

During the **FIRST QUARTER OF 1997**, the Grand Ronde Gaming Commission's workload was dominated by the conduct of an annual compliance audit, drafting and approving Gaming Regulations and Minimum Internal Control Standards governing the new games of Roulette, Pai-Gow Poker and Let-It-Ride Poker, reviewing and approving the gaming facility's new games request, staff training on the new games, and continuing with the licensing of new employees and renewing the licenses of existing casino staff. Additionally, the Commission began drafting changes to the Gaming Regulations and Minimum Internal Control Standards to bring them into compliance with the recently negotiated Tribe/State Compact. During the quarter, the Commission acted on 142 new employee gaming licenses and 148 gaming license renewals.

In addition to agenda items pertaining to personnel licensing applications, the Commission's agenda also included the following items relating to the licensure of Major, Minor and Sensitive Procurement Contractors:

- ~ **JANUARY 17, 1997 GENERAL SESSION MEETING** ~
1. IGT (A Nevada Corporation), Las Vegas, Nevada, was approved for a temporary Major Procurement Contractor License until February 1997.
 2. Action regarding IGT/Sodak Gaming, Inc.'s Native American Wide Area Progressive System was deferred to the Commission Meeting in February 1997.
 3. Wallace Computer Services, Inc., Portland, OR, was approved for a temporary Sensitive Procurement Contractor License which expires in March 1997.
 4. The Bud Jones Company, Inc., Las Vegas, Nevada, was approved for a temporary Major Procurement Contractor License which expires in April 1997.

- ~ **FEBRUARY 21, 1997 GENERAL SESSION MEETING** ~
1. IGT (A Nevada Corporation), Las Vegas, Nevada, was approved for a Major Procurement Contractor License until February 1998.
 2. A petition filed by the Director seeking approval of the IGT/Sodak Gaming, Inc.'s Native American Wide Area Progressive System gaming contract was approved.
 3. Mikohn Gaming Corporation, Las Vegas, Nevada, was approved for renewal of a temporary Major Procurement Contractor License which expires in April 1997.

- ~ **MARCH 21, 1997 GENERAL SESSION MEETING** ~
1. Shuffle Master Gaming, Las Vegas, Nevada, was approved for licensure as a Major Procurement Contractor. Said licensure expires in March 1998.
 2. Wintech International, Inc., Chantilly, VA, was approved for licensure as a Sensitive Procurement Contractor which expires in June 1997.

REGULATION CHANGES:

Following are summarizations of the modifications, amendments and additions to the Regulations approved by the Commissioners during the first quarter of 1997:

- ~ **JANUARY 17, 1997 GENERAL SESSION MEETING** ~
- REG. 3.030 Primary management official, high security employee, low security employee and temporary student intern.**

Commission authorized the Gaming Commission Director to establish procedures staggering the renewal of licenses to conform to a three (3) year licensing renewal cycle.

REG. 4.010 Application general.

REG. 4.030 Classification of licenses, and other Commission action for which application must be made.

Director petitioned the Commissioners to render guidance and interpretation of the referenced regulation as same applies to the licensure of all employees of Spirit Mountain Casino and contractors or consultants who have the appearance of an employee.

REG. 4.030, 1., a. Classification of licenses, and other Commission actions for which application must be made.

Commissioners approved a new quarterly licensing fee of \$100,000 for Spirit Mountain Casino.

REG. 4.040 Application, notices, statements and reports; contents; amendments; incorporation by reference; proceedings not to have substantive implications.

Commissioners approved modifications to this regulation stating that in all licensing matters or issues of suitability, the Director shall cause a letter of notification to applicant within ten (10) working days for granting of unconditional approval, and within three (3) working days in days in all other licensing decisions.

REG. 5.085 Unauthorized games.

No gaming establishment shall permit any class III game other than those authorized in the Tribe-State Compact to be operated

without first applying for and receiving permission from the Commission and State of Oregon to operate such games.

No gaming establishment shall permit any class I or class II game other than those specifically named in the gaming ordinance to be operated without first applying for and receiving permission from the Commission to operate such games.

REG. 5.090 Authorized games.

Except for blackjack, keno, video lottery terminals and parimutuel wagering, which are deemed to be approved Class III games as of December 20, 1996, gaming establishments must submit a written request for approval to operate any additional Class III games. The written request shall include supporting documentation as listed under Regulation 5.090 (a) through (c):

Upon receipt, the Director will review the submission for completeness. If the submittal is complete, the Director shall forward a copy to the Oregon State Police Tribal Gaming Section, who shall have sixty (60) days to review and approve or deny, in whole or in part, the submission. If the State approves the submission, the Director will petition the Commission at its next regularly scheduled meeting to consider the gaming establishment's request. In conjunction with the petition, the Director will submit a recommendation for approval or denial.

If the State disapproves the submission, the Director, in conjunction with management of the gaming establishment, will use his best efforts to resolve the issues warranting the State's denial.

REG. 5.115, 3. Periodic payments.

The Commission granted a waiver of REG. 5.115, "3", pursuant to Regulation 5.115 "9", for the benefit of International Gaming Technologies, Inc., (IGT) a Nevada Corporation. The waiver is limited, to expire at date and time of the Commission's regularly scheduled meeting in January 1998, and is conditioned as follows:

IGT shall at all times maintain in a reserve consisting of cash or United States Government Treasury Securities of not less than the sum of the following amounts:

1. The present value of the aggregate remaining balances owed on all jackpots previously won by patrons through any IGT system; and
2. An amount sufficient to fully fund the present value of all amounts currently reflected on the progressive meters of all IGT systems included in the Native American Wide Area Progressive System.

In addition, IGT shall at all times maintain in a restricted account a surplus reserve consisting of cash and/or United States Government Treasury Securities of not less than an amount equal to fifty percent (50%) of the present value of the current liabilities to winners of IGT's Native American Wide Area Progressive System due and payable within one (1) year, or \$1 million, whichever is less.

In addition to the reserve and surplus reserve, IGT shall at all times satisfy and be in compliance with the following ratios and tests, the precise components and definitions of which may be separately determined by the Director of the Commission or his designee:

1. A current ratio of not less than 2 to 1; and
2. An interest coverage ratio of not less than 3 to 1.

IGT must engage at its sole expense an independent certified public accountant to examine each fiscal year, and IGT's Chief Financial Officer ("CFO") must examine quarterly, the pertinent records relating to the reserve, surplus reserve, and the financial ratios and tests set forth in Regulation 5.115, "2", "C", and determine for each such fiscal year or quarter, respectively:

1. The reserve and surplus reserve amounts maintained by IGT; and
2. IGT's degree of satisfaction of the financial ratios and tests set forth in Regulation 5.115, "2", "C".

IGT shall make available to such accountant all books, records and information which may be necessary to enable the accountant to make these determinations. Said accountant and CFO shall report and certify to the Director in writing in a format acceptable to the Director or his designee their findings with respect to the fiscal year and quarter, respectively, under review. Such report and certification by the independent certified public accountant and the CFO must be made to the Director no later than ninety (90) calendar days after the end of the fiscal year and thirty (30) calendar days after the end of the quarter.

If said accountant and CFO reports and certifies to the Director that IGT is not in full compliance with all of the conditions herein for the period under review, and if the Director or his designee notifies IGT in writing of such noncompliance, then IGT must

obtain a one (1) year letter of credit in an amount sufficient to fund the present value of the then outstanding obligations to be paid to jackpot winners through any IGT system in the Native American Wide Area Progressive System. IGT must draw down on such letter of credit and distribute to any such unpaid winners, cash equal to the present value of the remaining payment obligations of IGT on such jackpots if IGT, by the end of the quarter preceding the expiration date of the letter of credit, continues to be in a state of noncompliance with any condition herein and IGT has not provided documentation satisfactory to the Director or his designee conclusively demonstrating that the letter of credit shall be renewed or replaced, or has filed a request for and received a waiver thereof from the Commission.

If the letter of credit is not obtained within fifteen (15) days after receiving notification of any noncompliance and no administrative extension has been granted by the Director or his designee, IGT shall make immediate payments to the unpaid jackpot winners through any Native American Wide Area Progressive System in amounts equal to the present value of any unpaid obligations, and IGT shall immediately cease to offer any licensed game, tournament contest, or promotional activity involving any IGT system within any gaming facility located on tribal lands of the Confederated Tribes of the Grand Ronde Community of Oregon and under the jurisdiction of the Grand Ronde Gaming Commission for which periodic payments are utilized.

IGT's CFO must immediately notify the Director or his designee of any nonpayment of a periodic payment of a jackpot winner through any IGT system, or any event or circumstance which impair its ability to satisfy its payment obligations to any such unpaid jackpot winners. Upon such notification, the Director or his designee may invoke the powers granted him.

Solely in connection with matters involving the foregoing approval and conditions, IGT must execute within fifteen (15) calendar days herefrom an appropriate document which shall irrevocably and unconditionally remise, release, indemnify and forever discharge the Confederated Tribes of the Grand Ronde Community and the Grand Ronde Gaming Commission, and their members, employees, agents and representatives, of and from any and all claims, actions, causes of actions, losses, damages, liabilities, costs, expenses, and suits of any nature whatsoever, in law or equity, including reasonable attorneys fees, arising from any act or omission of the Grand Ronde Gaming Commission, and its members, employees, agents and representatives.

Any failure of IGT to maintain full compliance at all times with each and every condition set forth hereinabove, or any failure of IGT to immediately notify the Director or his designee of any deficiencies, shall constitute an unsuitable method of operation and may subject IGT to the institution of appropriate disciplinary proceedings.

The Commission finds that the waiver granted is consistent with the public policy of the Tribe.

MIC. Gaming Integrity, Conduct of Games, Patron Requirements

This MIC was modified to read that no person under 21 years of age may play any Class II or Class III game.

MIC. Internal Audit, "6" was modified to read as follows:

Observations and examinations, with emphasis on-compliance with the Grand Ronde Gaming Commission Minimum Internal Control Standards, are performed (based on an audited fiscal year ended) on the following activities as applicable to the operation:

The Table games and VLT departments are reviewed at least semi-annually:

The Keno, Card Games, Bingo, Entertainment, Race and sports book, Cage and credit procedures and Cage accountability departments are reviewed at least annually.

~ **FEBRUARY 21, 1997** ~

REG. 5.115, 3. Periodic payments.

Refer to January 17, 1997 agenda for like agenda item. Waiver approved until the regularly scheduled meeting of the Commission in January 1998.

REG. 5.200 Commission response to incidents of non-compliance with gaming regulations or minimum internal control standards.

It is the policy of the Commission to require all licensed gaming contractors and establishments to conduct operations in accordance with the gaming regulations contained herein, and minimum internal control standards incorporated herein by reference. The Commission deems any incident or activity inconsistent with the gaming regulations and minimum internal control standards