By: \_\_\_\_\_

Its: \_\_\_\_\_

DOWNTOWN MANAGEMENT COMPANY,  
LLC

By: Eldorado Resorts, LLC  
Its: Member

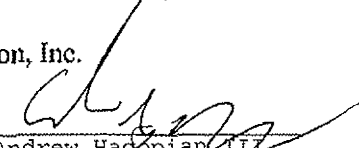
By: \_\_\_\_\_  
Donald Carano, C.E.O.

By: The Circus and Eldorado Joint Venture  
dba the Silver Legacy Resort and Casino  
Its: Member

By: Eldorado Resorts, LLC

By: \_\_\_\_\_  
Donald Carano, C.E.O.

By: Galleon, Inc.

By:  \_\_\_\_\_  
Andrew Hagopian III  
Its: Assistant Corporate Secretary

By: Circus-Circus Casinos, Inc.  
Its: Member

By: \_\_\_\_\_

Its: \_\_\_\_\_

DOWNTOWN MANAGEMENT COMPANY,  
LLC

By: Eldorado Resorts, LLC  
Its: Member

By: \_\_\_\_\_  
Donald Carano, C.E.O.

By: The Circus and Eldorado Joint Venture  
dba the Silver Legacy Resort and Casino  
Its: Member

By: Eldorado Resorts, LLC

By: \_\_\_\_\_  
Donald Carano, C.E.O.

By: Galleon, Inc.

By: \_\_\_\_\_

Its: \_\_\_\_\_

By: Circus-Circus Casinos, Inc.  
Its: Member

By: \_\_\_\_\_

Its: \_\_\_\_\_  
VP/6M

**EXHIBIT A**  
**FORM OF MONTHLY REPORT**



# EXHIBIT A

## DOWNTOWN MANAGEMENT CO. BALLROOM FINANCIAL STATEMENT

	FORECAST Twelve Months Ended December 31, 2012		ACTUAL Twelve Months Ended December 31, 2011		2012 vs. 2011		ACTUAL Twelve Months Ended December 31, 2010		2011 vs. 2010	
	Amount	% Gross Revenues	Amount	% Gross Revenues	Amount	% Change	Amount	% Gross Revenues	Amount	% Change
<b>REVENUES:</b>										
Food	\$1,061,952	68.1	\$ 992,508	68.1	\$ 69,444	7.0	\$ 1,159,020	74.3	\$ (186,512)	(14.4)
Beverage	164,508	10.5	151,573	10.4	12,935	8.5	136,978	8.8	14,595	10.7
Room Rental	127,500	8.2	117,241	8.0	10,259	8.8	86,848	5.8	30,393	35.0
Equipment Rental	155,549	10.0	152,534	10.5	3,015	2.0	148,107	9.6	4,427	3.0
Other Revenue	49,892	3.2	43,431	3.0	6,461	14.9	44,633	2.9	(1,202)	(2.7)
<b>Total Revenues</b>	<b>1,559,401</b>	<b>100.0</b>	<b>1,457,287</b>	<b>100.0</b>	<b>102,114</b>	<b>7.0</b>	<b>1,575,596</b>	<b>101.0</b>	<b>(116,209)</b>	<b>(7.6)</b>
<b>COST OF SALES:</b>										
Food	560,117	35.9	516,203	35.4	43,914	8.5	607,270	38.9	(91,067)	(15.0)
Beverage	57,737	3.7	53,051	3.6	4,686	8.8	47,942	3.1	5,109	10.7
Equipment	82,775	5.3	71,178	4.9	11,597	16.3	65,651	5.5	(14,493)	(18.9)
<b>Total Cost of Sales</b>	<b>700,629</b>	<b>44.9</b>	<b>640,432</b>	<b>43.9</b>	<b>60,197</b>	<b>9.4</b>	<b>740,873</b>	<b>47.5</b>	<b>(100,441)</b>	<b>(13.6)</b>
<b>GROSS PROFIT</b>	<b>858,772</b>	<b>55.1</b>	<b>816,855</b>	<b>56.1</b>	<b>41,917</b>	<b>5.1</b>	<b>834,713</b>	<b>53.5</b>	<b>(17,858)</b>	<b>(2.1)</b>
<b>PAYROLL EXPENSES:</b>										
Direct Payroll	256,815	16.5	241,444	16.6	15,371	6.4	352,741	22.6	(111,297)	(31.6)
Payroll Benefits	42,389	2.7	39,540	2.7	2,859	7.2	57,690	3.7	(18,150)	(31.5)
Payroll Taxes	21,804	1.4	20,577	1.4	1,227	6.0	30,191	1.9	(9,614)	(31.8)
<b>Total Payroll Expenses</b>	<b>321,018</b>	<b>20.6</b>	<b>301,561</b>	<b>20.7</b>	<b>19,457</b>	<b>6.5</b>	<b>440,622</b>	<b>28.3</b>	<b>(139,061)</b>	<b>(31.6)</b>
<b>OTHER EXPENSES:</b>										
Supplies	20,425	1.3	19,068	1.3	1,357	7.0	49,584	3.2	(30,476)	(61.5)
Repairs & Maintenance	35,532	2.3	33,209	2.3	2,323	7.0	18,248	1.2	14,991	82.0
Maintenance Contracts	2,400	0.2	3,195	0.2	(795)	(24.9)	2,475	0.2	720	29.1
Professional Services	-	-	-	-	-	-	-	-	-	-
Utilities	187,717	12.0	178,778	12.3	8,939	5.0	197,585	12.7	(18,807)	(9.5)
Tax and Licenses	1,200	0.1	1,049	0.1	151	14.4	1,746	0.1	(697)	(39.9)
China Glassware and Silver	16,674	1.1	15,581	1.1	1,093	7.0	10,653	0.7	4,928	46.3
Equipment Rental	-	-	-	-	-	-	4,593	0.3	(4,593)	(100.0)
Laundry	16,260	1.0	15,192	1.0	1,068	7.0	16,972	1.1	(1,780)	(10.5)
Marketing and Advertising	-	-	-	-	-	-	-	-	-	-
Administrative Services Allocation	150,000	9.6	150,000	10.3	-	-	150,000	9.6	-	-
Other	6,000	0.4	5,818	0.4	182	3.1	7,999	0.5	(2,181)	(27.3)
<b>Total Other Expenses</b>	<b>436,208</b>	<b>28.0</b>	<b>421,910</b>	<b>29.0</b>	<b>14,298</b>	<b>3.4</b>	<b>459,835</b>	<b>29.5</b>	<b>(37,925)</b>	<b>(8.2)</b>
<b>TOTAL PROFIT (LOSS)</b>	<b>\$ 101,546</b>	<b>6.5</b>	<b>\$ 93,384</b>	<b>6.4</b>	<b>\$ 8,162</b>	<b>8.7</b>	<b>\$ (65,744)</b>	<b>(4.2)</b>	<b>\$ 159,128</b>	<b>242.0</b>
<b>FF&amp;E ALLOCATION</b>	<b>-</b>		<b>157,271</b>		<b>-</b>		<b>-</b>		<b>-</b>	
<b>NET PROFIT (LOSS)</b>	<b>\$ 101,546</b>		<b>\$ (63,887)</b>		<b>\$ (65,744)</b>		<b>\$ (65,744)</b>		<b>\$ (65,744)</b>	

**EXHIBIT B**  
**FORM OF OPERATING BUDGET**  
**BALLROOM FACILITY**

Account	Account Description	Amount
	<b>REVENUES:</b>	
	Food Sales	
	Beverage Sales	
	Convention Rental Sales	
	Entertainment Sales	
	Other Revenues	
	In-kind Allowances	
	<b>Total Revenues</b>	
	<b>COST OF GOODS SOLD</b>	
	<b>GROSS PROFIT</b>	
	<b>PAYROLL &amp; RELATED:</b>	
	<b>Payroll:</b>	
	Salaries	
	Wages	
	Overtime	
	Casual Labor	
	Incentive	
	Holiday	
	<b>Payroll Benefits:</b>	
	Vacation Accrual	
	Group Insurance	
	Employee Meals	
	Retirement Match	
	Workers Comp	
	Benefits- Other	
	<b>Payroll Taxes:</b>	
	FICA	
	FUTA	
	SUTA	
	Nevada Business Tax	

Account	Account Description	Amount
	<b>Total Payroll and Related</b>	
	<b>TAXES &amp; LICENSES:</b>	
	Sales/Use Tax	
	Business Licenses/Permits	
	Taxes-Other	
	<b>Total Taxes &amp; Licenses</b>	
	<b>SUPPLIES:</b>	
	Office Supplies	
	Engineering/Maintenance Supplies	
	Printed Forms	
	Menus	
	Cleaning/Janitorial Supplies	
	China, Glassware, Utensils	
	Gas & Oil	
	Supplies-Other	
	<b>Total Supplies</b>	
	<b>REPAIRS &amp; MAINTENANCE:</b>	
	R&M - Equipment	
	R&M - Building	
	R&M - FF&E	
	R&M - Grounds	
	R&M - HVAC	
	R&M - Audio Visual	
	R&M - Kitchen	
	R&M - Other	
	<b>Total Repairs &amp; Maintenance</b>	
	<b>MAINTENANCE CONTRACTS:</b>	
	M.C. - Computers	
	M.C. - Equipment	
	M.C. - Fire Protection	
	M.C. - Other	
	<b>Total Maintenance Contracts</b>	
	<b>EQUIPMENT RENTAL:</b>	
	Equipment Rental - Operating Lease	

Account	Account Description	Amount
	Equipment Rental - Entertainment	
	Equipment Rental - Convention	
	Equipment Rental - Other	
	<b>Total Equipment Rental</b>	
	<b>PROFESSIONAL SERVICES:</b>	
	Professional Services - Legal	
	Professional Services - Entertainers	
	Professional Services - Accounting/Audit	
	Professional Services - Advertising	
	Professional Services - Security	
	Professional Services - Other	
	<b>Total Professional Services</b>	
	<b>MARKETING &amp; ADVERTISING:</b>	
	Print	
	Television	
	Radio	
	Signage	
	Marketing Collateral	
	Marketing and Advertising - Other	
	Promotions	
	Public Relations	
	<b>Total Marketing &amp; Advertising</b>	
	<b>UTILITIES:</b>	
	Electricity	
	Gas	
	Waste Removal	
	Sewer	
	Water	
	<b>Total Utilities</b>	
	<b>INSURANCE:</b>	
	General Liability	
	Buildings & Contents	
	<b>Total Insurance</b>	
	<b>OTHER EXPENSES:</b>	

Account	Account Description	Amount
	Bad Debt	
	Collections Expense	
	Banking & Credit	
	Cash Variances	
	Commissions	
	Credit Card Discounts	
	Guest Relations/Customer Goodwill	
	Dues and Subscriptions	
	Employee Education	
	Fees & Assessments	
	Flowers	
	Laundry	
	Postage & Freight	
	Telephone	
	Tip Paid-Outs	
	Travel & Entertainment	
	Uniforms	
	Other Miscellaneous	
	<b>Total Other Expenses</b>	
	<b>IN-KIND ALLOWANCES EXPENSE</b>	
	<b>PROPERTY TAXES:</b>	
	Real Property Taxes	
	Personal Property Taxes	
	<b>Total Property Taxes</b>	
	<b>BALLROOM PROFIT (LOSS)</b>	
	<b>BEFORE CAPITAL OUTLAY</b>	
	<b>CAPITAL OUTLAY:</b>	
	Building Improvements	
	FF&E Replacement	
	Subaccount Funding Requirement	
	<b>Total Capital Outlay</b>	
	<b>BALLROOM PROFIT (LOSS)</b>	

**EXHIBIT C**  
**OPERATION SCHEDULE**

Below are listed hours of operation of the Ballroom Facility covered by this Agreement. Sufficient staffing shall be maintained to provide for the expedient conduct of business during these hours:

The Ballroom Facility hours of operation will be the hours necessary to cover all scheduled events and not limited to certain days of the week or hours of the day.

**EXHIBIT D**  
Capital Improvement Schedule

## Exhibit D

<b>Silver Legacy</b>										
<b>Ballroom Capital Expenditure Projections</b>										
<b>Capital Item</b>	<b>Initial Budget</b>	<b>Note</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>
			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
			-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-
TOTAL			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>2012 Detail:</b>										