News Release

www.wsgc.wa.gov

FOR IMMEDIATE RELEASE
June 7, 2017

Gambling Commission, Jamestown S'Klallam Tribe reach tentative agreement on gaming compact amendment

OLYMPIA, Wash. – The Washington State Gambling Commission has reached a tentative agreement with the Jamestown S'Klallam Tribe on an amendment to its Class III gaming compact. The Jamestown S'Klallam Tribe operates the 7 Cedars Casino in Sequim.

"The Gambling Commission is responsible for negotiating tribal gaming compacts," said Commission Chair Bud Sizemore. "The proposed changes reflect current regulatory practices, reduce duplication between tribal and state regulators and clarify the roles for each party."

Below is a summary of the major changes in the proposed amendment. (Full amendment attached)

- Authorizes a second gaming facility, though the Tribe does not have current plans for a second facility.
- Allows the Tribe to operate any Class III table games authorized for play in Washington State.
- Replaces state certification of employees with state registration verification. The Tribal Gaming Agency will license new or renewing employees and then register them with the State.
- Continues the requirement that the State Gaming Agency conduct criminal history records checks that look for activities that may pose a threat to the public or effective regulation of this compact.
- Gaming employee registration with the State will be valid for three years unless disqualifying information is discovered; the State Gaming Agency will conduct criminal record checks annually.
- Limits registration so that it is not transferrable to other tribal casinos or house banked card rooms.
- The State Gaming Agency and Tribal Gaming Agency will conduct an annual comparison review to ensure records are consistent between agencies and licensure criteria is met.
- Incorporates the Tribe's current internal controls that were approved by the Tribal Gaming Agency and concurred with by the State Gaming Agency, as the minimum operating standards. The Tribe may make changes to its internal controls with the State's concurrence.
- The Tribe will determine when a tribal gaming agent will be present during gaming facility operating hours.
- The Tribe will provide information annually about problem gambling education, awareness, and treatment program services for tribal lands and surrounding communities.
- The Tribe and State have agreed to enter into a Memorandum of Understanding to define the schedule of fines and sanctions the Tribe or State may levy against a gaming employee or the gaming operation.

- The Tribe must enter into a Gaming Station Transfer Agreement to lease Class III gaming stations or tables from another tribe when it operates more than 60 tables.
- Clarifies keno standards.
- Provides a framework to review and approve a wide area progressive connected to the tribal lottery system.

Next Steps:

1. Formal notification about the proposed compact amendment is conveyed to the Governor, Legislature and others.
2. The Senate Commerce, Labor and Sports Committee will hold a public hearing on June 13, 2017 at 11:00 a.m., and the House Commerce and Gaming Committee will hold a public hearing on June 19, 2017 at 9:00 a.m.
3. The Gambling Commission will vote at its public meeting on July 13, 2017 and decide whether or not to forward the proposed compact amendment to the Governor.
4. If the Commission votes to forward the Tribe's amendment, it will be sent to the Tribal Chair for final consideration and signature.
5. Once the Tribal Chair signs the amendment, it will be sent to the Governor for final consideration and signature.
6. After obtaining the signatures of the Tribal Chair and Governor, the Tribe will send the amendment to the Secretary of the United States Department of Interior for consideration, signature and publication in the Federal Register.

The Indian Gaming Regulatory Act of 1988 provides that Indian tribes may conduct Class III gaming activities on Indian lands when the gaming is conducted in conformance with a tribal-state compact.
RCW 9.46.360 provides that the Gambling Commission negotiate those compacts on behalf of the state.
The Jamestown S'Klallam Tribe's tribal-state compact for Class III gaming was originally signed on Feb. 19, 1993 and this is the sixth amendment. Public comments regarding this compact amendment may be submitted to compactcomments@wsgc.wa.gov.

MEDIA CONTACT:

Heather Songer
Public Information Officer
Washington State Gambling Commission
(360) 486-3485 desk
(360) 584-2877 cell
heather.songer@wsgc.wa.gov

###

Summary of the Jamestown S'Klallam Compact
Proposed Compact Amendment

The Jamestown S'Klallam Tribe and State have reached a tentative agreement on a new Compact amendment, which would supersede the original Compact, signed in 1993, and all previous amendments. The new Compact is intended to reflect modernized regulatory practices, reduce duplication between Tribal and State regulators, and clarify the roles of each party.

The following is a summary of the modifications:

- **Recitals** This section was revised to remove outdated language referencing the Tribe's plans for a gaming facility (which opened in 1995).

- **Definitions** This section was updated to add some defined terms and remove terms no longer contained in the Compact.

- **Two Gaming Facilities** The amendment authorizes a second gaming facility on lands within or contiguous to the Tribe's Land Consolidation Plan. The Tribe does not have current plans for a second facility, but have requested this change in the event they would like another facility in the future.

- **Authorized Games** This section replaces a list of specific games with language allowing the Tribe to operate any Class III table games authorized for play pursuant to game rules approved on the effective date of this Compact.

- **Licensing/Certification/Registration**
  - Tribal gaming employees will continue to be licensed by the Tribe, which is primarily responsible for conducting background investigations. Tribal gaming employees shall not have any gambling convictions or felonies relating to fraud, misrepresentation, deception or theft within the last ten years.
  - The Tribal Gaming Agency must register new or renewing employees with the State online or by mail and provide the employee's application, investigative report, photo, criminal history, and fingerprint results.
  - State certification of employees is replaced with registration verification, the State's process to determine whether the individual is of good character, does not pose a threat to the public or the regulation of gaming, and is likely to conduct gaming activities according to the Compact. If the State verifies that an individual is eligible for employment, their registration with the State will be valid for three years and is not transferrable to other tribal casinos or house banked card rooms.
  - The State will conduct an annual comparison review to ensure all licensure criteria have been met.
  - Manufacturers, distributors, service suppliers and certain financiers are still required to be licensed by the Tribe and certified by the State.

- **Standards of Operation** The original Compact provided for the minimum standards of operation and management to be set out in Appendix A. The proposed Compact incorporates the Tribe's current internal controls that were approved by the Tribal Gaming Agency and concurred with by the State Gaming Agency, as the minimum operating standards. Other Compact sections, including gaming operations departments and surveillance requirements, will also be addressed in the Tribe's internal controls. The Tribe may make changes to its internal controls, but only with the State's concurrence.

- **Tribal Gaming Agents (TGAs)** Revises original Compact language requiring a TGA to be present at the gaming facility during all hours of operation. A TGA will be present in the gaming facility as set out

by the Tribal Gaming Code and the Tribe's internal controls to perform the Tribal Gaming Agency's responsibilities under the Compact. No changes in hours will be implemented until the State has commented or 30 days has passed, whichever occurs first.

- **Problem Gambling** The Tribe will provide information annually about problem gambling education, awareness, and treatment program services for tribal lands and surrounding communities. The Tribe and the State will work together to share information related to problem gambling best practices.

- **Sanctions and Civil Fines** The Tribe and State have agreed to enter into a Memorandum of Understanding to define the schedule of fines and sanctions the Tribe or State may levy against a gaming employee or the gaming operation.

- **Appendices**
  - Appendix D - Gaming Station Transfer Agreement. In the event the Tribe opens a second gaming facility and operates more than 60 tables, the Tribe must enter into this agreement to lease class III gaming stations from another Tribe.

  - Appendix E – Keno Standards. This is a new appendix to clarify keno standards and include them under the Compact.

  - Appendix W – Provide a framework to review and approve a wide area progressive connected to the Tribal Lottery System.

  - Appendix Y - Provide the basic core requirements for electronic gaming devices that either allow players to compete for a number from a predetermined set of numbers, each associated with a specific outcome, or in a pooled wagering system whereby prizes are awarded from a wagering pool.

  - Appendices X. X2, and X2 Addendum relating to Tribal Lottery System operation.

The Compact Approval Process

- The Gambling Commission Director sends notification about the proposed Compact to the Governor, Legislature, Local Government Officials, and others.

- A designated committee from each house of the Legislature must hold public hearings within 30 days after receiving the proposed Compact. During the legislative session this period is extended to 45 days.

- The Gambling Commission will hold a public hearing during the July 13, 2017, Commission meeting and must vote to forward the proposed Compact to the Governor or return it to the Director for further negotiations.

- The Tribal Chairman and the Governor will consider and, if they concur, sign the Compact.

- The Tribe will forward the final Compact to the U.S. Secretary of the Interior for review and signature, followed by publication in the Federal Register.

SIXTH AMENDMENT TO THE TRIBAL-STATE COMPACT
FOR CLASS III GAMING BETWEEN
THE JAMESTOWN S'KLALLAM TRIBE AND THE STATE OF WASHINGTON

INTRODUCTION

The JAMESTOWN S'KLALLAM TRIBE (hereafter "Tribe") and the STATE OF WASHINGTON (hereafter "State") entered into a Class III gaming compact (hereafter "Compact") on February 19, 1993, pursuant to the Indian Gaming Regulatory Act of 1988 (hereafter "IGRA"). At the request of the Tribe, the Tribe and State subsequently entered into negotiations for further amendments to the Compact. This document represents the parties' agreement to supersede the original Compact as previously amended in its entirety. The parties believe the conduct of Class III gaming under the terms and conditions set forth below will, from a regulatory perspective, benefit the Tribe and the State and protect members of the Tribe and citizens of the State consistent with the objectives of IGRA.

COMPACT AMENDMENT

This Class III Tribal-State Gaming Compact and its appendices supersedes the original Tribal-State Gaming Compact entered on February 19, 1993, as amended, in its entirety.

IN WITNESS WHEREOF, the Jamestown S'Klallam Tribe and the State of Washington have executed this Sixth Amendment to the Compact.

THE JAMESTOWN S'KLALLAM TRIBE	STATE OF WASHINGTON
BY:_____	BY:_____
W. RON ALLEN	JAY INSLEE
Chairman, Jamestown S'Klallam Tribe	Governor
DATED:_____	DATED:_____

DRAFT

TRIBAL – STATE COMPACT FOR CLASS III GAMING

BETWEEN THE

Jamestown S'Klallam Tribe

AND THE

State of Washington

DRAFT

Jamestown S'Klallam Tribe – State of Washington Class III Gaming Compact

TABLE OF CONTENTS

INTRODUCTION 1

INTENT STATEMENT 1

PARTIES 1

RECITALS 1

DECLARATION OF POLICY AND PURPOSE 2

I. TITLE 4

II. DEFINITIONS 4

III. NATURE AND SCOPE OF CLASS III GAMING 7

A. Location of the Gaming Facility 7

B. Ownership of Gaming Facilities and Gaming Operation 7

C. Construction 7

D. Public Health, Safety and Environmental Protection 7

E. Alcoholic Beverage Service 8

F. Community Contribution 8

G. Forms of Payment 9

H. Size of Gaming Floor 9

I. Number of Gaming Stations 9

J. Wagering Limitations 9

K. Hours of Operation 9

DRAFT

L. Prohibited Activities 9

M. Prohibition on Minors 9

N. Prohibition on Firearms 10

O. Acceptance of Electronic Benefits Cards From the State of Washington 10

IV. CLASS III GAMING ACTIVITIES 10

A. Authorized Class III Games 10

B. Class III Table Games 11

C. Lottery-type Games 11

D. Punchboards and Pull Tabs - Separate Locations 11

V. LICENSING AND REGISTRATION REQUIREMENTS 12

A. Gaming Facilities 12

B. New Facilities 12

C. Manufacturers and Suppliers of Gaming Services 12

D. Financiers 12

E. Tribal Application Forms 13

F. Gaming Employees 13

G. Identification Cards 13

VI. TRIBAL LICENSING AND STATE REGISTRATION 13

A. Tribal Gaming Licenses 14

B. Respective Roles for Background Investigations for Tribal Gaming Employee Licenses and State Registration 14

VII. STATE CERTIFICATION 19

A. State Role for Issuing State Certification of Manufacturers and Suppliers of Gaming Services and Financiers 19

DRAFT

B. Grounds for Revocation, Suspension, or Denial of State Certification 19

C. Right to Hearing for Revocation, Suspension, or Denial of State Certification 20

D. Summary Suspension of State Certification 21

E. Submission to State Administrative Process 21

VIII. FEES FOR STATE GAMING EMPLOYEE REGISTRATION AND SUPPLIER, MANUFACTURER, AND FINANCIER CERTIFICATION 21

IX. TRIBAL ENFORCEMENT OF COMPACT REQUIREMENTS 22

A. Tribal Regulation 22

B. Tribal Gaming Agency 22

C. Tribal Gaming Agents 23

D. Investigation 23

E. Reporting of Violations 23

F. Tribal Problem-Gambling Program 23

X. COOPERATIVE ENFORCEMENT OF COMPACT REQUIREMENTS 24

A. State Gaming Agents – Monitoring 24

B. Access to Records 24

C. Investigations 25

D. Tribal Gaming Agency Access to State Gaming Agency Records 25

E. Cooperation With Tribal Gaming Agency 25

XI. STANDARDS OF OPERATION 26

A. Adoption of Standards of Operation and Management 26

B. Additional Operation Requirements 27

C. Rules of the Games 28

D. Minimum Supervisory Requirements 28

DRAFT

E. Records Retention 29

XII. JURISDICTION 29

A. Criminal Matters 29

B. Civil Matters 30

C. Sanctions and Civil Fines 30

D. Limited Application of State Law 30

E. Preservation of Tribal Self-Government 30

F. Law Enforcement Coordination 31

XIII. REIMBURSEMENT FOR REGULATORY EXPENSES INCURRED BY THE STATE GAMING AGENCY 31

XIV. DISPUTE RESOLUTION 31

A. Introduction 31

B. Dispute Resolution Alternatives 31

C. Limited Waiver of Sovereign Immunity 33

D. References 33

XV. REMEDIES 34

A. Injunction Against the State 34

B. Injunction Against the Tribe, the Tribal Gaming Operation, or any Individual 34

XVI. LIMITATION OF LIABILITY 34

XVII. EFFECTIVE DATE, DURATION, AND AMENDMENTS 34

A. Effective Date 34

B. Termination 34

C. Subsequent Negotiations 35

D. Enactment of Compact Provisions 35

DRAFT

E. Revision of State Regulations 35

F. Change of State Law 35

G. Clarification, Amendments, and Renegotiations 35

XVIII. NOTICES 37

XIX. SEVERABILITY 37

APPENDIX C - SATELLITE (OFF-TRACK) WAGERING ON HORSE RACES

APPENDIX D - CLASS III GAMING STATION TRANSFER AGREEMENT

APPENDIX E – KENO STANDARDS

APPENDIX W – WIDE AREA PROGRESSIVE

APPENDIX X - TRIBAL LOTTERY SYSTEM

APPENDIX X2 - TRIBAL LOTTERY SYSTEM

APPENDIX X2 ADDENDUM

APPENDIX Y – REQUIREMENTS FOR ELECTRONIC GAMING DEVICES (EGDS)

DRAFT

INTRODUCTION

This CLASS III TRIBAL-STATE GAMING COMPACT is entered into pursuant to the Indian Gaming Regulatory Act of 1988, Pub. L. 100-497, codified at 25 U.S.C. §§ 2701-2721 and 18 U.S.C. §§ 1166-1168 (hereafter IGRA or Act).

INTENT STATEMENT

This Class III Tribal-State Gaming Compact supersedes the original Tribal-State Gaming Compact entered on February 19, 1993, as amended, and is hereby stated as set forth below and pursuant to the appendices attached hereto.

PARTIES

This Class III Tribal-State Gaming Compact is made and entered into by and between the Jamestown S'Klallam Tribe (hereafter Tribe), a federally recognized Indian Tribe, possessed of all sovereign powers and rights thereto pertaining and the State of Washington (hereafter State), a sovereign state of the United States, with all rights and powers thereto pertaining.

RECITALS[1]

An understanding of the unique nature and characteristics of the Tribe and its people as well as the location of the Tribal Lands provided the background against which the Tribe and the State negotiated this Compact to govern the conduct of Class III Gaming on Tribal Lands.

A. The Tribe has a unique history that is reflected in its current outlook, successes and approach to new opportunities. The Tribe's history is permeated with the theme of self-determination and self-reliance. In 1855, the Tribe entered the Treaty of Point No Point (Treaty). In the late 1800's the Tribe resisted pressure from the federal government to move to the Lower Elwha or the Skokomish Reservation. To preserve their cultural and community independence they raised $500 and, as a community, purchased 500 acres of land on Dungeness Bay, in an area now known as Jamestown. The intense belief in self-determination has directed the decisions and actions of the community and the Tribal government.

[1]The "RECITALS" section of this Compact was prepared by the Tribe as an introduction to the Tribe and its governmental process. However, the State has no independent basis for verifying the facts contained within the RECITALS.

DRAFT

B. The Tribe obtained federal recognition in 1981, resulting in the acknowledgement of the Tribe's Treaty rights and the authority to operate and negotiate as a sovereign in government to government settings. During the recognition process, the Tribal community worked to crystallize the goals and visions for their government and community. The outcome of this process was the development of a clear strategic plan and documentation of the community's goals.

C. The Tribe confronts a unique situation regarding land acquisition. When the Tribe received federal recognition a reservation was not established for the Tribe and its citizens. All land owned by the Tribe has been purchased by the Tribe since 1983. When the Tribe was recognized in 1981, the Federal Government also recognized the need for the Tribe to have a process for identifying and acquiring land, and having it declared as reservation land. Without an existing land base or reservation, a suitable method for land conversion was necessary.

D. Through a five year process involving agency, area and central offices of the Bureau of Indian Affairs (BIA) and the Department of the Interior, input from local governments and other Indian tribes, the BIA Portland Area Director approved a land consolidation plan for the Tribe, under authority delegated to him by the Secretary of the Interior. The Tribe is the only Tribe in Washington State authorized to identify land sites to be converted into reservation status under the terms of a land consolidation plan. This plan identified areas of cultural, historical, environmental and economic development interest. The consolidation plan area extends roughly from Port Angeles to Sequim Bay, to Port Townsend and to Brinnon.

E. The Jamestown Reservation originally consisted of approximately nine usable acres. The Reservation is located in the northwestern part of Washington State, on the Olympic Peninsula, approximately seven miles east of the city of Sequim and some distance from the State's major population centers.

F. The Tribe contracts with the Clallam County Sherriff's Office for law enforcement services on the Tribal Lands and has built a fire station on trust land that it leases to the local fire district. These steps were taken to ensure the safety of patrons and employees at the Tribe's Gaming Facilities and the surrounding community.

DRAFT

DECLARATION OF POLICY AND PURPOSE

The Tribe and the State recognize and respect the laws and authority of the respective parties.

The Congress of the United States has enacted into law IGRA, Pub. L. 100-497, 25 U.S.C. §§ 2701-2721 and 18 U.S.C. §§1166-1168, which provides in part that a Tribal-State Compact may be negotiated between a Tribe and a State to govern the conduct of certain Class III Gaming activities on Tribal Lands within the State if the Gaming activity is not specifically prohibited by federal law and is conducted within a State which does not, as a matter of criminal law and public policy, prohibit such Gaming activity.

The Tribe and the State have negotiated the terms and conditions of this Compact in good faith so as to provide for mutual governmental purposes and to provide a regulatory framework for the operation of certain Class III Gaming, which is intended to: (a) ensure the fair and honest operation of such Gaming activities; (b) maintain the integrity of all activities conducted in regard to such Gaming activities; (c) prevent unsavory and unsuitable persons from having any direct or indirect involvement with Gaming activities at any time or in any capacity; (d) establish and maintain responsible accounting practices and procedures; (e) maintain effective control over the financial practices related to Gaming activities, including establishing the minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues and reliable recordkeeping; (f) prevent cheating and fraudulent practices; and (g) protect the health, welfare and safety of the citizens of the Tribe and of the State.

The Act provides that an Indian Tribe may conduct Class III Gaming as provided in IGRA; and The Tribe and the State of Washington have mutually agreed that the conduct of Class III Gaming under the terms and conditions set forth below will benefit the Tribe and protect the citizens of the Tribe and of the State consistent with the objectives of the Act.

The parties hereto deem it to be in their respective best interests to enter into this Compact.

A principal goal of federal Indian policy is to promote tribal economic development, tribal self-determination and a strong government to government relationship.

The State recognizes the Tribe's sovereign rights to control Gaming activities on Tribal Lands as provided by the Act and this Compact.

It is the policy of the Tribe to exercise and retain its rights to regulate Gaming activities upon its Tribal Lands for the purposes of encouraging Tribal employment, economic and social development, and funding of Tribal services while ensuring the fair and lawful operation of Gaming and the prevention of corrupt and criminal influences. Per 25 U.S.C. § 2710(b)(2)(B), the Tribe will utilize net revenues generated by Gaming to fund tribal government operations or programs, to provide for the general welfare of the Tribe and its citizens, to promote tribal economic development, to donate to charitable organizations, or to help fund operations of local government agencies.

This Compact shall govern the licensing, regulation and operation of Class III Gaming conducted by the Tribe on Tribal Lands located within the State.

The State and the Tribe are empowered to enter into this Compact due to their inherent power to contract and pursuant to IGRA and State law.

In consideration of the mutual undertakings and agreements hereinafter set forth, the Tribe and the State enter into the following Compact.

DRAFT

I. TITLE

This document will be cited as "Jamestown S'Klallam Tribe – State of Washington Gaming Compact."

II. DEFINITIONS

For purposes of this Compact:

A. "Act" or "IGRA" means the Indian Gaming Regulatory Act, Pub. L. 100-497, 25 U.S.C. §2701 et seq.

B. "Applicant" means any Individual who has applied for a tribal license, State Certification, or Gaming Employee Registration, whether or not such license, certification, or registration is ultimately granted.

C. "Cash Equivalent" means a treasury check, personal check, travelers check, wire transfer of funds, money order, certified check, cashier's check, a check drawn on the Tribal Gaming Operation payable to the patron or to the Tribal Gaming Operation, or a voucher recording cash drawn against a credit card or charge card.

D. "Class III Gaming" means all forms of Gaming as defined in 25 U.S.C. § 2703(8) and authorized under Section IV of this Compact.

E. "Closed Surveillance System" means a recording system with a collection of surveillance cameras in which live signals are viewed and/or recorded within the system and are not publicly distributed or accessible.

F. "Compact" means the Jamestown S'Klallam Tribe – State of Washington Gaming Compact and Appendices, as stated herein.

G. "Electronic Gambling Device" means any device or mechanism the operation of which a right to money, credits, deposits or other things of value may be created, in return for a consideration, as the result of the operation of an element of chance and any device or mechanism which, when operated for a consideration, does not return the same value or thing of value for the same consideration upon each operation thereof. Notwithstanding the foregoing, "Electronic Gambling Device" does not include a "Class II Gambling Device."

A. "Gaming" means staking or risking something of value upon the outcome of a contest of chance or a future contingent event not under the person's control or influence, upon an agreement or understanding that the person or someone else will receive something of value in the event of a certain outcome.

B. "Gaming Code" means the Jamestown Tribal Ordinance approved by the National Indian Gaming Commission pursuant to IGRA and codified in Chapter 7 of the

DRAFT

Jamestown Tribal Code, as amended and any regulations adopted by the Tribe thereunder.

C. "Gaming Employee" means any person employed in the operation or management of the Gaming Operation, whether employed by or contracted by the Tribe or by any person or enterprise providing on or off-site services to the Tribe within or without the Gaming Facilities regarding any Class III Gaming, including, but not limited to, gaming operation managers and assistant managers; accounting personnel; security and surveillance personnel; cashier supervisors; dealers; box men; floormen; Pit bosses; shift bosses; cage personnel; collection personnel; gaming consultants; management company employees, officers, and Principals; and any other natural person whose employment duties require or authorize access to restricted areas of the Gaming Facilities not otherwise opened to the public.

D. "Gaming Employee Registration" means the process conducted by the State Gaming Agency to determine, from the State's perspective, if a person is of good character, honesty and integrity; his or her prior activities do not pose a threat to the public or to effective regulation of this Compact; and that he/she is likely to conduct Class III Gaming activities in accordance with this Compact.

E. "Gaming Facility" or "Gaming Facilities" means the building or buildings or portions thereof in which Class III Gaming occurs as authorized by this Compact.

F. "Gaming Operation" or "Tribal Gaming Operation" means the enterprise or enterprises operated by the Tribe on Tribal Lands for the conduct of any form of Class III Gaming in any Gaming Facility.

G. "Gaming Services" means the providing of any goods or services to the Tribe directly in connection with the operation of Class III Gaming in a Gaming Facility, and involving restricted areas or access. Goods or services include, but are not limited to, equipment, maintenance, management or security services for the Gaming Facility.

H. "Gaming Station" means one Gaming table of the general size and scope as commonly used in Nevada.

I. "Independent Accountant" means a professional accountant suitably qualified and sufficiently independent to act as auditor of the Tribal Gaming Operation.

J. "Individual" means, but is not limited to, natural persons and business entities including business sole-proprietorships, partnerships, corporations, joint ventures, organizations and associations.

K. "Internal Controls" means the internal operational system or internal procedure of the Gaming Operation designed to promote efficiency, safeguard assets, and avoid fraud and error.

DRAFT

L. "Local Law Enforcement Agency" means any law enforcement agency in the vicinity of the Gaming Operation that has jurisdiction to enforce local and state laws within the Tribal Lands, or is subject to the terms of a cross-deputization agreement.

M. "National Indian Gaming Commission" or "NIGC" means the Commission established pursuant to Section 5 of the Act, 25 U.S.C. § 2704.

N. "Net Win" means the total amount of Gaming Station income (gross Gaming revenue), i.e., the difference between the total amount wagered or played and the amounts repaid to winners.

O. "Pit" means the area enclosed or encircled by an arrangement of Gaming Stations in which Gaming Facility personnel administer and supervise the games played at the tables by the patrons located on the outside perimeter of the area.

P. "Principal" means with respect to any enterprise: (i) each of its officers and directors; (ii) each of its principal management employees, including any chief executive officer, chief financial officer, chief operating officer, or general manager; (iii) each of its owners or partners, if an unincorporated business; (iv) each of its shareholders who own more than ten percent of the shares of the corporation, if a corporation; and (v) each person other than a banking institution who has provided financing for the enterprise constituting more than ten percent of the total financing of the enterprise or project.

Q. "RCW" means the Revised Code of Washington, as amended.

R. "State" means the State of Washington, its authorized officials, agents and representatives.

S. "State Certification" means the process utilized by the State Gaming Agency to ensure that entities required to be certified are qualified to hold such certification in accordance with this Compact.

T. "State Gaming Agency" means the Washington State Gambling Commission.

U. "Tribal Gaming Agency" means the Tribal Gaming Commission or such other agency of the Tribe as the Tribe may from time to time designate by written notice to the State as the single Tribal agency primarily responsible for regulatory oversight of Class III Gaming as authorized by this Compact. No employee of the Gaming Operation may be a member or employee of the Tribal Gaming Agency.

V. "Tribal Lands" means Indian lands as defined by 25 U.S.C. § 2703(4)(A) and (B), subject to the provisions of 25 U.S.C. § 2719, which lands are subject to the jurisdiction of the Tribe.

DRAFT

W. "Tribal Law Enforcement" means any police force established and maintained by the Tribe pursuant to the Tribe's powers of self-government to carry out law enforcement within the Tribal Lands.

X. "Tribe" means the Jamestown S'Klallam Tribe, its authorized officials, agents and representatives.

Y. "WAC" means the Washington Administrative Code, as amended.

III. NATURE AND SCOPE OF CLASS III GAMING

A. Location of the Gaming Facility

The Tribe may establish two (2) Gaming Facilities, to be located on Tribal Lands within or contiguous to the boundaries of the Tribe's Land Consolidation Plan approved by the Bureau of Indian Affairs on July 10, 1989, for the operation of any Class III Gaming authorized pursuant to this Compact.

B. Ownership of Gaming Facilities and Gaming Operation

The Gaming Operation, including all Gaming Facilities, shall be owned by the Tribe. The Tribe may, if it chooses, contract for management of the Gaming Facilities and Gaming Operation. Any such contract shall subject the manager to the terms of this Compact, including annual State Certification and licensing.

C. Construction

Any Gaming Facility will comply with all applicable tribal and federal regulations, including by way of example: zoning, building, environmental review and water quality protection.

D. Public Health, Safety and Environmental Protection

The number of persons permitted in any Gaming Facility will not exceed the number authorized by applicable fire and building codes. The Tribe shall make provisions for adequate emergency accessibility and service. The Tribe shall comply with and enforce standards no less stringent than those contained in the following laws, regulations and codes:

(1) Indian Health Service public health standards.
(2) All Federal laws establishing minimum standards for environmental protection.
(3) Applicable Environmental Protection Agency program standards and National Environmental Policy Act requirements.
(4) Federal water quality and safe drinking water standards.
(5) Uniform Building Code, including codes for electrical, fire and plumbing.
(6) Public health standards for food and beverage handling in accordance with U.S. Public Health Service requirements.
(7) Tribal Codes regarding public health, safety and environmental protection standards.

DRAFT

E. Alcoholic Beverage Service

Standards for alcohol service within the Gaming Facilities shall be subject to applicable law or applicable agreement between the Tribe and Washington State Liquor and Cannabis Board.

F. Community Contribution

(1) The Tribe recognizes that activities directly and indirectly associated with the operation of its Gaming Facilities may impact Local Law Enforcement Agencies, emergency services, and other services and place an increased burden on them. The Tribe hereby agrees to establish an Impact Mitigation Fund for purposes of providing assistance to non-Tribal Law Enforcement, emergency services, and/or service agencies (including those agencies responsible for traffic and transportation, as well as those that provide services to support problem or pathological gambling) showing demonstrated impacts by the Class III Gaming Facilities. The Tribe agrees to withhold and disburse up to two percent (2.0%) of the Net Win from Gaming Stations within the Gaming Facilities, except as otherwise excluded under the provisions of this Compact, for the Impact Mitigation Fund. Except as provided in Appendix X2, Section 14.1, no Tribal Lottery System gaming device revenues, proceeds from a nonprofit station as authorized under Section III(I), Class II gaming revenues, or non-gaming revenues, such as, but not limited to, food, beverage, wholesale or retail sales, shall be included, with the two percent (2.0%) as set forth in this section.

(2) A committee consisting of a representative of the Tribal Council; a representative from the county in which the Gaming Facility is located; and a representative of the State Gaming Agency shall be established. The makeup of this committee may be altered by mutual agreement of the Tribe and State Gaming Agency, if necessary. The committee shall execute a Memorandum of Understanding containing committee rules of order, Impact Mitigation Fund distribution procedures, and establish set factors to be used to determine demonstrated impacts. Unless all committee members agree otherwise, the committee shall meet at least once every twelve (12) months to discuss the following: 1) impacts within the county, neighboring cities, and on the Tribal Lands; 2) services provided by the Tribal and other agencies; and 3) the distribution of the Impact Mitigation Fund.

(3) The recipients of the Impact Mitigation Fund shall be paid within thirty (30) days following the meeting of the committee.

(4) Sections (2) through (3) above may be altered upon written agreement between the Tribe and the impacted jurisdictions. A copy of such agreement shall be provided to the State Gaming Agency upon request.

(5) Either the State Gaming Agency or the Tribe may request a re-evaluation, and possible adjustment of the community contribution based upon impacts being different than anticipated. In the event the State and Tribal Gaming Agencies mutually agree, the community contribution shall be adjusted at that time.

DRAFT

G. Forms of Payment

All payment for wagers made in authorized forms of Class III Gaming conducted by the Tribe on its Tribal Lands, including the purchase of chips for use in wagering, shall be made by cash, Cash Equivalent, credit card or personal check.

H. Size of Gaming Floor

The actual size of the Class III Gaming Floor within the Gaming Facility shall be determined by the Tribe.

I. Number of Gaming Stations

The maximum number of Class III Gaming Stations shall not exceed seventy-five (75) Gaming Stations within one Gaming Facility and a total of fifty (50) Gaming Stations within a second Gaming Facility plus, at the option of the Tribe, one (1) additional Gaming Station ("the nonprofit station") for every twenty-five (25) Gaming Stations allowed in a Gaming Facility. The proceeds from all nonprofit stations shall be dedicated to support nonprofit and charitable organizations and their activities located within Clallam County or the State of Washington. For purposes of determining "proceeds" from a nonprofit station only, proceeds shall mean the pro rata net profit of the nonprofit station. The Tribal Gaming Code shall require regulations to be adopted concerning the types of bona fide nonprofit and charitable organizations or types of projects of such organizations that shall be supported by a nonprofit station. PROVIDED, that the Tribe is required to obtain transfers of Class III Gaming Station authorization from another Tribe which has entered into a compact with the State for the use of Class III Gaming Stations, as defined in this Compact for any Class III Gaming Stations, except for nonprofit stations, beyond sixty (60) in total for all Gaming Facilities. PROVIDED FURTHER, that the transfer of Class III Gaming Station authorization from another Tribe shall be effectuated through the use of a "Class III Gaming Station Transfer Agreement" substantially in the form appended hereto as Appendix D of this Compact.

J. Wagering Limitations

Wager limits shall not exceed five hundred dollars ($500).

K. Hours of Operation

Operating hours shall be determined by the Tribe.

L. Prohibited Activities

Any Class III Gaming activities, electronic facsimiles of Gaming activities, and Electronic Gambling Devices that are not specifically authorized in this Compact are prohibited.

M. Prohibition on Minors

No person under the age of eighteen (18) shall participate in any Gaming activities authorized by this Compact, or be employed in any Gaming Operation, or be allowed on the Class III Gaming floor during actual hours of operation. PROVIDED, that such age limitation shall not apply to an individual accompanied by an adult for the specific and

DRAFT

limited purpose of proceeding directly and immediately across the Gaming area for legitimate non-gaming purpose, with no Gaming area loitering or Gaming participation by the underage person or accompanying adults. Persons between the ages of eighteen (18) and twenty (20) may patronize and participate in Class III Gaming activities offered by the Tribe in its Gaming Facilities, so long as such patrons do not purchase or consume alcoholic beverages on the premises in accordance with Washington State liquor laws or an applicable written agreement between the Tribe and Washington State Liquor and Cannabis Board.

N. Prohibition on Firearms

The possession of firearms by any person within the Gaming Facilities shall be strictly prohibited, and the Gaming Operation shall post a notice of this prohibition near any entrance to the Gaming Facilities. This prohibition shall not apply to authorized agents of the Tribal or State Gaming Agencies. This prohibition shall also not apply to Local Law Enforcement or Tribal Law Enforcement agencies authorized by federal law, tribal law or by a cooperative, mutual aid or cross-deputization agreement.

O. Acceptance of Electronic Benefits Cards From the State of Washington.

The Tribe shall ensure that all cash dispensing outlets, including without limitation, automated teller machines (ATM) and point of sale machines located within the Tribe's Gaming Facility or Facilities, shall not accept Electronic Benefits Cards.

IV. CLASS III GAMING ACTIVITIES

A. Authorized Class III Games

The Tribe may conduct, subject to the terms and conditions of this Compact, any or all of the following games:

(1) Keno; subject to Appendix E;

(2) Satellite (Off-Track) wagering on Horse Races, subject to Appendix C;

(3) Tribal Lottery Systems operated in conformity with Appendix X or X2;

(4) Sports Pools, on regularly scheduled athletic contests, of one hundred (100) squares wherein each square is sold for not more than ten ($10) dollars and all proceeds, less a tribal administrative charge of no more than 50 cents for each $10 wagered, are awarded as prizes. All other provisions of RCW 9.46.0335 shall be applicable;

(5) The sale of Washington State lottery tickets on the Jamestown S'Klallam Indian Tribe Reservation shall be subject to the provisions of RCW 67.70, WAC 315, and the Tribal Gaming Code;

(6) Any Electronic Gambling Device, as defined herein and the Johnson Act, 15 U.S.C. § 1171, and as set forth in Appendix Y to this Compact; and

DRAFT

(7) Tribal Lottery System Wide Area Progressive operated in conformity with Appendix W.

B. Class III Table Games

(1) The Tribe may offer any Class III table game authorized for play in the State of Washington pursuant to the game rules approved at the time of the effective date of this amended Compact.

(2) For any modification to currently authorized Class III table games or Class III table games that are subsequently authorized for play in the State of Washington, the Tribe shall provide the game regulations to the State Gaming Agency at least thirty (30) days prior to the time play shall begin. If the State takes no action within the thirty (30) days, the Tribe shall begin offering the game. If a dispute arises between the Tribe and the State with respect to issues of the legality of the game, rules of the game, manner of play, or training or enforcement associated with regulation, the State and Tribal Gaming Agencies shall meet and resolve the dispute prior to the time play of that game can begin. If either party believes, after negotiations have commenced, that a resolution by the parties cannot be achieved, then either or both parties shall be entitled to have the dispute resolved pursuant to the dispute resolution provisions of Section XIV below.

(3) For any other Class III table games authorized for play in Nevada and played in accordance with applicable Nevada rules, the Tribe shall provide the game regulations to the State Gaming Agency at least thirty (30) days prior to the time play shall begin. PROVIDED, should a dispute arise, the game shall not be utilized until the dispute is resolved in accordance with Section XIV.

C. Lottery-type Games

For games including keno-type games, instant tickets, or other lottery-type games authorized for play for any purpose by any person, organization, or entity in the State of Washington that are not otherwise treated as Class II gaming in Washington pursuant to 25 U.S.C. § 2703(7), the Tribe will submit the proposed rules, manner of regulation and manner of play to the State Gaming Agency at least sixty (60) days prior to time play shall begin. If the State takes no action within the sixty (60) days, the Tribe may begin offering the game. PROVIDED, should a dispute arise, the game shall not be utilized until the dispute is resolved in accordance with Section XIV.

D. Punchboards and Pull Tabs - Separate Locations

In addition to the games authorized by Section IV(A), the Tribe may utilize punchboards and pull tabs in its Gaming Facilities and at other locations under the jurisdiction of the Tribe subject to regulation and licensing by the Tribe and operated in a manner consistent with the sale of punchboards and pull tabs under IGRA.

DRAFT

V. LICENSING AND REGISTRATION REQUIREMENTS

A. Gaming Facilities

The Gaming Facilities authorized by this Compact shall be licensed by the Tribal Gaming Agency in conformity with the requirements of this Compact and the Gaming Code prior to commencement of operation.

B. New Facilities

Verification that the Compact and Gaming Code requirements have been met for any new or additional Gaming Facilities, or for expansion of an existing Gaming Facility shall be made by the Tribal Gaming Agency and State Gaming Agency, through a joint pre-operation inspection scheduled at least thirty (30) days prior to the scheduled opening to the public. If a Gaming Facility fails to meet such requirements, the Tribal or State Gaming Agency must send a written and detailed non-compliance letter and report to the Tribe and the manager, if any, within seven (7) working days after completion of the inspection. If the Tribal and State Gaming Agencies do not agree on whether a Gaming Facility meets the requirements, the agencies will meet within seven (7) working days from receipt of the non-compliance letter and work together to resolve concerns. If a dispute regarding this inspection cannot be resolved by the Gaming Agencies within sixty (60) days, the parties may seek resolution pursuant to Section XIV of this Compact.

C. Manufacturers and Suppliers of Gaming Services

Each manufacturer and supplier of Gaming Services shall be licensed by the Tribal Gaming Agency and shall be certified by the State Gaming Agency prior to the sale of any Gaming Services to the Tribe. If a supplier or manufacturer of the Gaming Services or goods is currently licensed or certified by the State of Washington to supply goods or services to any other Tribe in the State, it shall be deemed certified to supply the same goods or services to the Tribe for the purposes of this Compact. The licensing and certification shall be maintained annually after the initial certification. In the event a manufacturer or supplier demonstrates that their anticipated profits from sales will be below the cost of obtaining a State Certification, it may apply for an abbreviated form of State Certification known as a special sales permit. Firms or representatives providing professional legal and accounting services, when licensed by the Washington State Bar Association or the Washington State Board of Accountancy, will not be subject to State Certification, and the Tribe will determine if a license is required. In the event a manufacturer or supplier provides or intends to provide less than $25,000 worth of Gaming Services or goods annually, the licensing and certification requirements may be waived upon the mutual agreement of the Tribal and State Gaming Agencies.

D. Financiers

Any party who extends or intends to extend financing, directly or indirectly, to a Gaming Facility or Gaming Operation shall be subject to the annual certification and licensing requirements of the State Gaming Agency and the Tribal Gaming Agency. Such party shall be required to obtain State Certification before executing the financing agreement and annually thereafter as long as the financing agreement is in effect. Notwithstanding the foregoing, these licensing and certification requirements do not apply to financing

DRAFT

provided by a federally regulated commercial lending institution, the Tribe, or the federal government. Federally regulated commercial lending institutions are those regulated by the Securities and Exchange Commission, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the United States Federal Reserve System, the National Credit Union Administration and the Washington State Department of Financial Institutions.

E. Tribal Application Forms

All Applicants required to be licensed by the Tribe shall complete forms furnished by the Tribal Gaming Agency that, at a minimum, shall include complete name, aliases, social security number, date of birth, current address, and information relating to the Applicant's complete criminal history, as well as all civil or administrative violations of gambling laws or regulations.

F. Gaming Employees

Every Gaming Employee shall be licensed by the Tribal Gaming Agency prior to commencement of employment and as outlined in Tribal Gaming Code. Every Gaming Employee must be registered with the State Gaming Agency and shall have their Gaming Employee Registration verified by the State Gaming Agency. The Tribal Gaming Agency shall provide a list of licensed and temporarily licensed Gaming Employees to the State Gaming Agency during the annual comparison review in the 4th quarter of each calendar year. The Tribal Gaming Agency shall include the licensee's complete name, aliases, social security number, and date of birth in its submission to the State Gaming Agency.

G. Identification Cards

The Tribal Gaming Agency shall require all Gaming Employees to carry on their person at all times identification cards issued by the Tribal Gaming Agency which include the Gaming Employee's photo, first name, an identification number unique to the individual's tribal license, a Tribal seal or signature, and a date of expiration.

VI. TRIBAL LICENSING AND STATE REGISTRATION

Gaming Employee Registration requires the Tribal Gaming Agency to demonstrate Tribal licensing expertise without substantial or repeated, material discrepancies in conducting Gaming Employee background investigations. In order to qualify for Gaming Employee Registration, the following criteria must be met:

The Tribe has operated Class III Gaming and the Tribal Gaming Agency has licensed Gaming Employees for at least 20 years; and

The Tribal Gaming Agency regulations are regularly reviewed and updated; and

The Tribal Gaming Agency director has demonstrated active involvement with licensing denial, suspension, and revocation in accordance with the Tribe's Gaming Code; and

DRAFT

The Tribal Gaming Commission has demonstrated a history of active involvement in the licensing process and license appeal hearings; and

Tribal Gaming Agency licensing staff are fully versed in the Judicial Information System (JIS) including the Superior Court Management Information System (SCOMIS) or equivalent systems; and

Tribal Gaming Agency licensing staff reviews all Gaming Employee information provided in JIS, FBI records, and Lexis Nexis reports or equivalent systems.

The Tribe meets all of the criteria above.

A. Tribal Gaming Licenses

(1) The Tribal Gaming license is valid at the Tribe's Gaming Facilities only and is non-transferable.

(2) The Tribal Gaming Agency, pursuant to the laws of the Tribe, may summarily suspend any Tribal license if the continued licensing of a person or entity constitutes an immediate and potentially serious threat to the public health, safety or welfare.

(3) Tribal Gaming Employees shall be licensed by the Tribal Gaming Agency in accordance with the Gaming Code.

(4) If Class II and Class III Gaming activities are combined in a Gaming area in a Gaming Facility, the parties agree that this could impact the regulatory scheme established under this Compact. In such event, the Class II Gaming Employees in such area shall be registered with the State Gaming Agency as if they were Class III Gaming Employees.

(5) Tribal license fees for manufacturer, financier and/or supplier of Gaming Services will be set by the Tribal Gaming Agency.

(6) In order to ensure a qualified work force is maintained throughout the State in all areas of Class III Gaming as well as in all other types of gambling authorized in the State, the Tribal Gaming Agency will forward to the State Gaming Agency a copy of the final disposition of any administrative action or legal proceeding taken by the Tribal Gaming Agency against a Tribal Gaming licensee.

B. Respective Roles for Background Investigations for Tribal Gaming Employee Licenses and State Registration

(1) Tribal Gaming Agency

a) The Tribal Gaming Agency will be responsible for the issuance of all Tribal Gaming Employee licenses.

DRAFT

b) The Tribal Gaming Agency shall be primarily responsible for conducting background investigations for all Applicants for Tribal Gaming Employee licenses. Each Applicant for a Tribal Gaming Employee license shall submit the completed application along with the required information and fees to the Tribal Gaming Agency. Each completed application shall include the Applicant's fingerprint card(s), current photograph, and any other information required by the Tribal Gaming Agency.

c) The Gaming Operation shall not hire, or continue to employ a Gaming Employee, and shall terminate any Gaming Employee, if the Tribal Gaming Agency determines that the Applicant or Employee:

i. Has been convicted of any offense related to gambling, or any felony (excluding juvenile convictions) relating to fraud, misrepresentation, deception or theft, within the past ten (10) years;

ii. Has provided materially false statements or information on his or her employment application or misstated or otherwise attempted to mislead the Tribe or the State with respect to any material fact contained in the employment application;

iii. Is a member or associate of organized crime or is of notorious or unsavory reputation; or

iv. Has a reputation, habits or associations that might pose a threat to the public interest or to the effective regulation and control of Gaming, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods and activities in the conduct of Gaming or the carrying on of the Tribal and financial arrangements incidental thereto.

d) It is intended that Applicants and Gaming Employees have the continuing burden to satisfy all doubts as to their fitness. Where doubt remains, an Applicant or Gaming Employee is not entitled to be hired or to remain employed.

e) Nothing herein shall be interpreted to prevent the Tribal Gaming Agency from considering juvenile convictions in a suitability determination, nor shall be interpreted to excuse the Applicant of its obligation to disclose juvenile convictions or arrests.

f) Additionally, the Tribal Gaming Agency shall not grant an application for a license unless it is satisfied that the Applicant's prior activities, criminal record (if any), reputation, habits, and associations do not pose a threat to the public interest of the Tribe or the State or the effective regulation and

DRAFT

control of Gaming pursuant to this Compact, or create or enhance the dangers of unsuitable, unfair or illegal practices, methods, and activities in the conduct of Gaming or the carrying on of the Tribal and financial arrangements incidental thereto.

g) When the Tribal Gaming Agency has completed its investigation of the Gaming Employee Applicant and has issued a temporary license, it will within five (5) business days:

i. Register on-line with the State Gaming Agency a new or renewing Gaming Employee or notify the State Gaming Agency of a Change of Name and pay the respective fees; or

ii. Mail a Gaming Employee Registration with respective fees.

iii. The registration will include the Tribal Gaming Agency's investigative report; the Applicant's personal information; results of the investigation; a current photograph; FBI fingerprint check results; JIS results or its electronic equivalent, and the applicable fees to the State Gaming Agency.

h) The Tribal Gaming Agency will use the State Gaming Agency's on-line process to notify the State Gaming Agency when a Gaming Employee is no longer licensed by the Tribal Gaming Agency.

(2) The State Gaming Agency

a) The State Gaming Agency will conduct a verification of Gaming Employee Registrations that are received either online or by paper application.

b) The State Gaming Agency will complete the verification and notify the Tribal Gaming Agency if the results indicate the person may be unqualified pursuant to this section of this Compact. If the State Gaming Agency does not object, the Gaming Employee Registration will expire three (3) years from the date of the Gaming Employee Registration, or upon notification of a tribal license revocation, or the person is no longer licensed by the Tribal Gaming Agency, whichever occurs earlier.

c) The State Gaming Agency retains the right to conduct an additional verification of Gaming Employee Registration of any Gaming Employee at any time. There will be no additional cost to the Tribe.

d) The State Gaming Agency's Gaming Employee Registration is valid at the Tribe's Gaming Facilities only and is non-transferable.

DRAFT

e) For verification of Gaming Employee Registration, the State Gaming Agency may consider any prior criminal conduct or current probationary status of the Applicant or holder of certification and the provisions of RCW 9.95.240 and of Chapter 9.96A RCW shall not apply to such cases.

f) The Gaming Employee Registration will also include information as authorized under RCW 9.46.210(4) and as defined in RCW 10.97.030.

g) The State Gaming Agency may find a person to be unqualified under the provisions of RCW 9.46.075 and rules promulgated thereunder. The State Gaming Agency may also find a person to be unqualified if such person has engaged in an activity contrary to the public interest, including but not limited to the following:

i. Who because of prior activities, criminal record, if any, or reputation, habits and associations poses a threat to the effective regulation of Gaming or creates or enhances the chances of unfair or illegal practices, methods and activities being used in the conduct of the Gaming activities permitted pursuant to this Compact;

ii. Has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by any provision of a Tribal-State Compact;

iii. Has failed to provide any information reasonably required for Gaming Employee Registration;

iv. Has failed to reveal any fact which the person knows or should reasonably know is material to Gaming Employee Registration;

v. Has furnished any information which is untrue or misleading in connection with receiving Gaming Employee Registration;

vi. Has had a Gaming license suspended for a year or longer, revoked or denied during the twelve (12) months prior to the date of registration with the State Gaming Agency; is currently on probation imposed by any jurisdiction; or has demonstrated a willful disregard or failed to comply with the requirements of any Gaming regulatory authority in any jurisdiction, including offenses that could subject the Individual or entity to suspension, revocation or forfeiture of any Gaming license; or

vii. Has demonstrated a willful disregard or failed to comply with the requirements of any Gaming regulatory authority in any

DRAFT

jurisdiction, including offenses that could subject the person to suspension, revocation or forfeiture of any Gaming license.

h) The State Gaming Agency will work with the Tribal Gaming Agency when determining a person may be unqualified for Gaming Employee Registration.

i) If a person may be unqualified for Gaming Employee Registration, the materials compiled by the State Gaming Agency will be available to the Tribal Gaming Agency at the State Gaming Agency office upon request, subject to any constraints imposed by the State Gaming Agency's accreditation as a law enforcement agency and status as a member of the Association of Law Enforcement Intelligence Units.

j) The State Gaming Agency will conduct an annual comparison review in the 4th quarter of each calendar year to include random sampling of Gaming Employee applications to demonstrate all the criteria for licensure and Gaming Employee Registration as set forth in this Compact have been met.

(3) Tribal Gaming Agency and State Gaming Agency

a) A licensed employee seeking renewal of their Gaming Employee license or re-registering with the State Gaming Agency shall update information originally submitted, as requested, on the appropriate renewal forms, but shall not be required to re-submit historical data already available to the Tribal Gaming Agency or State Gaming Agency. A Gaming Employee that has applied for renewal may continue to work under the expired Tribal license until the Tribal Gaming Agency or State Gaming Agency takes action on the renewal application.

b) For persons found to be unqualified at any time they are registered by the State Gaming Agency, the Tribal Gaming Agency and State Gaming Agency will work together to determine if the person should work for the Tribe's Gaming Facilities in a position that requires a Gaming Employee License. If the Tribe can show extenuating circumstances why a person who does not meet all criteria should be further considered, the Tribal Gaming Agency may waive, through a conditional Gaming Employee License, certain criteria if the waiver does not pose an appreciable risk to the public or the lawful operation of the Gaming Facilities.

c) If, after working with the Tribal Gaming Agency, the State Gaming Agency still finds the person unqualified, the State Gaming Agency will provide written notice to the Tribe itemizing the objections. The Tribe, however, will make the final decision whether to issue a license or continue employment of the person. The State Gaming Agency's Gaming

DRAFT

Employee Registration of the person will be limited to the Tribe only and the Tribe will continue to register the person with the State Gaming Agency as long as the person is employed by the Tribe in a Class III Gaming position.

VII. STATE CERTIFICATION

A. State Role for Issuing State Certification of Manufacturers and Suppliers of Gaming Services and Financiers

(1) The State Gaming Agency shall be primarily responsible for conducting background investigations for all Applicants for financier, manufacturer and/or supplier of Gaming Services certification and their representatives. Each Applicant for a financier, manufacturer and/or supplier of Gaming Services Tribal Gaming license shall submit to the Tribal Gaming Agency the completed application along with the required information and fees, as set by the Tribal Gaming Agency. In addition, each financier, manufacturer and/or supplier of Gaming Services and their representatives shall apply for State Certification and shall submit the completed application along with the required information and fees to the State Gaming Agency. Each completed application shall include the Applicant's fingerprint card(s), current photograph, and any other information required by the Tribal Gaming Agency. For Applicants who are business entities, these provisions shall also apply to Principals of the entity and their spouses who must be able to meet the same State Certification requirements and who may be required to submit this information.

(2) Upon completion of the necessary background investigation, the State Gaming Agency shall either issue a State Certification to the financier, manufacturer, and/or supplier of Gaming Services or deny the application based on criteria set forth in this Compact or State law and regulations.

(3) Each manufacturer, and/or supplier of Gaming Services shall obtain a State Certification prior to issuance of a Tribal License and before the sale or installation of any Gaming goods, except as provided under Section V(C).

(4) If a financier is licensed by the State Gaming Agency, it will be deemed certified.

B. Grounds for Revocation, Suspension, or Denial of State Certification

(1) The State Gaming Agency may deny, suspend, or revoke a State Certification under the provisions of RCW 9.46.075, and rules promulgated thereunder, for any reason or reasons it deems to be in the public interest. In addition, these reasons shall include, but shall not be limited to when an Applicant or holder of an eligibility determination or State Certification or Principal of an entity:

a) Is determined to be a person who because of prior activities, criminal record, if any, or reputation, habits and associations poses a threat to the

DRAFT

effective regulation of Gaming or creates or enhances the chances of unfair or illegal practices, methods and activities being used in the conduct of the Gaming activities permitted pursuant to this Compact;

b) Has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by any provision of a Tribal-State Compact;

c) Has failed to provide any information reasonably required to investigate the application for eligibility verification or State Certification;

d) Has failed to reveal any fact which the Applicant or holder knows or should reasonably know is material to such application;

e) Has furnished any information which is untrue or misleading in connection with such application; or

f) Has had a Tribal or State Gaming license or certification revoked or denied during the twelve (12) months prior to the date the State Gaming Agency received the application; is currently on probation imposed by any jurisdiction; or has demonstrated a willful disregard or failed to comply with the requirements of any Gaming regulatory authority in any jurisdiction, including offenses that could subject the Individual or entity to suspension, revocation or forfeiture of any Gaming license. The Tribal Gaming Agency will forward to the State Gaming Agency a copy of the final disposition of any administrative action or legal proceeding taken by the Tribal Gaming Agency against a Tribal license issued to a financier, manufacturer and/or supplier of Gaming Services.

(2) For the purpose of reviewing any application for State Certification or for considering the denial, suspension or revocation of any State Certification, the State Gaming Agency may consider any prior criminal conduct or current probationary status of the Applicant or holder of certification and the provisions of RCW 9.95.240 and of Chapter 9.96A RCW shall not apply to such cases.

(3) The State Gaming Agency will consult with the Tribal Gaming Agency prior to denying State Certification when the Tribe is considering using the financier, manufacturer or supplier of Gaming Services.

C. Right to Hearing for Revocation, Suspension, or Denial of State Certification

Any Applicant for State Certification or holder of a State Certification shall be entitled to notice and a full hearing on any action by the State Gaming Agency which may result in the revocation, suspension, or denial of State Certification. The notice and hearing will be conducted in accordance with the procedures contained in the applicable provisions of Chapter 9.46 RCW, Chapter 34.05 RCW and Chapter 230-17 WAC. The State may, at its discretion, defer such actions to the Tribal Gaming Agency. Nothing herein shall

DRAFT

prevent the Tribal Gaming Agency from invoking its own disciplinary procedures and proceedings at any time. The Tribe shall have the right to appear and present argument and/or evidence in any hearings held pursuant to this section. Nothing herein shall be interpreted to preclude the Tribe from invoking the dispute resolution provisions of this Compact to challenge a State Gaming Agency decision to revoke, suspend or deny State Certification.

D. Summary Suspension of State Certification
The State Gaming Agency, pursuant to the laws of the State, may summarily suspend any State Certification if the continued State Certification constitutes an immediate and potential serious threat to public health, safety or welfare.

E. Submission to State Administrative Process
Applicants for State Certification agree by submitting such application to submit to State jurisdiction to the extent necessary to determine qualification to hold such State Certification, including all necessary administrative procedures, hearings and appeals pursuant to RCW 9.46, WAC 230-17, and the State Administrative Procedure Act, RCW 34.05.

VIII. FEES FOR STATE GAMING EMPLOYEE REGISTRATION AND SUPPLIER, MANUFACTURER, AND FINANCIER CERTIFICATION

A. State Gaming Employee Registration
Fees for State Gaming Employee Registration and renewal will be as follows:

(1) Initial Three-Year Gaming Employee Registration - $185.

(2) Three-Year Gaming Employee Registration renewal - $150.

(3) Registration and renewal fees may be adjusted by mutual agreement three years from the adoption of this amended Compact, or at any time thereafter.

B. Comparison Review
State Gaming Agency licensing personnel and Tribal Gaming Agency representatives will conduct an annual Gaming Employee comparison review. This review will ensure that State Gaming Agency and Tribal Gaming Agency Gaming Employee records agree to one another. The Tribe will reimburse the State Gaming Agency for the actual time it takes for the comparison review. This comparison review will be conducted remotely. Any discrepancies found will be resolved by the Tribal Gaming Agency and notification provided to the State Gaming Agency. Unresolved discrepancies will be resolved in accordance with Section VI.B(3) of this Compact. The Tribal Gaming Agency and the State Gaming Agency will update their respective records as needed.

DRAFT

C. Alternative Fee Agreements

Notwithstanding any other provision of this Compact, the Tribal Gaming Agency and the State Gaming Agency may enter into a Memorandum of Understanding regarding fees.

D. State Certification of Suppliers, Manufacturers and Financiers

The fees for initial and the renewal of State Certification shall be determined pursuant to WAC 230-05 for service suppliers, manufacturers and their representatives. PROVIDED, should actual costs incurred by the State Gaming Agency exceed the stated fees, those costs will be assessed to the Applicants during the investigation process. Payment in full to the State Gaming Agency will be required prior to beginning the investigation for the issuance of State Certification.

IX. TRIBAL ENFORCEMENT OF COMPACT REQUIREMENTS

A. Tribal Regulation

The ultimate responsibility for ensuring the regulation, control and integrity of the Gaming activities authorized by this Compact will be that of the Tribe and/or its delegated designee. The Tribe will provide for and oversee or delegate the following functions:

(1) Enforcement of all relevant laws and regulations in the Gaming Facilities;

(2) Ensuring the physical safety of patrons in the Gaming Facilities; and

(3) Ensuring the physical safety of personnel employed by the Gaming Operation.

B. Tribal Gaming Agency

The primary responsibility for the on-site regulatory compliance of the Gaming Operation authorized by this Compact, and for the enforcement of such compliance on Tribal Lands will be that of the Tribal Gaming Agency. No employee of the Gaming Operation will be a member or employee of the Tribal Gaming Agency.

As part of its structure, the Tribal Gaming Agency will perform the following functions or ensure that they are being performed by the Tribe or its designee, as related to the regulation and integrity of Gaming:

(1) Ensure the physical safeguarding of Gaming assets transported to and from the Gaming Facilities and cashier's cage department;

(2) Protect the patrons' and the Gaming Facilities' property from illegal activity;

(3) Temporarily detain persons who may be involved in illegal acts, for the purpose of notifying law enforcement authorities; and

DRAFT

(4) Record, in a permanent and detailed manner, any unusual occurrences, all incidents requiring further review, alleged violations, and investigations occurring within the Gaming Facilities.

C. Tribal Gaming Agents

(1) Tribal Gaming Agents shall be independent of the Tribal Gaming Operation, and shall be supervised and accountable only to the Tribe through the Tribal Gaming Commission.

(2) A Tribal Gaming Agent shall be present in the Gaming Facilities during such times as prescribed by the Tribe through its Gaming Code in an amount sufficient to perform the Tribal Gaming Agency's responsibilities and duties under the Compact. The Tribal Gaming Agency shall notify the State Gaming Agency of any proposed changes to the Gaming Code that would revise such on-site hours, and no changes in hours will be implemented until the State Gaming Agency has commented or thirty (30) days has lapsed, whichever occurs first.

D. Investigation

(1) The Tribal Gaming Agency shall investigate any reported, observed or suspected violation of the Compact provisions or Gaming Code and shall require the Tribal Gaming Operation to correct the violation upon such terms and conditions as the Tribal Gaming Agency determines are necessary.

(2) If requested by the Tribal Gaming Agency, the State Gaming Agency shall assist in any investigation initiated by the Tribal Gaming Agency and provide other related investigation services for which the Tribe agrees to reimburse the State Gaming Agency for its costs.

E. Reporting of Violations

(1) Any violation of the provisions of this Compact by the Tribal Gaming Operation, a Gaming Employee, manufacturer or supplier of Gaming Services or any person on the premises whether or not associated with the Tribal Gaming Operation shall be reported immediately to the Tribal Gaming Agency. The Tribal Gaming Agency shall notify the State Gaming Agency within seventy-two (72) hours of the time the violation was reported.

(2) The Tribal Gaming Agency shall make available all completed incident and investigation reports and final dispositions to the State Gaming Agency on a continuing basis.

F. Tribal Problem-Gambling Program

The Tribe recognizes that Gaming activities can lead to compulsive behavior that has the same negative consequences as other behavioral addictions. The Tribe agrees to establish an education and awareness program for Tribal Lands and surrounding communities. The program may be independent or developed as an adjunct to the program with which the State currently works. On an annual basis 120 days after the end of the Tribe's fiscal

DRAFT

year, the Tribe will provide information about education, awareness, and treatment program services in its community impacts and contributions report under Appendix X2, Section 14.7 which includes how funding was spent and how the community benefited from the program. The Tribe and State Gaming Agency agree to work together in good faith to share information related to problem gambling best practices and to meet promptly on the request of either party to discuss issues related to problem gambling.

X. COOPERATIVE ENFORCEMENT OF COMPACT REQUIREMENTS

The Tribe recognizes the benefit of cooperative monitoring, investigating, and reporting between the Tribe and State to further the goal of fair and honest Gaming. The cooperative enforcement of the Compact requirements will be conducted as described in this section.

A. State Gaming Agents – Monitoring

(1) The State Gaming Agency shall work cooperatively with the Tribal Gaming Agency to monitor the Tribal Gaming Operation to ensure that it is conducted in compliance with the provisions of this Compact. The State Gaming Agency will coordinate inspections or investigations with the Tribal Gaming Agency prior to onsite monitoring of the Tribal Gaming Operation, unless coordination would compromise the purpose of the inspection or investigation.

(2) State agents shall provide proper identification at the time of inspection to the appropriate Tribal representatives; PROVIDED the State Gaming Agency Director may assign agents to work in an undercover capacity to assist in monitoring the provisions of this Compact. The Tribal Gaming Agency and the State Gaming Agency shall establish protocols that allow the Tribal Gaming Agency to confirm that the State agent is duly authorized by the State to monitor the Tribal Gaming Operation.

(3) Agents of the State Gaming Agency and, as applicable, the Washington Horse Racing Commission, shall have access equivalent to that exercised by the Tribal Gaming Agency to all areas of the Gaming Facility during operating hours with or without giving prior notice to the Tribal Gaming Operation. Following the investigation, and to the extent such disclosure does not jeopardize the investigation or the personal safety of individuals, the State shall provide the Tribal Gaming Agency with a report of the investigation, including information about evidence gathered in connection with the investigation.

B. Access to Records

(1) Agents of the State Gaming Agency may review and copy, during operating hours, all applicable Class III Gaming records maintained by the Tribal Gaming Operation as necessary to verify compliance with provisions of this Compact. However, the State Gaming Agency is mindful of the Tribe's desire for privacy, and agrees to examine all records at the Gaming Facilities, to the extent practical. The State Gaming Agency further agrees that its agents will only retain copies of

DRAFT

records necessary for investigative purposes. Any information shall be deemed strictly confidential and proprietary information of the Tribe and shall not be disclosed except as required under law or the terms of this Compact.

(2) The State Gaming Agency or, as applicable, the Washington Horse Racing Commission, shall notify the Tribe, by certified mail, or by other mutually agreed upon means, of requests for disclosure of the Tribe's information and shall not disclose any such information until the Tribe, the State, or both have had a reasonable opportunity to challenge the request.

C. Investigations

(1) The Tribal Gaming Agency and the State Gaming Agency will have concurrent jurisdiction to investigate violations of the provisions of this Compact, and to bring administrative and criminal charges, in accordance with Tribal laws and the provisions of Chapter 9.46 RCW, Chapter 34.05 RCW, and Chapter 230-17 WAC.

(2) The State Gaming Agency will notify the Tribal Gaming Commission of any alleged violations of the provisions of this Compact and may request the Tribal Gaming Commission take appropriate enforcement and/or corrective action. Failure of the Tribal Gaming Commission to take the action recommended by the State Gaming Agency will constitute a dispute or disagreement between the parties subject to the dispute resolution provisions contained in Section XIV of this Compact.

D. Tribal Gaming Agency Access to State Gaming Agency Records

At the completion of any inspection or investigation, copies of the investigative report will be forwarded to the Tribal Gaming Agency along with copies of evidence and information pertinent to the inspection. The Tribal Gaming Agency may inspect and copy records maintained by the State Gaming Agency concerning Class III Gaming by the Tribe subject to any constraints imposed by the State Gaming Agency's accreditation as a law enforcement agency and status as a member of the Law Enforcement Intelligence Unit.

E. Cooperation With Tribal Gaming Agency

(1) To maintain the partnership for enforcement of the provisions of this Compact, representatives of the Tribal Gaming Agency and the State Gaming Agency shall meet at least once every twelve (12) months to review the regulatory program for the Tribe's Gaming Facilities.

(2) The State Gaming Agency and, as applicable, the Washington Horse Racing Commission, shall promptly notify the Tribal Gaming Agency of any activity suspected or occurring, whether within a Gaming Facility or not, which adversely affects State, Tribal or public interests relating to the Gaming Facilities and

DRAFT

Gaming Operation. PROVIDED, such disclosure shall not compromise the interest sought to be protected.

XI. STANDARDS OF OPERATION

A. Adoption of Standards of Operation and Management

The Tribe's approved and State concurred version of Internal Controls dated June 7, 2017, are effective as of the effective date of this amended and restated Compact as minimum operating standards to govern the operation and management of the Gaming Operation. Any new or revised Internal Controls adopted by the Tribe shall ensure that the interests of the Tribe and the State relating to Class III Gaming are preserved and protected; maintain the integrity of the Gaming Operation; and reduce the dangers of unfair or illegal practices in the conduct of the Class III Gaming Operation.

(1) The Tribal Gaming Agency shall forward to the State Gaming Agency any proposed changes to the Internal Controls for review and concurrence.

a) Each such proposal shall contain a narrative representation of the internal control system, including copies of the forms to be used.

b) The Tribal Gaming Agency shall detail how such changes in the provisions adequately preserve and protect the integrity and security of the standard it is replacing.

c) The State Gaming Agency concurrence with the Tribal Gaming Agency proposal shall be deemed granted after sixty (60) days of receipt of the Tribal Gaming Agency proposal if no disapproval in writing is received from the State Gaming Agency.

d) The State Gaming Agency shall only disapprove such portions of a proposal it finds would have a material adverse impact on public interest or on the integrity of the Gaming Operation and shall detail the reasons for disapproval.

e) The Tribal Gaming Agency shall ensure a proposal is not implemented until the State Gaming Agency has concurred or sixty (60) days has lapsed and the Tribe did not receive a written disapproval within that time.

(2) The Tribe may choose to automate any processes, reports, or data collection provided in the minimum operating standards with advance notice to the State Gaming Agency. PROVIDED, that the Tribal Gaming Agency certifies how the automation maintains the integrity of the Gaming Operation, reduces the dangers of unfair or illegal practices in the conduct of the Class III Gaming Operation, adequately preserves and protects the integrity and security of the control, and

DRAFT

complies with the Compact. This section cannot be used to modify other sections of the Compact.

B. Additional Operation Requirements

(1) At the close of the fiscal year, the Tribal Gaming Operation shall, at its own expense, have its annual financial statements audited in accordance with generally accepted auditing standards by an Independent Accountant.

a) The annual financial statements shall be prepared on a comparative basis for the current and prior calendar or fiscal year and shall present the financial position and results of operations in conformity with generally accepted accounting principles.

b) The Tribal Gaming Operation shall require its Independent Accountant to render the following reports:

i. The audited financial statements, together with the report thereon of the Tribal Gaming Operation's Independent Accountant.

ii. A report on material weakness in accounting and Internal Controls. Whenever, in the opinion of the Independent Accountant, there exists no material weaknesses in accounting and Internal Controls, the report shall say so; and

iii. A report expressing the opinion of the Independent Accountant that, based on his or her examination of the financial statements, the Tribal Gaming Operation has followed, in all material respects, during the period covered by his or her examination, the system of accounting and internal control on file with the Tribal Gaming Agency. Whenever, in the opinion of the Independent Accountant, the Tribal Gaming Operation has deviated from the system of accounting and Internal Controls filed with the Tribal Gaming Agency, or the accounts, records, and control procedures examined are not maintained by the Tribal Gaming Operation in accordance with the Compact and these standards, the report shall enumerate such deviations regardless of materiality, the areas of the system no longer considered effective and shall make recommendations in writing regarding improvements in the system of accounting and Internal Controls.

c) One copy of each of the reports required by paragraphs (ii) and (iii) and copies of any other reports on accounting and internal control, administrative controls, or other matters relating to the Tribal Gaming Operation's accounting or operating procedures rendered by the Tribal Gaming Operation's Independent Accountant, shall be filed with the Tribal Gaming Agency within 120 days following the end of each fiscal year or within thirty

DRAFT

(30) days of receipt whichever is earlier. Notification will be sent to the State Gaming Agency not later than 120 days following the end of the calendar or fiscal year when these statements are available for review. PROVIDED, extensions may be granted for extenuating circumstances by the Tribal Gaming Agency.

C. Rules of the Games

The Tribal Gaming Agency shall notify the State Gaming Agency of the rules of each game operated by the Tribe pursuant to this Compact and of any change in such rules. Summaries of the rules of each game relevant to the method of play and odds paid to winning bets shall be visibly displayed or available in pamphlet form in the Gaming Facilities. Betting limits applicable to any Gaming Station shall be displayed at such Gaming Station. Rules for games identified in Section IV-Class III Gaming Activities shall be submitted to the State Gaming Agency for review, to determine if the rules fundamentally alter the nature of the game. In the event the State Gaming Agency has concerns in regard to a change in the rules, it shall submit such concerns to the Tribal Gaming Agency for its review and comment. The Tribe will provide the State Gaming Agency with ten (10) days advance notice of the rules of each game and any modification thereof, and will provide adequate notice to patrons of the Gaming Facilities to advise them of the applicable rules in effect.

D. Minimum Supervisory Requirements

The Gaming Operation shall provide the Tribal Gaming Agency and the State Gaming Agency with a description of its minimum requirements for supervisory staffing for each Table Gaming Pit operated in its Gaming Facilities, and in the event that the State Gaming Agency regards such supervisory staffing as inadequate, the Tribal and State Gaming Agencies shall promptly confer in good faith in an effort to reach agreement on supervisory staffing requirements.

(1) To ensure integrity, the Tribal Gaming Operation shall maintain detailed security and surveillance logs in accordance with the specifications set out in Tribe's Internal Controls, and in a written or computerized record which shall be available for inspection by the Tribal Gaming Agency and the State Gaming Agency in accordance with Section X(B) of this Compact.

(2) The Gaming Operation shall provide the Tribal Gaming Agency with copies of its floor plan and Closed Surveillance System and any modifications thereof for review by the Tribal Gaming Agency. If the floor plan or Closed Surveillance System does not provide unobstructed camera views in accordance with such regulations, the Tribal Gaming Agency shall modify such floor plan or Closed Surveillance System in order to remedy such deficiency. The Tribal Gaming Agency shall make available to the State Gaming Agency the floor plan and Closed Surveillance System for review and consideration.

(3) The Tribal Gaming Operation shall install a Closed Surveillance System according to the specifications set out in the Tribe's Internal Controls.

DRAFT

(4) The Tribal Gaming Agency shall establish a list of persons barred from the Gaming Facilities because their criminal history or association with career offenders or career offender organizations poses a threat to the integrity of the Gaming activities of the Tribe. The Gaming Operation shall employ reasonable efforts to exclude persons on such list from entry into its Gaming Facilities. The Tribal Gaming Agency shall make a copy of its list available to the State Gaming Agency on a continuing basis. Copies of reports will be forwarded to the State Gaming Agency as requested.

(5) Standards for management and operation of satellite wagering activities shall be consistent with the provisions of this Compact, including Appendix C, and those applicable to non-tribal satellite wagering facilities and activities in the State to the extent not inconsistent with this Compact.

E. Records Retention

(1) All information required in Section XI-Standards of Operation will be documented in a permanent form.

(2) Unless otherwise specified in these standards or exempted by the Tribal Gaming Agency, all forms, records, documents, and required stored data shall:

a) Be located on Tribal Lands or such other location as approved by the Tribal Gaming Agency; and

b) Be retained for at least two (2) years in a manner and location that assures reasonable access by the Tribal and State Gaming Agencies.

XII. JURISDICTION

A. Criminal Matters

(1) Investigative Authority

The Tribal Gaming Agency, Tribal Law Enforcement, the Clallam County Sheriff, the Washington State Patrol, and the State Gaming Agency will have the authority to investigate and make arrests if necessary for all gambling and related crimes against the laws of the Tribe and applicable laws of the State that occur within the Gaming Facilities or within Tribal Lands.

(2) Jurisdictional Forums

Following investigation and arrest, formal charges will be brought in the appropriate venue. Criminal prosecution of non-Indians will be through the proper State or Federal Courts. Criminal prosecution of Indians will be through the proper Tribal Court, State or Federal Courts.

DRAFT

B. Civil Matters

(1) Concurrent Jurisdiction

The Tribal Gaming Agency and the State Gaming Agency will have concurrent jurisdiction to investigate violations of the provisions of this Compact and to bring administrative charges in the appropriate forum, in accordance with Tribal Laws or the provisions of Chapter 9.46 RCW and Chapter 230-17 WAC, made applicable by this Compact, against any individual or entity that is licensed by the Tribal Gaming Agency, or certified by the State Gaming Agency in accordance with the provisions of this Compact.

(2) Tribal Jurisdiction

Civil disputes arising from the conduct of Gaming under the Gaming Code may be heard in the Northwest Intertribal Court or appropriate administrative forum as established by the Gaming Code.

C. Sanctions and Civil Fines

(1) The Tribal Gaming Agency and State Gaming Agency may impose fines and other sanctions against the Gaming Operation, a Gaming Employee, or any other person directly or indirectly involved in, or benefiting from, the Gaming Operation for violations of the Compact provisions or Gaming Code. The Tribal Gaming Agency and the State Gaming Agency shall enter into a Memorandum of Understanding, which may be amended from time to time, to define the schedule of fines and sanctions.

(2) Any penalties collected shall be distributed to a non-tribal, bona fide nonprofit or charitable organization in the State of Washington selected by the Tribe. Any civil fines assessed pursuant to the provisions of this Compact shall be paid within thirty (30) days of assessment.

D. Limited Application of State Law

For the purposes of 18 U.S.C. § 1166(d) and enforcing the provisions of this Compact, and of protecting the public health, safety and welfare, and to the extent not inconsistent with other provisions of this Compact, RCW 9.46.0269; 9.46.075; 9.46.140; 9.46.155; 9.46.160; 9.46.170; 9.46.180; 9.46.185; 9.46.190; 9.46.196; 9.46.1961; 9.46.1962; 9.46.198; 9.46.210 (3) & (4); 9.46.215; 9.46.220; 9.46.221; 9.46.222; 9.46.225; 9.46.228; 9.46.231; 9.46.235; 9.46.240; 9.46.410; 10.97.030; 67.16; 67.70; and 74.08.580; as now or hereinafter amended, shall be applicable and incorporated herein as part of this Compact and the Tribe consents to this transfer of jurisdiction to the State with respect to Gaming on Tribal Lands.

E. Preservation of Tribal Self-Government

Nothing in this Compact will be deemed to authorize the State to regulate in any manner the government of the Tribe, or to interfere with the Tribe's selection of its governmental officers, including members of the Tribal Gaming Agency. No licensing or registration

DRAFT

requirement contemplated by this Compact will be applicable to such officers with respect to their capacity as officers of the Tribe.

F. Law Enforcement Coordination

In an attempt to foster a spirit of cooperation between the Tribal Law Enforcement and Local Law Enforcement Agencies authorized to enforce the criminal laws of the State, the Tribe and those laws affecting the public health, safety and welfare of the surrounding communities, representatives of those Law Enforcement Agencies shall meet periodically or as requested by any of the Law Enforcement Agencies to discuss mutual concerns and coordinate the enforcement actions necessary to minimize those concerns.

XIII. REIMBURSEMENT FOR REGULATORY EXPENSES INCURRED BY THE STATE GAMING AGENCY

The Tribe agrees to pay an annual Regulatory Fee in accordance with Appendix X2, Section 13, as now or hereafter amended.

XIV. DISPUTE RESOLUTION

A. Introduction

In recognition of, and consistent with, the government-to-government relationship of the Tribe and State, the parties shall make their best efforts to resolve disputes by good faith negotiations whenever possible. Therefore, the parties hereby establish a method of non-judicial dispute resolution in order to foster a spirit of cooperation and efficiency in the administration and monitoring of performance and compliance by each other with the terms, provisions and conditions of this Compact.

B. Dispute Resolution Alternatives

(1) Meet and Confer

In the event of a dispute or disagreement between the parties regarding the implementation and compliance with any terms, conditions, and provisions of this Compact, or otherwise by mutual agreement of the parties, disputes shall be resolved as follows:

a) Either party shall give the other, as soon as possible after the event giving rise to the concern, written notice setting forth the nature of the dispute (including reference to the relevant portions of this Compact), and the issues to be resolved.

b) The parties shall meet and confer in a good faith attempt to resolve the dispute through negotiation not later than twenty (20) business days from receipt of the notice.

DRAFT

(2) Mediation

If the dispute is not resolved to the satisfaction of either party within twenty (20) business days of the first meeting, then the parties, by agreement, may seek and cause to have the dispute resolved by formal mediation, in which event the parties shall use their best efforts to select a mediator as soon as possible. The mediator's fees and attendant costs of mediation shall be borne equally by the parties.

The parties understand that informal and formal mediation may not always lead to satisfactory results. In the event either party is dissatisfied with informal and/or formal mediation, they may seek judicial resolution of any disagreement relating to the administration, monitoring of performance and compliance with the terms, provisions and conditions of this Compact. However, the parties are free under this Compact to agree to other alternative dispute resolution mechanisms.

(3) Standard Arbitration

a) In the event informal and/or formal mediation fails to resolve the dispute between the parties, the parties may choose by mutual agreement to resolve the dispute by arbitration. In no event may the request be made earlier than twenty (20) days after a party has properly notified the other party under the procedures set forth in Section XIV(B).

b) Sites for such arbitrations shall alternate between Jamestown S'Klallam Tribal Lands and the State Gaming Agency or Washington Horse Racing Commission offices, as applicable, after each arbitration dispute, as follows: the first arbitration dispute, until completed, shall be held on Jamestown S'Klallam Tribal Lands; the next arbitration dispute, until completed, shall be held at the State Gaming Agency or Washington Horse Racing Commission offices; and so forth.

c) In the event the parties agree to arbitration, the Tribe and the State Gaming Agency shall, within five (5) days, agree upon an arbitrator to decide the matter at issue, or agree upon a procedure for the selection of an arbitrator. The parties shall also agree on the rules, policies and procedures to be used in the arbitration.

d) The arbitration, unless another date is stipulated to by the parties, shall occur no later than fourteen (14) business days from the date an arbitrator is named. The arbitrator may, in his or her discretion, impose a case management schedule on the parties to provide for reasonable time needed for discovery, fact gathering, expert witnesses, etc. Time periods shall be reasonable and necessary as required by the circumstances, without providing undue delay. In all circumstances, however, the arbitrator shall issue a final decision no later than one (1) year from the initial written request for arbitration. The parties may, by mutual agreement, continue the mediation process set out in Section XIV(B)(2) until the arbitration begins.

DRAFT

e) The decision of the arbitrator shall be final for the purpose of concluding the non-judicial phase of the arbitration process, but the final decision of the arbitrator may be subject to judicial review.

f) The arbitrator shall, consistent with this Compact, have the power to impose fines and award equitable relief in his or her discretion and as the circumstances warrant.

g) Each party to the arbitration shall bear its own costs and attorney fees, and the costs of the arbitrator(s) shall be borne equally by the parties.

C. Limited Waiver of Sovereign Immunity

The Tribe and the State agree and understand that waivers of sovereign immunity defenses must be express and unambiguous, and are narrowly construed. Nothing contained in this Compact shall be construed or interpreted to be a consent, grant or waiver of any sovereign right or immunity either the Tribe and/or its citizens or the State enjoy, except as expressly provided hereinafter:

(1) The Tribe hereby agrees to a limited waiver of sovereign immunity for the sole purpose, and no other purpose, of consenting to the suits specified in Section XIV(B) of this Compact, such waiver to be in effect only so long as this Compact is in effect, but in no event shall the limited waiver be construed to allow for monetary relief against assets of the Tribe other than revenue from the Gaming Facility or from the sale of gaming-related assets.

(2) The State and the State Gaming Agency represent and acknowledge that the State has waived its sovereign immunity with respect to suits interpreting or enforcing any contract to which the State and/or its subordinate agencies have entered into with a private party, which includes an Indian tribe. See RCW 4.92.010 and *Architectural Woods, Inc. v. Washington*, 92 Wn.2d 521, 598 P.2d 1372 (1979). In addition, the State and the State Gaming Agency represent and acknowledge that the State has waived its immunity from those suits set forth in RCW 9.46.36001. Notwithstanding such statutory waivers of immunity, the State hereby reiterates and agrees to a limited waiver of sovereign immunity for the sole purpose, and no other purpose, of consenting to the suits specified in Section XIV(B) of this Compact, and any other suits set forth in RCW 9.46.36001, such waivers to be in effect only so long as this Compact is in effect.

D. References

The parties are aware that some sections of this Compact contain an explicit reference to Section XIV in the event a dispute arises under that section. Notwithstanding such explicit references, and with respect to all other sections of this Compact, it is the parties' intent that any dispute of whatever kind, type or nature arising under this Compact shall be subject to the provisions of Section XIV.

DRAFT

XV. REMEDIES

A. Injunction Against the State

If the Tribe believes the State, whether or not through the State Gaming Agency, is in breach or default or is otherwise acting contrary to or failing to act in the manner required by the provisions of this Compact, the Tribe may bring an action to seek injunctive or other relief in a court of competent jurisdiction. Prior to bringing such action the Tribe will notify the State and State Gaming Agency of the alleged violation(s). For purposes of this remedy, the State consents to this suit and waives any defense it may assert by way of its sovereign immunity.

B. Injunction Against the Tribe, the Tribal Gaming Operation, or any Individual

The State may bring an action to enjoin the Tribe, the Tribal Gaming Operation, or any individual if the State determines that any Gaming authorized by the provisions of this Compact is being conducted in violation of the provisions of this Compact, or if any Class III Gaming activity is being conducted on Tribal Lands in violation of the provisions of this Compact. Such action will be brought in the U.S. District Court, pursuant to 25 U.S.C. § 2710(d)(7)(A)(ii). Prior to bringing such action, the State will notify the Tribe of the alleged violation(s). For purposes of this remedy, the Tribe consents to this suit and waives any defense it may assert by way of its sovereign immunity.

XVI. LIMITATION OF LIABILITY

Neither the Tribe nor the State are creating, or intend to create, any rights in third parties which would result in any claims of any nature whatsoever against the Tribe or the State as a result of this Compact. Neither the Tribe nor the State have waived their immunity from third party suits or claims of any kind or nature whatsoever against them, and nothing contained in this Compact shall be construed to effect a waiver, in whole or in part, of said immunity.

XVII. EFFECTIVE DATE, DURATION, AND AMENDMENTS

A. Effective Date

This amended Compact will be effective upon publication of notice of approval by the Secretary of the Interior of the United States in the Federal Register in accordance with 25 U.S.C. § 2710(d)(3)(B).

B. Termination

This Compact will be in effect until terminated by written agreement of both parties, under the provisions of IGRA. PROVIDED, the Tribe will provide written notice to the Governor of the State sixty (60) days prior to termination of the Compact. Suspension of or an injunction against Class III Gaming activities will not constitute termination for the purpose of this subsection.

DRAFT

C. Subsequent Negotiations

Nothing in this Compact will be deemed to waive the right of the Tribe to request negotiations for a Tribal-State Compact with respect to a Class III Gaming activity which is to be conducted on Tribal Lands, but is not permitted under the provisions of this Compact, including forms of Class III Gaming which were not permitted by the State for any purpose by any person, organization, or entity at the time when this Compact was negotiated or amended but are subsequently so permitted by the State, in accordance with 25 U.S.C. § 2710(d)(3)(A).

D. Enactment of Compact Provisions

Pursuant to the general rule-making authority of the agencies, the Tribal Gaming Agency or the State Gaming Agency may each enact all or part of the provisions of this Compact as part of their regulations or rules governing Gaming.

E. Revision of State Regulations

Whenever the State adopts or revises any rule or regulation which corresponds to any provision of the Tribe's standards of operations and management as set forth in Section XI(A) relating to the same type of Gaming, the State Gaming Agency may notify the Tribal Gaming Agency that it requests analogous changes in such Standards. The Tribal Gaming Agency will promptly confer with the State Gaming Agency in good faith concerning the appropriateness and applicability of such changes.

F. Change of State Law

If the laws of the State authorizing the activities set forth herein as Class III Gaming activities are repealed, thereby prohibiting such Gaming for any purpose by any person, organization or entity, it is the State's position that the provisions of this Compact providing for such Gaming would not be authorized and the continued operation of such Gaming would constitute a violation of the Compact for which the State could bring an action in Federal District Court pursuant to 25 U.S.C. § 2710(d)(7)(A)(ii).

The Tribe disagrees that such subsequent State legislation would have this effect under the provisions of the IGRA and this Compact, but does agree that such an action, if commenced in that forum, is the appropriate State recourse and for that purpose consents to the suit and waives any defense it may assert by way of its sovereign immunity.

Notwithstanding any other provisions of this Compact, if the laws of the State authorizing any Class III Gaming activities are so repealed, the State may bring an action as set forth above only after it provides twenty (20) business days written notice to the Tribe of the State's intention to being such action and affords the Tribe a reasonable opportunity to meet and confer with the State in a good faith attempt to resolve the issue(s) intended to be addressed by such action.

G. Clarification, Amendments, and Renegotiations

(1) Compact Clarification

The parties recognize that circumstances may arise in implementation, operation, and regulation of the Class III Gaming Facilities that require clarification of Compact provisions. For such mutually agreed-upon clarification, the State and

DRAFT

Tribe will execute and sign a Memorandum of Understanding that will be attached to and made part of this Compact.

(2) Amendments

The terms and conditions of this Compact may be amended at any time by the mutual and written agreement of both parties. The parties will amend through renegotiation the nature and/or scope of Class III Gaming as set forth in this Compact upon written notice and request by the Tribe to the State, if and when:

a) The laws of the State are amended, expanding Gaming beyond that which is now allowed under the terms of this Compact; or

b) A State or Federal court within the State of Washington or a Federal court interpreting the laws of the State of Washington issues a final and un-appealable decision permitting participation in a Gaming activity that was not authorized for any purpose by any person, organization, or entity at the time this Compact was executed or not authorized by this Compact; or

c) In the event that the State enters into or amends a compact with another tribe that is approved by the Secretary of the Interior and such agreement gives any such tribe more Gaming Facilities, activities, stations or higher wager limits, or any combination thereof than is provided under the terms of this Compact, the Tribe and the State will immediately move to amend the Compact to include the same terms and conditions granted to the other tribe.

(3) Renegotiation

Either party may in writing request renegotiation of any of the provisions of this Compact if and when circumstances or events unforeseen at the time of the negotiation and execution of this Compact occur, or which could not be adequately addressed at the time of negotiation, that merit the discussion and renegotiation of such provisions. The parties agree that negotiations will commence within thirty (30) days of the request. The terms and provisions of the Compact will remain in effect unless and until the parties agree on the renegotiated terms.

(4) State Authorization of Additional Class III Gaming Activities

In the event the State hereafter authorizes any additional Class III activity, the Tribe will be authorized to conduct such activity prior to completion of the subsequent negotiations as provided in this Compact, if such activity is conducted in accordance with all of the limitations, regulations and requirements of the State.

(5) Process and Negotiation Standards

The parties will confer and the required negotiations will commence within thirty (30) days of a request to amend or renegotiate. All matters involving negotiations

DRAFT

or other amendatory processes under this section will be otherwise governed, controlled and conducted in conformity with the provisions and requirements of 25 U.S.C. § 2710(d), except in subsections where a different resolution is specifically provided in the event of an unsettled dispute or where agreement is not reached by the parties.

XVIII. NOTICES

All notices required or authorized to be served will be in writing and will be sent by first class or priority mail or be delivered by other expedited service to the following addresses:

Tribal Chairman
Jamestown S'Klallam Tribe
1033 Old Blyn Highway
Sequim, Washington 98382

Governor
State of Washington
State Capitol
Olympia, Washington 98504

Director
Washington State Gambling Commission
P. O. Box 42400
Olympia, Washington 98504-2400

XIX. SEVERABILITY

In the event that any section or provision of this compact is held invalid, or its application to any particular activity held invalid, it is the intent of the parties that the remaining sections of the Compact, and the remaining applications of such section or provision will continue in full force and effect.

IN WITNESS WHEREOF, the Jamestown S'Klallam Tribe and the State of Washington have executed this Compact.

THE JAMESTOWN S'KLALLAM TRIBE

BY:_____
W. RON ALLEN
Chairman, Jamestown S'Klallam Tribe

DATED:_____

STATE OF WASHINGTON

BY:_____
JAY INSLEE
Governor

DATED:_____

DRAFT

JAMESTOWN S'KLALLAM TRIBE– STATE OF WASHINGTON
CLASS III GAMING COMPACT

APPENDIX C

RULES GOVERNING CLASS III GAMING ON THE JAMESTOWN S'KLALLAM RESERVATION

SECTION 1. SATELLITE (OFF-TRACK) WAGERING ON HORSE RACES

4.1 DEFINITIONS.

4.1.1 "Conventional parimutuel pool" means the total wager under the parimutuel system on any horse or horses in a particular race to win, place, or show.

4.1.2 "Commission Regulations" means Title 260 WAC.

4.1.3 "Exotic parimutuel pool" means the total wagers under the parimutuel system on the finishing position of two or more horses in a particular race, such as Quinella or Exacta wagers, or on horses to win two or more races, such as Daily Double wagers, Pick Six wagers, or on other wagers other than conventional parimutuel pool wagers.

4.1.4 "Horse Racing Law" means Chapter 67.16 RCW.

4.1.5 "Parimutuel wagering" means a form of wagering on the outcome of horse races in which those who wager purchase tickets of various denominations on a horse or horses in one or more races. When the outcome of the race or races has been declared official, there is a distribution of the total wagers comprising each pool, less any amounts permitted to be retained by law or under this Compact, to holders of winning tickets on the winning horse or horses.

4.1.6 "Satellite Wagering" means parimutuel wagering on simulcast results.

4.1.7 "Satellite wagering facility" means any facility in which satellite wagering is conducted.

4.1.8 "Simulcast" means the simultaneous television or radio transmission of a race to a facility other than where the race meet is being held.

4.1.9 "Wagering employee" means any person who is employed by the Tribe or at any satellite wagering facility hereunder to handle any

DRAFT

monies, materials, records or equipment related to the satellite wagering permitted herein, or who supervises any person who does so or supervises any such supervisor.

4.1.10 Except as otherwise provided herein, meanings ascribed to terms used in the Horse Racing Law and the Commission Regulations are hereby adopted by reference wherever such terms are used in this Compact.

4.2 APPLICABILITY OF LAWS. Wagering at the Jamestown S'Klallam tribal satellite wagering facility will be conducted in accordance with this Compact, the Indian Gaming Regulatory Act, the Interstate Horseracing Act, any ordinances or regulations adopted by the Tribe, and Washington Horse Racing Laws as made applicable herein. Nothing herein shall otherwise be deemed a prohibition upon or limitation upon tribal operation of a satellite wagering facility by the Tribe or on behalf of the Tribe.

4.3 REGULATION OF SATELLITE (OFF-TRACK) WAGERING.

4.3.1 Wagering Permitted. The Tribe is entitled to operate a single satellite wagering facility pursuant to this Compact subject to the following terms and conditions:

a. Unless permitted in accordance with subparagraph c., below, Tribe may conduct satellite wagering only on events simulcast from any Washington State track (whether of a live race, or an authorized simulcast of an out-of-state signal) on the same terms and conditions permitted any other satellite wagering facility in the State without limitation on the distance such tribal facility is from a live race meet, provided, the Tribe is entitled to receive simulcast signals from each Washington State track on terms at least as advantageous as those made available by such track to any other satellite facility operated at a track holding a Class A or Class B Washington Horseracing Commission license or at any other facility operated or leased by an entity holding such a license. Negotiations conducted between the Tribe and the track shall cover areas including, but not limited to, the following: percent of handle received; equipment required and who provides such equipment; who provides wagering employees; and how and on what schedule funds will be transferred. All wagers accepted at the tribal facility on such events shall be made into the parimutuel pool of the Washington State track which provides the simulcast signal, and shall be deemed to have been made at the location of such pool for the purposes of assessment of fees, charges, taxes or other assessments. Nothing herein shall prohibit assessment by the Tribe of taxes, fees or other charges for wagering conducted at the tribal facility, nor shall the State or any of its political subdivisions be authorized to

DRAFT

impose any taxes, fees, charges or assessments upon the Tribe or any person or entity authorized to conduct such activities on behalf of the Tribe for the satellite wagering activities regulated hereunder, other than those generally applicable to the parimutuel pool.

b. In the event the Tribe believes it is not offered simulcast signals from a Washington State track on terms at least as advantageous as those made available by such track to the other satellite wagering operators as set forth in subparagraph a., above, the Tribe may request a formal determination from the Commission. The sole issues in such determination will be whether the Washington State track provides terms to those other satellite wagering operators which are more advantageous than those offered to the Tribe and, if so, what terms are less advantageous to the Tribe. Provided, the Commission shall conduct a hearing and render a decision within ninety (90) days after receipt of the request for a determination from the Tribe, and further provided, that if the Commission decision is not rendered within that time, the Tribe is entitled to conduct satellite wagering in accordance with the provisions of subparagraph c., below. If the Commission determines that the terms offered the Tribe are less advantageous, the Washington State track shall have thirty (30) days to offer terms that are at least as advantageous to the Tribe, or the Tribe will be entitled to conduct satellite wagering in accordance with subparagraph c., below. If the Tribe disputes the determination of the Commission regarding whether the terms offered to the Tribe are less advantageous, the Tribe or State may request arbitration under Section XII.B of this Compact.

c. If, following an adverse determination from the Commission, the Washington State track does not offer the terms identified by the Commission in accordance with subparagraph b., above, the Tribe shall be entitled to negotiate for and receive simulcast signals from out-of-state races for an equivalent number of races, to be offered within the subsequent twelve (12) month period, on such terms and conditions as it may obtain. Acceptance of signals from out-of-state tracks shall be made in compliance with the Interstate Horseracing Act, 15 USC §3001, et seq. Nothing in this section (Section 4) shall be deemed to limit acceptance of satellite wagers to the extent permitted under the Interstate Horseracing Act. Consent of the Commission, as required under the Interstate Horseracing Act shall not be unreasonably withheld. For disputes concerning whether the Commission has unreasonably withheld its consent, the Tribe or the State may request arbitration under Section XII.B of this Compact.

DRAFT

4.3.2 Hours of Operation. The wagering authorized in the Tribe's satellite wagering facility shall be conducted within the hours authorized for Class III gaming under this Compact. Provided, however, when a track providing a simulcast to the tribal facility operates outside the Tribe's regularly scheduled 80 hours of operation, then the satellite wagering portion of the Class III facility authorized under this Compact may be open to the public during the time the sending track is open to the general public.

4.3.3 Approval of Facility. Subject to approval of the physical adequacy of the facility, the Jamestown S'Klallam Reservation is hereby approved as location for the conduct of satellite wagering as permitted under this Compact. The right of the Tribe to conduct satellite wagering from a facility at such location shall not be affected by its distance from any live race meet being broadcast to such facility, and statutes and regulations imposing distance limitations on the location of satellite wagering facilities relative to live race meets, including but not limited to RCW 67.16.200(c), shall not be applicable to the Tribe.

4.3.4 Wagering Rules. All of the rules set forth in Chapter 260-48 WAC ("Mutuels") are hereby incorporated by reference as being applicable to any satellite wagering facility authorized hereunder, subject to the following qualifications:

4.3.4.1 References therein to "racing associations" shall mean the Tribe.

4.3.4.2 References therein to "enclosure of any race track" shall mean the satellite wagering facilities authorized hereunder.

4.3.4.3 Parimutuel machines shall be locked at the time and by the same means as are applicable to parimutuel machines at other satellite wagering facilities within the State or as otherwise required by the parimutuel pool operator at the host race track or other authorized source, if different therefrom, but in all cases prior to the start of any race for which bets are being accepted.

4.3.4.4 References to "the manager of the parimutuel department" shall refer to any person appointed to manage the satellite wagering facility authorized under this Compact.

4.3.4.5 The Tribe may accept exotic bets, including but not limited to daily doubles, quinellas, exactas, wagering on "short fields", daily triples, "Pick n", trifectas, and other exotic bets to the

DRAFT

extent made available through parimutuel pools by the parimutuel pool operator.

4.3.5 Other Facilities Within Area. In the event the Commission considers allocation of exclusive or limited areas in which satellite wagering facilities may be located, the Commission will give good faith consideration to designating the Jamestown S'Klallam satellite wagering facility as one of those exclusive or limited area satellite wagering sites. Notwithstanding the foregoing, the conduct of satellite wagering at any other facility, including a live racing facility, in the State shall not affect the right of the Tribe to operate its satellite wagering facility at any time.

4.3.6 Amounts Received by Tribe. The Tribe may receive from parimutuel wagers made at its satellite wagering facility such amounts as may be negotiated between it and the operator of the parimutuel pool (track).

4.3.7 Security Control. The Tribe shall maintain such security controls over any satellite wagering facility authorized hereunder as would be required by the Commission for a comparable facility off the Reservation. The Tribe shall remove, deny access to, eject or exclude persons whose presence within such facility would be contrary to the interests of the Tribe or the State in operating an honest, legitimate facility or in meeting the goals and objectives of this Compact or the Act.

4.3.8 Accounting Practices and Audits. Any satellite wagering facility authorized hereunder shall maintain its books and records in accordance with generally accepted accounting principles and such rules and regulations, if any, as are applied to satellite wagering facilities in the State.

DRAFT

JAMESTOWN S'KLALLAM TRIBE - STATE OF WASHINGTON
CLASS III GAMING COMPACT

APPENDIX D

Class III Gaming Station Transfer Agreement

This Class III Gaming Station Transfer Agreement ("Agreement") is made and entered into between _____ ("Transferor"), and _____ ("Transferee"), and the State of Washington ("State") for purposes of transferring authority and use of Class III Gaming Stations between Tribes which have entered into Tribal - State Compacts for Class III Gaming with the State and as a Memorandum of Understanding between the State and Tribal parties authorizing and memorializing the transfer.

AGREEMENT

1. TRANSFER. Transferor hereby transfers and assigns to Transferee, for the Term set forth below, all of Transferor's Class III Gaming Station authority for the use of _____Class III Gaming Stations to which Transferor is now or may hereafter become entitled during the Term of this Agreement.

2. TERM. The Term of this agreement, and all rights and authority granted hereby, shall be from _____ , 20__ through _____, 20 ___and shall commence at 12:01 A.M. on the first date entered above and expire 11:59 P.M. on the last date entered above unless other hours are so specified herein.

3. REPRESENTATIONS AND AGREEMENTS. Transferor represents and agrees that it is or will become at the commencement of the term of this Agreement, capable and authorized to utilize the number of Class III Gaming Stations noted above, that no other grant or transfer of any rights relative to the number of Class III Gaming Stations which would conflict with the authority transferred hereby has occurred or will occur, and that it fully waives and

DRAFT

surrenders the right to utilize the number of Class III Gaming Stations noted above for the term of this Agreement. Transferee represents and agrees that it is legally authorized to utilize Class III Gaming Stations and is capable and authorized to accept the transfer of authority herein. State represents and agrees that both Transferor and Transferee are authorized under its terms of valid Tribal - State Compacts to utilize Class III Gaming Stations, and, that upon execution of this Agreement by the parties, Transferor and Transferee may effectuate the transfer of authority for the use of the number of Class III Gaming Stations specified for the term of this Agreement.

4. ENTIRE AGREEMENT. This agreement contains the entire agreement of the parties as to the legal capabilities and authorizations for the transfer specified herein. No party is relying on any statement, representation or documentation which is not contained or referenced in this Agreement. Transferor and Transferee may enter into separate agreements related to the utilization of Class III Gaming Stations transferred hereby, PROVIDED, that the terms of such separate agreements shall not affect the legal capabilities and authorizations for the transfer specified herein.

IN WITNESS WHEREOF, the parties have duly executed this Class III Gaming Station Transfer Agreement.

Transferee _____ Transferor _____

By: _____ _____ By: _____

DRAFT

JAMESTOWN S'KLALLAM TRIBE - STATE OF WASHINGTON
CLASS III GAMING COMPACT

APPENDIX E
RULES AND REGULATIONS FOR PLAYING KENO

Table of Contents

SECTION 1 DEFINITIONS 1
SECTION 2 RULES OF PLAY 3
SECTION 3 TICKETS 4
SECTION 4 PRICE OF PLAY 4
SECTION 5 PRIZES 4
SECTION 6 DRAWINGS OF WINNING NUMBERS 5
SECTION 7 VERIFICATION REQUIREMENTS AND CONTROLS 5
SECTION 8 REPORTS 6
SECTION 9 SYSTEM SECURITY STANDARDS 7
SECTION 10 TESTING AND APPROVAL STANDARDS 8

DRAFT

APPENDIX E
RULES AND REGULATIONS FOR PLAYING KENO

SECTION 1 DEFINITIONS

A. “Ball draw equipment” means any mechanical device, apparatus, or equipment which facilitates the random selection of numbered Keno balls

B. "Game Grid" means the consecutively numbered field from one (1) to eighty (80) numbers on which Winning Numbers and Winning Plays are designated.

C. "Informational Materials" means printed materials explaining rules of play; prizes; deadlines for redeeming prizes; and rules concerning splitting of prizes when necessary.

D. "Inside Ticket" means a form on which the players indicate their selections, which may include a request for a Quick Pick Selection to be issued through the use of a Quick Pick Device.

E. “Keno” means a numbers game where players choose from one to ten numbers out of a pool of eighty and winners are determined by correctly matching selected numbers to twenty randomly selected numbers.

F. "Keno Manager" means the person responsible for controlling Keno department operations, who safeguards Keno assets and ensures compliance with applicable laws and regulations.

G. "Keno Runner" means any person authorized by the Tribal Gaming Commission to accept completed Inside Tickets, and the prices thereof, and to return Outside Tickets and prizes won, acting as an agent of the player.

H. "Keno Shift Manager" means the person responsible for all Keno department operations during his or her assigned shift.

I. "Keno Shift Supervisor" means the person who in the absence of the Keno Shift Manager is responsible for all Keno department operations during his or her assigned shift.

J. “Keno System” means the collection of hardware and software components which facilitate the play, reporting, and security of the Keno game. The System includes: number selection devices, databases, servers, networking devices, management terminals, kiosks, and other components used as integral parts of the Keno game

K. "Keno Writer" means a person who operates the Random Number Generator authorized by the Tribal Gaming Commission to select Winning Numbers for each game, and is also authorized by the Tribal Gaming Commission to validate completed Inside Tickets, verify and accept the authorized price thereof, issue Outside and Quick Pick Tickets, and make payments for winning Outside Tickets.

L. “Kiosk” means an employee staffed computer or device, where Keno tickets may be purchased or redeemed.

DRAFT

M. "Number" or "Spot" means any of the numbers on the Game Grid.

N. "Outside Ticket" means the computer generated and printed form which indicates the numbers selected and conditions of the wager made by a player on an Inside Ticket, which may be a Quick Pick Selection.

O. "Play" means a selection of one or more groups of up to twenty (20) numbers in one (1) to twenty-six (26) groups. No Play or wager shall be deemed made until an Outside Ticket has been issued by a Keno Writer in receipt for an Inside Ticket and the prices of Plays indicated thereon.

P. "Promotional Prize" means a prize established by management and approved by the Tribal Gaming Commission for promotional purposes, and which deviates from the Standard Prize.

Q. "Quick Pick Device" means a Random Number Generator authorized by the Tribal Gaming Commission for making Quick Pick Selections.

R. "Quick Pick Selection" means any Play made through the use of a Quick Pick Device.

S. "Quick Pick Ticket" means the form of an Outside Ticket designated by the Tribal Gaming Commission issued through the use of a Quick Pick Device.

T. “Rabbit Ears” means a device, generally V-shaped, that is attached to the Keno blower and holds the numbered balls selected during a Keno game so that the numbers are visible to players and employees.

U. “Random number generator” means a hardware or software component which randomly generates Keno numbers.

V. "Standard Prize" means the standard prizes established by management and approved by the Tribal Gaming Commission for matching a required quantity of player or quick pick selected numbers with Winning Numbers in any given game.

W. “Ticket” means a physical ticket issued to a player which includes applicable game play and wagering information.

X. “Transaction log” means a record of the information printed on each ticket which is either recorded electronically by the system or printed out physically.

Y. “Win” means prizes paid.

Z. "Winning Numbers" means the twenty (20) numbers, from one (1) to eighty (80), which are randomly selected for each game.

AA. "Winning Plays" means those combinations of numbers entitled to Standard Prizes or Promotional Prizes.

DRAFT

BB. “Write” means gross revenue from Keno ticket sales.

CC. “Writer” means Keno employee who staffs a Kiosk.

DD. "Way" means a “Play” when more than one “Play” is made on the same “Inside Ticket”.

SECTION 2 RULES OF PLAY

A. Twenty (20) numbers are randomly drawn by the house for each game. The game is played by matching players' numbers with those drawn by the house. Predetermined prizes are awarded based on how many matching numbers are drawn.

B. Players make Plays by directly marking their selections on an Inside Ticket, requesting a Quick Pick Selection or by requesting the replay of an Outside Ticket from a previous game.

C. The player's Inside Ticket must be validated by a Keno Writer and paid for before it is placed in play. No Play shall be deemed made until an Outside Ticket verifying the validity of and receipt of the authorized price for the Inside Ticket has been issued by a Keno Writer. No Play may be validated after a Keno Writer declares the game closed. All games shall be closed at least five (5) seconds before the Winning Numbers are selected.

D. The game is played when and where the Outside Tickets are validated by a Keno Writer, and shall be deemed completed when a Keno Writer selects the twentieth (20) Winning Number. All selections of Winning Numbers by a Keno Writer shall be conducted in full view of the public. All numbers selected will be prominently displayed immediately upon selection.

E. A Winning Play is achieved when the Play results in a quantity of player or Quick Pick selected Numbers matching Winning Numbers which have been drawn for that game. Management shall publish in the Informational Materials a Standard Prize schedule, and any Promotional Prizes to be offered, as approved by the Tribal Gaming Commission.

F. After selection of the twentieth (20) Winning Number, the Keno Shift Manager or Keno Shift Supervisor will verify the numbers drawn for the game and authorize payment of prizes due in connection therewith. The Keno Manager or other gaming operation manager will personally authorize payments of all prizes of $4,000.00 and over. Unless otherwise specified by the Tribal Gaming Commission prior to the game, winning Outside Tickets which are not submitted for verification within five (5) games of the last game number shown on the Outside Ticket shall be void, and any prize to which the holder of such Outside Ticket would have been entitled shall be forfeited.

G. Any player who claims to have won a prize must present a validated Outside Ticket to a Keno Writer. In addition, the claimant may be required to complete a claim form and submit it prior to validation and payment. The apparent winning Outside Ticket must be presented in person, or through the services of a Keno Runner acting as the player's agent. In addition, a player may be required to complete any applicable tax forms prior to receiving payment, which may be subject to the deduction of withholding taxes.

H. A Keno Writer will promptly present the prize to the claimant in payment of the amount due, less any withholding required, or will notify the claimant that the Outside Ticket is not a

DRAFT

Winning Play, is not entitled to a prize, and that the claim is denied. Non-winning Outside Tickets may be retained by management, and not returned to the claimant.

SECTION 3 TICKETS

A. Players select the numbers they wish to play on the form provided (Inside Ticket) and purchase a ticket from a kiosk (Outside Ticket).

B. The Outside Ticket includes the numbers selected, date, game number, conditioning, ticket sequence number and the kiosk number.

C. Matching information from the ticket is written concurrently to the Transaction log.

D. When it is necessary to void a ticket, the void information is input into the system which documents the appropriate information pertaining to the voided wager (e.g., void slip is issued or equivalent documentation is generated).

E. Physical and operational controls should prevent the writing and voiding of tickets after a game has been closed and after the number selection process has begun.

F. Copies of all Keno tickets shall be maintained for at least 7 days.

SECTION 4 PRICE OF PLAY

The price of each Play shall be established by management and approved by the Tribal Gaming Commission. The total cost for purchasing an Outside Ticket shall equal the sum of prices for all Plays designated on the Inside Ticket. Management may, but shall not be required to, offer special prices for Promotional Plays and Ways, as approved by the Tribal Gaming Commission.

SECTION 5 PRIZES

A. The prize amounts to be paid to each player who selects a winning combination of numbers shall be determined by management as approved by the Tribal Gaming Commission, and the prize structure may vary from time to time. There shall be a basic or Standard Prize schedule. From time to time, management as approved by the Tribal Gaming Commission may create Promotional Prize structures. Payment of all prizes will be in compliance with the requirements of Section 2 above.

B. A Winning Play shall only be entitled to the greatest available prize for such Play. Lesser included Winning Plays within such Play shall not be awarded prizes.

C. In determining Standard and Promotional Prizes, management as approved by the Tribal Gaming Commission may declare, in advance of any game, that multiple winners for identical Winning Plays shall split the prizes for such Plays. In such cases, the condition that such prizes will be split shall be printed on the Inside Tickets for such games and in any Informational Materials distributed to players in connection therewith.

DRAFT

D. Prize schedules will be posted in a conspicuous location, in the vicinity of the place where a Keno Writer selects the Winning Numbers, and shall be available through the Informational Materials which shall be made available to players upon request before any game is played.

SECTION 6 DRAWINGS OF WINNING NUMBERS

A. Drawings of Winning Numbers will be conducted in the location and at the times designated by management as approved by the Tribal Gaming Commission. Management as approved by the Tribal Gaming Commission may change the drawing schedule or cancel drawings at any time. Winning Numbers are not official until verified by the Keno Shift Manager or Keno Shift Supervisor.

B. The Tribal Gaming Commission shall approve the type of equipment to be used, shall establish procedures for its operation and security, and shall establish the procedures for randomly selecting the Winning Numbers for each game.

1. The selected numbers using Ball Drop Equipment shall be immediately entered in the System by Keno personnel or other method approved by TGA and SGA, which documents on a draw ticket the date, game number, the time the game was closed, and the numbers drawn.

2. Alternatively, when a Random Number Generator is used, it will be linked to the System and will directly record the Numbers selected into the System. The Random Number Generators used shall be periodically tested to assure proper operation, security, and lack of tampering or fraud.

3. Physical and operational controls shall prevent the modification of the numbers drawn for each game.

C. The Keno Shift Manager or Keno Shift-Supervisor shall delay payment of all prizes in connection with any game for which any evidence exists or there are grounds for suspicion that tampering or fraud has occurred. In such instances, payment of prizes shall only be made after an authorized agent of the Tribal Gaming Commission completes an investigation. If the drawing cannot be verified as being free from fraud or tampering, no prizes will be awarded and another drawing may be conducted in its place to determine the Winning Numbers for the questioned game.

SECTION 7 VERIFICATION REQUIREMENTS AND CONTROLS

A. To be verified as a valid winning Outside Ticket, all of the following conditions must be met:

1. All payouts shall be supported by the customer copy of the winning ticket (Outside Ticket) and the payout amount is indicated on the customer ticket or a payment slip is issued.

DRAFT

2. The Outside Ticket shall be intact, contain all printing in its entirety, be legible, and correspond to the serial number or other verifying identification issued by the Keno Writer before the game began.

3. The Outside Ticket shall not be mutilated, altered, or tampered with in any manner, and shall not be counterfeit or a facsimile of another winning Outside Ticket.

4. The Outside Ticket shall be validated by a Keno Writer, in an authorized manner. The System shall prevent payment on tickets previously presented for payment, unclaimed Winning Tickets (sleepers) after a specified period of time, voided Tickets, and Tickets which have not been issued yet.

5. The Outside Ticket shall pass all other confidential security checks of management or the Tribal Gaming Commission.

6. Larger Prize Report. A report will be required for all prizes that exceed the threshold that triggers additional procedures to be followed for the purposes of compliance with federal tax reporting requirements. At a minimum, on a daily and monthly basis, the report shall provide the date and time won and the amount of all prizes

B. Any Outside Ticket failing any verification requirement listed above is invalid, not eligible for a prize, and not subject to any refund.

C. Management, as approved by the Tribal Gaming Commission may, at its option, replace an invalid Outside Ticket with another Outside Ticket of equivalent value for a future drawing of the game. Management as approved by the Tribal Gaming Commission may, at its option, pay the prize for an Outside Ticket that is partially mutilated or is not intact if the Outside Ticket can still be validated by other means.

D. In the event an Outside Ticket is issued in error or is defective, the only responsibility or liability of management or the Tribe shall be the replacement of the erroneous or defective Outside Ticket with another Outside Ticket of equivalent value for a future drawing.

E. The play of Keno will be subject to the same type of internal controls, including periodic audits and documentation to create a paper trail, as is established by the Tribal Gaming Commission for other Class III Gaming.

DRAFT

SECTION 8 REPORTS

A. Records shall be maintained which include Win and Write by individual writer for each shift.

B. Records shall be maintained which include Win, Write, and Win-to-Write hold percentage for:

1. Each shift;
2. Each day;

3. Month-to-date;
4. Year-to-date.

C. The system shall provide at a minimum the following reports:

1. Ticket information.
2. Payout information.
3. Game information including game number, ball draw, date, and time.
4. System exception reports, including:
   a. Voids.
   b. Late pays.
   c. Appropriate system parameter information.

SECTION 9 SYSTEM SECURITY STANDARDS

A. Physical and operational controls must be in place to ensure access to Keno System and its components are restricted to authorized users and shall prevent the modification of game information.

B. Back-up Keno ball inventories shall be secured in a manner to prevent unauthorized access. Controls must be established for inspecting new Keno balls put into play as well as for those in use.

C. Each authorized user must have a user name or number unique to that individual and must access the Keno System software by means of a password, keycard, PIN number, or other unique identifier. The System must log the date and time of each access. These access logs must be available for audit by TGA and SGA.

D. Except for kiosks, all main System components including servers and networking equipment shall at a minimum be enclosed in a locked and monitored cabinet. Access shall be through the use of access controls defined in E below.

E. Keys which provide access to any locked compartment, component or area of the Keno System, as well as passwords, keycards, or PIN numbers used to access Keno System components, shall be maintained and used in accordance with the access control standards as agreed to by TGA and SGA.

F. Networking Standards

1. All Keno System components shall be hardwired within a dedicated network and located within the gaming facility.

2. Communications between all components of the Keno System must be encrypted utilizing a minimum of Data Encryption Standards (DES) or equivalent encryption.

DRAFT

SECTION 10 TESTING AND APPROVAL STANDARDS

A. No Keno System may be offered for Play unless it has received approval by the Tribal Gaming Agency (TGA) and the State Gaming Agency (SGA). Any modification of a hardware or software component approved under this section must be similarly approved.

B. Any proposal for a system or system component not authorized in these standards shall include a description of the system or component, the proposed manner of regulation, monitoring and/or maintenance of the system, and shall require submission to, and approval by, the TGA and SGA.

C. At the request of TGA or SGA the manufacturer may be required to transport a working model of the Keno System to a location designated by the TGA or SGA for testing, examination or analysis. Neither the SGA nor the TGA shall be liable for any costs associated with the transportation, testing, examination, or analysis, including any damage to the components of the Keno System. If requested by the TGA or SGA, the manufacturer may be required to provide specialized equipment or the services of an independent technical expert to assist with the testing, examination and analysis. For purpose of continued monitoring, the TGA or SGA may retain working models of any Keno System or component after approval for as long as the equipment is in play in the state.

DRAFT

APPENDIX X2

to the

JAMESTOWN S'KLALLAM TRIBE - STATE OF WASHINGTON

CLASS III GAMING COMPACT

Amended to incorporate 2015 Appendix X2 Amendment changes to Sections 12.1; Section 13.4, Sub-Sections 13.4.1 to 13.4.5; and Sections 14.4 and 14.5

RULES GOVERNING
TRIBAL LOTTERY SYSTEMS

SECTION 1. OVERVIEW 1

SECTION 2. DEFINITIONS 1
2.1 Cashless Transaction System 1
2.2 Central Computer 2
2.3 Electronic Accounting System 2
2.4 Electronic Scratch Ticket 3
2.5 Electronic Scratch Ticket Game 3
2.6 Electronic Scratch Ticket Game Set 3
2.7 Electronic Scratch Ticket Game Subset 3
2.8 Game Play Credits 3
2.9 Kiosks 3
2.10 Manufacturing Computer 4
2.11 On-line Lottery Game 4
2.12 On-line Lottery Game Ticket 4
2.13 Player Terminals 4
2.14 Template 4
2.15 Tribal Lottery System 4

SECTION 3 TRIBAL ELECTRONIC SCRATCH TICKET LOTTERY GAME SYSTEM 4
3.1 Description of System Operation 4
3.2 Game Set and Subset Requirements 6
3.3 Data Required to be Available Prior to Commencement of an Electronic Scratch Ticket Game 8
3.4 Data Required to be Available Following the Completion of a Scratch Ticket Game 8
3.5 Software Auditing Tool to be Made Available 9

DRAFT

3.6 No Auditing of Game Sets While in Play; Dispute Process 9
3.7 Manufacturing Computer 10
3.8 Central Computer Used in Connection With Electronic Scratch Ticket Game 11
3.9 Player Terminals Used in Electronic Scratch Ticket Games 12
3.10 Data Available for Inspection 12

SECTION 4 TRIBAL ON-LINE LOTTERY GAME SYSTEM 12
4.1 Description of System Operation 12
4.2 Central Computer Used for On-line Lottery Game 15
4.3 Player Terminals Used for On-line Games 15
4.4 Verification and Viewing Requirements for On-line Game Results 16
4.5 On-line Lottery Game Records 16
4.6 Redemption Period 16
4.7 Other Game Rules 16
4.8 Prizes; Jackpots 17

SECTION 5 PLAYER TERMINALS 17
5.1 Use as a Stand-Alone Gambling Device Prohibited 17
5.2 Features 17
5.3 Non-Volatile Backup Memory Required 18
5.4 On/Off Switch 18
5.5 Static Discharge/Interference 18
5.6 Accounting Meters 18
5.7 No Automatic Clearing of Accounting Meters; Reading and Resetting Meters 19
5.8 Display of Information 19
5.9 Protection of Displayed Information 20
5.10 Hardware Switches Prohibited 20
5.11 Networking Requirements 20
5.12 Prohibited Software Functions 21
5.13 Quick-Pick Function 21
5.14 Wagers; Displaying Electronic Scratch Ticket Outcomes 21
5.15 Cash Standards 21
5.16 Door Access Logging 22

SECTION 6 STANDARDS FOR RANDOM NUMBER GENERATORS USED WITHIN THE TRIBAL LOTTERY SYSTEM 22
6.1 Chi-Square Analysis 22
6.2 Runs Test 23
6.3 Correlation Analysis 23
6.4 Serial Correlation Analysis 23

DRAFT

SECTION 7 ELECTRONIC ACCOUNTING SYSTEM 23
7.1 Revenue Reporting Requirements 23

SECTION 8 CASHLESS TRANSACTION SYSTEM SECURITY, REPORTING AND STORAGE REQUIREMENTS 27
8.1 Player Information 27
8.2 Smart Cards.....28
8.3 Other Functions.....29
8.4 Kiosks 29

SECTION 9 GENERAL SECURITY REQUIREMENTS 29
9.1 Separation 30
9.2 Security 30
9.3 Secure Connections; DES or Equivalent Data Encryption 30
9.4 Surge Protection; Uninterrupted Power System (UPS) 30
9.5 Identification Plates 30
9.6 Locked Areas 31
9.7 Access Control Standards 31
9.8 MEAL Cards.....31
9.9 Access Control 31
9.10 Cameras.....31
9.11 Verification Data and Functions 32

SECTION 10 TESTING OF TRIBAL LOTTERY SYSTEMS TO ENSURE INTEGRITY 32
10.1 Designation of Independent Gaming Test Laboratory.....32
10.2 Testing and Certification of Tribal Lottery Systems 32
10.3 Approval by the SGA.....34
10.4 Modifications of Approved Lottery Systems; Emergency Certifications.....34
10.5 Manufacturer's Conformity to Technical Standards.....34
10.6 Payment of Gaming Test Laboratory Fees 35
10.7 Gaming Test Laboratory Duty of Loyalty 35
10.8 Random Inspections.....35
10.9 SGA to be Supplied Model of Player Terminal and System 35

SECTION 11 ALTERNATIVE STANDARDS PERMITTED 35

SECTION 12 TRIBAL LOTTERY SYSTEM PLAYER TERMINAL ACQUISITION AND OPERATION 36
12.1 Allocation.....36

DRAFT

12.2 Further Conditions 37
12.3 Joining Facilities by Common Enclosure 38
12.4 Other Circumstances 39

SECTION 13 STATE REGULATORY FEES 39
13.1 Payment of Outstanding Fees 39
13.2 Set-up Fee 39
13.3 Payment of Tribe's Share of Set-up Fee 39
13.4 Annual Regulatory Fees 40
13.5 Regulatory Fee Disputes 41

SECTION 14 OTHER PAYMENTS 41
14.1 Impact Costs 42
14.2 Charitable Donations 42
14.3 Community Impacts 42
14.4 Problem Gambling 42
14.5 Smoking Cessation and Prevention 43
14.6 Payment 43
14.7 Community Investments and Contributions 44

SECTION 15 MORATORIUM 46
15.1 Amendment Moratorium 46
15.2 Post Moratorium 46

SECTION 16 HOURS OF OPERATION 47

SECTION 17 DISPUTE RESOLUTION 47

SECTION 18 EFFECTIVE DATE 47

DRAFT

APPENDIX X2

RULES GOVERNING
TRIBAL LOTTERY SYSTEMS

SECTION 1. OVERVIEW

This Appendix describes, authorizes and sets forth provisions applicable to the operation of a tribal lottery system conducted pursuant to the Indian Gaming Regulatory Act for playing electronic scratch ticket and on-line lottery games. The system utilizes player terminals with video displays which allow players to purchase chances and obtain game result information, a manufacturing computer which securely creates the finite set of chances used in the scratch ticket portion of the system, a central computer which stores and transmits game information and makes draws for the on-line lottery game, and an electronic central security and accounting system. In the scratch ticket game, preexisting scratch tickets are dispensed in an electronic format to players through the player terminals on an on-demand basis. In the on-line lottery game, drawings are conducted on a central computer independently of any activity at player terminals. The drawing results are then matched to player selections previously made on the player terminals. The system and games described and authorized herein are subject to the technical provisions set forth herein. Notwithstanding anything to the contrary herein, tribal lottery systems and player terminals approved pursuant to Appendix X prior to the effective date of this Appendix X2 may continue to be operated consistent with the requirements of Appendix X as they existed on the date this Appendix X2 became effective. Further, nothing herein shall restrict the Tribe from exercising any provision in its Compact not covered by this Appendix X2.

SECTION 2. DEFINITIONS

2.1 Cashless Transaction System. The means by which a player obtains, transfers and redeems Game Play Credits. The Cashless Transaction system permits a player to play the Tribal Lottery System without inserting cash (coins, tokens or paper currency) into, and to win prizes without receiving cash from, the Player Terminal. The Cashless Transaction System includes the following components:

DRAFT

2.1.1 The Electronic Accounting System;

2.1.2 One or more of the following: Plastic, cardboard, magnetic, or "smart" cards; paper; personal identification ("PIN") numbers; Game Play Credits obtained from the exchange of cash or cash equivalents; Game Play Credits displayed on the Player Terminal which were earned as prizes from prior play and not redeemed; and other means for effectuating play and awarding prizes without inserting or dispensing cash into or from the Terminal, provided that all Game Play Credits (other than credits earned from prior play and remaining displayed on a Player Terminal) must have been paid for by cash or cash equivalent;

2.1.3 A means of accounting for player deposits of cash or cash equivalents and exchanges for and redemption of Game Play Credits which is independent of the Player Terminal, through a player's account, a voucher system, or a "smart" card or similar device for recording individual player data; and

2.1.4 A means by which players can redeem unused Game Play Credits for cash or cash equivalents. All redemptions for cash must be through a cashier or redemption system separate from the Player Terminal.

2.2 Central Computer. A computer which conducts drawings for On-line Lottery Games and, for Electronic Scratch Ticket games, stores and dispenses Electronic Scratch Tickets from Scratch Ticket Subsets which have been loaded into it from a Manufacturing Computer and are maintained in a secure manner.

2.3 Electronic Accounting System. A computer system that provides a secure means to receive, store and access data and record critical functions and activities, as set forth in Section 7.

2.4 Electronic Scratch Ticket. A predetermined winning or losing outcome in electronic form. Each Scratch Ticket represents a chance from among the finite set of chances that comprise an Electronic Scratch Ticket Game Set.

DRAFT

2.5 Electronic Scratch Ticket Game. A scratch ticket lottery game that is played in an electronic environment. A game has a specific set of rules including: The theme and types of symbols used; the total number of tickets in the game; the ratio or mix of winning and losing tickets; the prize structure, including number and dollar value of each prize; and price of a single ticket. The game is played by use of computer hardware and software to manufacture, store, distribute, sell, and display scratch tickets to players.

2.6 Electronic Scratch Ticket Game Set. A finite set of Electronic Scratch Tickets that is based on a template that has been designed in accordance with a specific set of rules, including the basic requirements of Section 3.2, governing the structure of an Electronic Scratch Ticket Game. Based on that template, an Electronic Scratch Ticket Game Set is created in a Manufacturing Computer in a secure and verifiable electronic form prior to the play of an Electronic Scratch Ticket Game. Each Electronic Scratch Ticket Game Set is uniquely identifiable, by serial number or otherwise, so that it can be distinguished from other Game Sets manufactured from the same template.

2.7 Electronic Scratch Ticket Game Subset. A defined group of Electronic Scratch Tickets that has been randomly selected from an Electronic Scratch Ticket Game Set and transmitted to a Central Computer in a fixed order for play. Each Electronic Scratch Ticket Game Subset is uniquely identifiable from all other Subsets selected from the same Game Set.

2.8 Game Play Credits. A means of representing value obtained from the exchange of cash or cash equivalents, or earned as a prize, which is used as a means to effectuate play. Game Play Credits may be redeemed for cash or a cash equivalent.

2.9 Kiosks. Cash exchange or redemption terminals, which allow for cash to cashless transactions or cashless to cash transactions with or without a cashier. A Player Terminal is not a Kiosk.

2.10 Manufacturing Computer. A computer which creates Electronic Scratch Ticket Game Sets, randomly allocates tickets into Scratch Ticket Subsets, and delivers them to a Central Computer.

DRAFT

2.11. On-line Lottery Game. A lottery game by which players, through the use of Player Terminals, select numbers, symbols or other possible outcomes to be matched to outcomes that are subsequently and randomly selected in drawings which are electronically conducted on a Central Computer.

2.12 On-line Lottery Game Ticket. A paper, cardboard or electronically encoded medium onto which information is legibly printed, or is recorded electronically in a manner which can cause a Player Terminal to display, the outcome(s) and prize(s) won, if any, and other information associated with, an On-line Lottery Game drawing in which the player is enrolled.

2.13 Player Terminals. Electronic computer terminals housed in cabinets with input devices and video screens and with which players play the On-line Lottery and Electronic Scratch Ticket games. Player Terminals are not capable of playing gambling games as stand-alone devices.

2.14 Template. A software file containing all possible prize values for a Game Set to be created, indicating the number of prizes for each prize value that will appear in the Game Set.

2.15 Tribal Lottery System. Any lottery system operated pursuant to this Appendix. All computers and terminals and the combination and components thereof in each system operated by the Tribe shall conform to the provisions of this Appendix.

SECTION 3. TRIBAL ELECTRONIC SCRATCH TICKET LOTTERY GAME SYSTEM

3.1 Description of System Operation

3.1.1 The Tribal Lottery System game known as the Electronic Scratch Ticket Game consists of a finite number of Electronic Scratch Tickets, a certain number of which, if drawn, entitle a player to prize awards at various levels. The scratch tickets are designed from a template in conformity with this Appendix and are created in Game Sets on a Manufacturing Computer from which Scratch Tickets are randomly selected and placed into Scratch Ticket Subsets. Each Game Set has a predetermined number of winners and values and is designed so

DRAFT

as to assure players of an at least 75% payback of the amounts paid in the aggregate for all tickets in the Set. As a Game Set's tickets are placed into Subsets, the pool of tickets available from that Game Set for placement into Subsets diminishes, until each ticket in the Game Set has been placed into a Subset.

3.1.2 Scratch Ticket Subsets are transmitted to the Central Computer, where they are stored until dispensed electronically on demand to Player Terminals. Scratch Tickets are electronically dispensed from the Central Computer in the order within each Subset in which the tickets were received. Players compete against each other to draw winning tickets. As Subsets are used they are replaced by additional Subsets which have been created and delivered to the Central Computer in the same manner, until the Game Set has been depleted, or pulled from play, ending that particular game. Different games based on different Game Sets may be offered simultaneously through the Central Computer.

3.1.3 A player initiates participation in an Electronic Scratch Ticket game at a Player Terminal, using Game Play Credits purchased on the Player Terminal through the insertion of cash, or through the Cashless Transaction System. The monitor displays one or more of the Electronic Scratch Ticket games that are offered by the system, as well as other information such as graphics, game play and outcome information, and entertainment effects, subject to the limitations in Sections 5.2.2 and 5.2.3. The player may choose a particular game and reveal the outcome, by touching the screen, pressing a button once or performing some other form of interaction with the Player Terminal.

3.1.4 Following or as part of the player's selection of a game or games, the player uses Game Play Credits displayed on the Player Terminal to purchase one or more Electronic Scratch Tickets. The pricing of tickets is governed by the provisions of Section 3.2.1. Wagers are deducted from the Game Play Credits displayed on the Player Terminal.

3.1.5 Prize structure, ticket purchase and selection, and wager information is displayed or available on the Player Terminal with respect to any game which is being played through that Terminal.

DRAFT

3.1.6 After the player purchases an Electronic Scratch Ticket the outcome associated with that ticket is shown on the Player Terminal. Any prizes won are displayed on the Player Terminal and may be in the form of Game Play Credits, the right to receive merchandise, or other valuable property.

3.1.7 Game Play Credits earned as prizes remain displayed and available for use in further play from that Terminal. Game Play Credits also may be electronically transferred to a) a player's account in the Central Accounting System, b) a ticket or receipt printed by the Player Terminal, or c) a "smart" card or similar instrument. Once transferred, Game Play Credits may be a) used for further play on another Terminal or b) redeemed for cash or cash equivalents through a cashier or other separate redemption system. Merchandise or other property won is collected in accordance with the rules of the game.

3.2 Game Set and Subset Requirements

3.2.1 Game Set Requirements. Each Game Set shall meet the following minimum requirements:

a. Each Game Set shall be made up of a finite number of Electronic Scratch Tickets;

b. All Scratch Tickets in a particular Game Set shall be of the same purchase price, which shall not exceed $5.00, with the exception that up to 15 percent of the Player Terminals in operation may have purchase prices of up to $20.00 per Ticket. A single Ticket may offer an opportunity to enter another Game Set;

c. The payout percentage for the entire Game Set shall be no less than 75% of the total purchase price of all tickets in the set combined;

d. Each Game Set shall be assigned a unique serial number; and

e. Each ticket shall have a specific outcome and prize level associated with it.

DRAFT

3.2.2 Game Set Verification Process. Prior to commencement of play, the initial Game Set shall be verified as to the total number of tickets in the set and the number of winners at each prize level, including the amounts of such prizes, and the number of non-winners. The verification standards which the Game Set must meet are those set forth in Section 3.3.

3.2.3 Transmission of Subsets to Central Computer. Following verification of the Game Set, the Manufacturing Computer shall create ordered Scratch Ticket Subsets on demand from the Central Computer and transmit the ordered Subsets to it.

3.2.4 Subset Requirements. Each Electronic Scratch Ticket Game Subset shall meet the following minimum requirements:

a. Within a given Game Set, each Subset shall be the same size and comprised of no less than 5,000, and no more than 10,000 Electronic Scratch Tickets, provided that in order to complete the distribution of all tickets in a Game Set, the final Subset derived from the Set may have less than the number of tickets in any other Subset and be less than 5,000;

b. Each Subset shall be individually and uniquely identified by the Game Set serial number and a unique serial number for each Subset assigned in the order in which the Subsets are created;

c. Once an Electronic Scratch Ticket has been dispensed to a Player Terminal from a Subset, it cannot be dispensed again.

3.2.5 Completion of Game. A Scratch Ticket Game is deemed to be completed only when all of the Electronic Scratch Tickets in a Game Set have been dispensed or the Game Set has been taken out of play. If any Game Set is withdrawn from play before completion of the Game, the Tribe shall ensure that at least 75% of the revenues received from sales of Electronic Scratch Tickets in that Game have been, or in future Electronic Scratch Ticket Games will be, awarded to players.

DRAFT

3.3 Data Required to be Available Prior to Commencement of an Electronic Scratch Ticket Game. The following data shall be available to the TGA and SGA prior to the commencement of an Electronic Scratch Ticket Game and shall be maintained and be viewable both electronically and if requested, by printed report, upon demand:

3.3.1 A unique identifying Game Set serial number;

3.3.2 A description of the Game Set theme sufficient to categorize the Game Set relative to other Game Sets;

3.3.3 The number of total Scratch Tickets in the Game Set;

3.3.4 The number of Scratch Ticket Subsets to be created from the Game Set, and the number of tickets in each Set;

3.3.5 The payout percentage of the entire Game Set;

3.3.6 The payout table for the Game Set and the number of Scratch Tickets at each level of the payout table;

3.3.7 The purchase price per ticket assigned to the Game Set;

3.3.8 Such further information as the SGA may reasonably require to assure the integrity and accuracy of the foregoing information.

3.4 Data Required to be Available Following the Completion of a Scratch Ticket Game. Following the completion of an Electronic Scratch Ticket Game (i.e., upon the sale of all tickets in a Game Set or the withdrawal of the Set from play), the following data shall be available to the TGA and SGA and shall be maintained and viewable both electronically and if requested, by printed report, upon demand:

3.4.1 The Game Set and Game Subsets serial numbers;

3.4.2 The total number of Electronic Scratch Tickets unsold, if the game is removed from play;

DRAFT

3.4.3 The total number of Electronic Scratch Tickets purchased;

3.4.4 The time and date that each Subset was transmitted to the Central Computer;

3.4.5 The time and date that the game was completed or removed from play;

3.4.6 The final payout percentage of the game; and

3.4.7 Price per Ticket.

3.5 Software Auditing Tool to be Made Available. For auditing Game Sets and Subsets that have been archived, any Tribal Lottery System shall include and have available for the SGA and the TGA a secure software tool which provides the same data as set forth in Section 3.3 and 3.4, provided that such tool shall be used only during authorized audits of Tribal Lottery System games and operations, or in cases of player disputes, and shall not be used for any other purpose without the consent of the TGA and the SGA.

3.6 No Auditing of Game Sets While in Play; Dispute Process

3.6.1 No Audit of Set While in Play. In order to provide maximum game integrity, no audit or other determination of the status of any Game Set or any Subset, including but not limited to a determination of the prizes won or prizes remaining to be won, shall be conducted by anyone, including TGA and SGA personnel, while a Subset is in play without causing termination of the entire Game Set from which the Subset was derived as provided in Section 3.6.3.

3.6.2 Dispute Resolution: Impact on Game Set Play. In the event of a dispute by a player that cannot be resolved by ordinary means by Gaming Facility personnel as to the outcome, prize, wager made, or any other aspect of the player's participation in a Game Set being played, all relevant data shall be immediately collected, including but not limited to all meter readings, memory records, surveillance recordings, and any other reports or information regarding play at the Terminal for the play in dispute. Following the collection of all relevant

DRAFT

data, the TGA shall be notified and requested to make an evaluation of whether or not the dispute involves the integrity of the hardware or software being used and to try and resolve the dispute. A report of all disputes shall be maintained by the TGA. If the dispute is not resolved within 72 hours from the time of the complaint, the TGA shall immediately forward a report to the SGA detailing the nature of the dispute. In the event the dispute is resolved, the TGA is not obligated to report to the SGA, but shall make TGA reports available for review.

3.6.3 Termination of Game Set. Protection of game integrity, even if it requires the early withdrawal of a Game Set from play, shall be the primary goal of this Appendix. If resolution of a patron dispute requires access to data or records stored on any part of a system other than the Player Terminal involved in the dispute, and such access can only be accomplished through a means by which data would be revealed that could materially assist anyone in determining the likelihood of a particular ticket being drawn, other than information available to all patrons, the Game Set shall be terminated prior to accessing such data or records.

3.6.4 TGA/SGA Disputes. In the event there is a dispute between the TGA and SGA at any point in the above process, it shall be resolved in accordance with the dispute resolution process for such issues set forth in the Compact.

3.7 Manufacturing Computer

3.7.1 Security from Alteration, Tampering, or Unauthorized Access. The Manufacturing Computer shall provide a physical and electronic means, by use of a password or other method approved by the TGA and SGA, for securing the Game Set against alteration, tampering, or unauthorized access. The Manufacturing Computer shall provide a means for terminating the Game Set if unopened ticket information from an operating Game Set or Subset has been accessed except as permitted in this Appendix. The Gaming Test Laboratory shall certify that such security system, and a means for monitoring its use in accordance with this Appendix, is included in the system before it may be authorized for use. Security systems and monitoring may be required for any component that has electronic access to this system that may violate the integrity and security of the manufacturing computer.

DRAFT

3.7.2 Primary Purpose; Separation. The Manufacturing Computer shall be dedicated primarily to those Tribal Electronic Scratch Ticket gaming system functions related to the creation of Scratch Ticket Game Sets and the creation, randomization, and transmittal to the Central Computer of Scratch Ticket Subsets. Notwithstanding the foregoing, the Manufacturing Computer may also be used for other computer functions in the Tribal Lottery System or Electronic Accounting System if such use will not affect the integrity or outcome of any game.

3.7.3 Storage Medium; Backup. The Manufacturing Computer shall have a medium for securely storing Electronic Scratch Ticket Game Sets and Subsets on the Manufacturing Computer which shall be mirrored on line by a backup medium within the same cabinet or enclosure. In addition, duplicates of the Sets and Subsets, as created and stored on the Manufacturing Computer, shall be stored in a secure enclosure in the Gaming Facility separate from the Manufacturing Computer. All storage shall be through an error checking, nonvolatile physical medium, so that should the primary storage medium fail, there will be no critical data loss.

3.7.4 Randomization. The Manufacturing Computer shall utilize randomizing procedures in the creation of the Subsets. The randomizing procedures shall be in accordance with Section 6 of this Appendix.

3.8 Central Computer Used in Connection With Electronic Scratch Ticket Game. The following requirements apply to any Central Computer used in connection with an Electronic Scratch Ticket Game.

3.8.1 Dispensing of Tickets. The Central Computer shall dispense, upon request from a Player Terminal, Electronic Scratch Tickets.

3.8.2 Order of Scratch Tickets. The Central Computer shall maintain Electronic Scratch Ticket Subsets in the order received from the Manufacturing Computer, and transmit them in that order to Player Terminals on demand, provided that not less than two (2) nor more than five (5) Subsets per Game Set shall be dispensed in accordance with a predetermined order for rotating the Subsets. Subsets from more than one Game Set may be stored on the Central Computer and made available for play at the same time.

DRAFT

3.8.3 Storage Medium; Backup. The Central Computer shall have a medium for storing Electronic Scratch Ticket Game Subsets and reflecting their current status of play, which shall be mirrored on line by a backup medium within the same cabinet or enclosure. All storage shall be through an error checking, nonvolatile physical medium, so that should the primary storage medium fail, there will be no critical data loss.

3.8.4 No Randomization Capability. The Central Computer shall have no randomization capability associated with its use in an Electronic Scratch Ticket game.

3.9 Player Terminals Used in Electronic Scratch Ticket Games. Player Terminals used in connection with Electronic Scratch Ticket Games shall conform to the requirements of Section 5.

3.10 Data Available for Inspection. The following data is required to be available for inspection in compliance with Section 7.1.9 for any Player Terminal or Game Set:

3.10.1 All Game Set serial numbers, indicating the date and time the Game Set was put in play, pulled from play, or completed.

3.10.2 By Game Set serial numbers, the Player Terminal numbers assigned, and the dates and times of assignment to the Player Terminals.

SECTION 4. TRIBAL ON-LINE LOTTERY GAME SYSTEM

4.1 Description of System Operation. Tribal On-line Lottery Games shall be played in accordance with the following provisions:

4.1.1 A player initiates participation in On-line Lottery Games at a Player Terminal, using Game Play Credits through the insertion of cash or from the Cashless Transaction System which are displayed on the Terminal video monitor. Play may also be initiated through a Player Terminal dedicated to On-line Lottery Games, or a clerk-operated Player Terminal. References herein to player activity and interaction with a Player Terminal in

DRAFT

connection with an On-line Lottery Game shall also mean activity and interaction by a clerk on behalf of a player.

4.1.2 The Player Terminal video monitor displays one or more of the On-line Lottery games that are offered by the system, as well as other information such as graphics, game play, and outcome information, and entertainment effects, subject to the limitation in Sections 5.2.2 and 5.2.3. The player chooses a particular game by touching the screen, pressing a button, or performing some other form of interaction with the Player Terminal.

4.1.3 Following or as part of the player's choice of a game or games, the player selects numbers, symbols or other data to be matched in the game by pressing buttons or touching the video screen. The Player may also make such selections through the "quick pick" method. The player then uses Game Play Credits displayed on the Terminal monitor to purchase one or more On-line Lottery Game Tickets representing such selections, for drawings to be held in the future.

4.1.4 Each On-line Lottery Game may offer more than one method of winning a prize, and each method may be represented by a separate wager, but each wager may not exceed $20.00. Wagers are deducted from the Game Play Credits displayed on the Player Terminal.

4.1.5 The player's wager and selected numbers, symbols or other data to be matched in the game, along with information identifying the drawing(s) to which they apply, are provided to the player in some tangible means, such as by electronic encoding or printing on a paper, card or other medium. In addition, the numbers, symbols or other data selected may be displayed on the Player Terminal.

4.1.6 The player is then entered into one or more future On-line Lottery Games, which are conducted through drawings held on the Central Computer.

4.1.7 All drawings for any game are conducted within a period of 5 minutes or less, and all drawings for all games offered are held within that period. Drawings are held on a regularly scheduled basis and regardless of whether any player is enrolled in a particular On-line

DRAFT

Lottery Game. Games take place no more frequently than thirty minutes apart, determined by when the first drawing in a game occurs. No more than five different On-line Lottery Games are offered at a time, unless the State increases the number of On-line Lottery Games it is now playing, thereby entitling the Tribe to increase the number of games it offers in accordance with the rules for doing so.

4.1.8 A Player Terminal may display a player's entry into an On-line Lottery Game and the commencement of that game. The form of displaying information may be entertaining and at the discretion of the Tribe, except as limited in Sections 5.2.2 and 5.2.3. For example, the Terminal may alert the player through means of a count-down that the drawing in which the player is entered is about to occur. Information regarding prizes that may be awarded for each game are made available to the player prior to commencement of the game.

4.1.9 Following each drawing, the results are displayed and made available in accordance with the rules set forth in Section 4.4. Players win if their selections match a required number of drawn numbers or symbols, in accordance with the predetermined and published rules for that particular game. Results and prizes are verified in accordance with the rules set forth in Section 4.4, and are paid in Game Play Credits except where, due to the size of the prize, the rules specify some other method of payment. Prizes may also be awarded in the form of merchandise or other valuable property.

4.1.10 Game Play Credits earned as prizes remain displayed and available for use in further play from that Terminal. Game Play Credits also may be electronically transferred through the Cashless Transaction System, such as to a) a player's account in the Central Accounting System, b) a ticket or receipt printed by the Player Terminal, or c) a "smart" card or similar instrument. Once transferred, Game Play Credits may be a) used for further play on another Terminal or b) redeemed for cash or cash equivalents through a cashier or other separate redemption system. Merchandise or other property won is collected in accordance with the rules of the game.

4.2 Central Computer Used for On-line Lottery Game. The following requirements apply to any Central Computer used in connection with an On-line Lottery Game.

DRAFT

4.2.1 Introduction. A Central Computer may, in addition to being available for use in connection with Electronic Scratch Ticket Games, be utilized in the On-line Lottery Game. The rules in this Section 4.2 govern that activity.

4.2.2 Randomization Capability. The Central Computer shall have randomization capability associated with its use in an On-line Lottery Game only. All drawings shall be on a random basis, using the randomization requirements set forth in Section 6.

4.2.3 Independent Drawings; Schedule of Drawings. Drawings on the Central Computer shall occur independently of any Player Terminal activity and regardless of whether or not players are enrolled in a game. On-line Lottery Game drawings shall be held on a regularly scheduled basis in intervals of no less than 30 minutes. Once a drawing period begins, all drawings during that period must be drawn within 5 minutes. Each drawing shall have its own identifying serial number.

4.2.4 Limit on Number of On-line Lottery Games. The Tribe may have no more than five (5) On-line Lottery Games in play at one time. Such games may be offered on more than one system within the facility. The number of games offered may be increased if, and by the same number, the State Lottery increases the number of On-line Lottery Games it offers.

4.3 Player Terminals Used for On-line Games. Player Terminals used in connection with On-line Lottery Games shall conform to the requirements of Section 5. The following provisions shall also be applicable:

4.3.1 A Player Terminal may, in addition to being available for use in connection with Electronic Scratch Ticket Games, be used to play On-line Lottery Games. The On-line Lottery Game may also be played from a Player Terminal dedicated to selling On-line lottery tickets or by a clerk operating a Player Terminal for such purposes. References to Player Terminals herein shall include such dedicated and clerk-operated Terminals.

4.3.2 The Player Terminal shall enable a player to select numbers, symbols or other data, through touching the screen or pressing one or more buttons on the Terminal. The player may also ask for a "quick pick" selection via the use of a random number generator

DRAFT

located in the Player Terminal and used solely for the On-line Lottery Games, provided that such random number generator shall meet the criteria set forth in Section 6.

4.3.3 The player's wager and selected numbers, symbols or other data, along with information identifying the drawing(s) to which they apply, shall be provided to the player through the Player Terminal in some tangible means using electronic encoding or printing on paper, card or other medium. Such information may also be displayed on the screen for review by the player.

4.4 Verification and Viewing Requirements for On-line Game Results. The results of each On-line drawing on a Central Computer shall be available for display on a Player Terminal on demand by players enrolled in such games, and may be made available on one or more scoreboards, video screens or other electronic display devices sufficiently visible to enable players and other observers, including those not at Player Terminals, to view the outcome of the game. Printed result reports shall be made available in accordance with Section 4.5.

4.5 On-line Lottery Game Records. The following records with respect to each On-line Lottery Game shall be maintained and be viewable both electronically and, if requested, by printed report, upon demand: The outcome of each drawing including all numbers drawn, the sequence of drawing, prizes available, prizes won (whether or not redeemed), and related information. Such reports shall be made available in the casino for player reference for up to 30 days following the close of any drawing period.

4.6 Redemption Period. Prizes may be redeemed by players for a period of no less than 48 hours following the drawing in any On-line Lottery Game.

4.7 Other Game Rules. The specific rules and prize structures for each On-line Lottery Game may vary, and shall be made available to players prior to making any wagers on that game. The rules shall indicate when, in relation to the commencement of the first drawing in a game, no further wagers on that game may be made. Each On-line Lottery Game may offer more than one method of winning a prize, and each method may be represented by a separate wager, but each wager may not exceed the amounts set forth in Section 4.1.4.

DRAFT

4.8 Prizes; Jackpots. Every On-line Lottery Game must have at least one "jackpot" level prize paid, when won, from a lottery prize pool into which a percentage of each player's wagers, as set forth in the rules for that game, is placed and in which the Tribe shall have no interest. The prize pool may be seeded from time to time by promotional payments or interest-free loans from the Tribe. Jackpot prizes not won in a particular game shall be rolled forward into a future game in accordance with rules for disposing of such prizes. Rollover funds may replace the need for seeding a pool if the amount of such rollover funds exceeds the minimum prize available under the rules of that game. The player pool fund may not be used for any purpose other than payment of the jackpot prize.

SECTION 5. PLAYER TERMINALS

All Player Terminals shall conform at a minimum to the requirements of this Section 5.

5.1 Use as a Stand-Alone Gambling Device Prohibited. No Player Terminal shall be capable of being used as a stand-alone unit for the purposes of engaging in any gambling game, including but not limited to the lottery games described in this Compact, or in any other way prohibited in this Appendix.

5.2 Features. Player Terminals shall include the following features:

5.2.1 Operation either through the Cashless Transaction System, or through means for accepting cash (coins, tokens or paper currency) for conversion into Game Play Credits, which can then activate participation in the game, provided the insertion of cash will not alone activate the game and such use of cash is in accordance with section 5.15;

5.2.2 One or more of the following: A video monitor, electro-mechanical display, printer, graphics and signage, provided that slot machine-type spinning reel mechanisms are prohibited in mechanical form; and

5.2.3 One or more of the following: electronic buttons, touch screen capability, and a mechanical, electro-mechanical or electronic means of activating the game and providing player input, including a means for making player selections and choices in games, provided that slot machine-type handles are prohibited.

DRAFT

5.3 Non-Volatile Backup Memory Required. A non-volatile backup memory or its equivalent shall be maintained in a secure compartment on each Player Terminal for the purpose of storing and preserving a redundant set of critical data which has been error checked in accordance with this Appendix, and which data shall include, at a minimum, the following Player Terminal information:

5.3.1 Electronic Meters required by this Appendix;

5.3.2 Recall of all wagers and other information associated with the last ten (10) Electronic Scratch Ticket plays and the last ten (10) On-line Lottery Games played;

5.3.3 Error conditions that may have occurred on the Player Terminal; and

5.3.4 Recall of the last twenty five (25) cash or cash equivalent deposits.

5.4 On/Off Switch. An on/off switch that controls the electrical current that supplies power to the Player Terminal must be located in a secure place that is readily accessible within the interior of the Player Terminal.

5.5 Static Discharge/Interference. The operation of each Player Terminal must not be adversely compromised or affected by static discharge, liquid spills, or electromagnetic interference.

5.6 Accounting Meters. A Player Terminal must have electronic accounting meters which have tally totals to a minimum of eight (8) digits and be capable of rolling over when the maximum value of at least 99,999,999 is reached. The Player Terminal must provide a means for on-demand display of the electronic meters via a key switch or other secure method on the exterior of the machine. Electronic meters on each Player Terminal for each of the following data categories for Electronic Scratch Ticket games and On-line Lottery Games are required in compliance with Section 7.1.9:

DRAFT

5.6.1 Credits, or equivalent monetary units, wagered on a cumulative basis on that Terminal;

5.6.2 Credits, or equivalent monetary units, won for the Player Terminal;

5.6.3 For Scratch Ticket games, the number of Scratch Tickets purchased on the Terminal; and

5.6.4 For On-line Lottery games, the number of On-line Lottery wagers made on that Terminal.

5.7 No Automatic Clearing of Accounting Meters; Reading and Resetting Meters. Under no circumstances shall the Player Terminal electronic accounting meters be capable of being automatically reset or cleared, whether due to an error in any aspect of its or a game's operation or otherwise. All meter readings must be recorded and dated in the presence of a TGA inspector both before and after an electronic accounting meter is cleared.

5.8 Display of Information. At a minimum, each Player Terminal shall have the following game information available for display on the video screen and/or displayed on the Player Terminal itself, in a location conspicuous to the player:

5.8.1 The rules of the game being played;

5.8.2 The maximum and minimum wagers and the amount of credits, cash equivalents, or additional game play opportunities, which may be won for each Electronic Scratch Ticket and On-line Lottery Game offered through that Terminal, including the current values of any progressive prizes available;

5.8.3 The player's credit balance;

5.8.4 The outcome of the Electronic Scratch Ticket(s) then being played; and

5.8.5 Any prize won on the Electronic Scratch Ticket(s) then being played.

DRAFT

5.9 Protection of Displayed Information. The video screen or other means for displaying game rules, outcomes and other game information shall be kept under a glass or other transparent substance which places a barrier between the player and the actual surface of the display. At no time may stickers or other removable media be placed on the Player Terminal's face for purposes of displaying rules or payouts.

5.10 Hardware Switches Prohibited. No hardware switches may be installed on a Player Terminal or any associated equipment which may affect the outcome or pay out of any game for which the Player Terminal is used. Switches may be installed to control the ergonomics of the Player Terminal.

5.11 Networking Requirements. The use of firewalls and other system protections as approved by TGA and SGA are required to protect the integrity of the Tribal Lottery System and player accounts and:

5.11.1 Where the Tribe's Tribal Lottery System or components are linked with one another in a local network for progressive jackpot, function sharing, aggregate prizes or other purposes, communication protocols must be used which ensure that erroneous data or signals will not adversely affect the operations of any such system or components. No class III game or gaming system in which any part or component is located outside the Tribe's gaming facilities shall be deemed approved as part of the approval of this Appendix. Any proposal for such game or gaming system, including the proposed rules, manner of regulation, and manner of play, monitoring and/or maintenance of the system, shall require submission to, and approval by, the TGA and SGA.

5.11.2 Dedicated and protected network connections prohibiting unauthorized access, approved by SGA and TGA, may allow two or more of the Tribe's Tribal Lottery Systems to share player information. Game tickets and other information prohibited from being viewed, as outlined in other sections of this Appendix, shall not be available or transmitted between the Tribe's connected Tribal Lottery Systems or facilities. Communications between the Tribe's facilities will require the use of approved firewalls that are configured and operated

DRAFT

to protect the Tribal Lottery System and player information. Computer systems linked between the Tribe's facilities may not be used to link progressive jackpots, except in Joined Facilities.

5.12 Prohibited Software Functions. Player Terminals shall not have software or hardware that determines the outcome of any Electronic Scratch Ticket Game. Nothing herein is intended to prohibit the Player Terminal from creating the appropriate Scratch Ticket and On-line Game graphics and animation to correspond to, display or represent, in an entertaining manner, the outcome. In addition, Player Terminals shall not have any software that:

5.12.1 Determines which Scratch Ticket outcome from within the Scratch Ticket Subset is transmitted to the Player Terminal; or

5.12.2 Alters the amount of the payout of the Electronic Scratch Ticket as received from the Central Computer.

5.13 Quick-Pick Function. Nothing herein shall prohibit the use of a quick pick function on the Player Terminal in conjunction with the playing of the On-line Lottery Game.

5.14 Wagers; Displaying Electronic Scratch Ticket Outcomes. Players shall make wagers using a Player Terminal to purchase Electronic Scratch Tickets. Following a purchase, the Electronic Scratch Ticket shall be displayed on the Terminal's video screen for the purpose of revealing the outcome of the selected ticket.

5.15 Cash Standards. When cash is used, the following procedures shall be performed by accounting/auditing employees who are independent of the transactions being reviewed:

5.15.1 For each drop period, accounting/auditing employees shall compare the report information required in Section 7.1.10 (a) to the total cash acceptor drop amount for the period. Discrepancies shall be resolved before the generation/distribution of any statistical reports.

5.15.2 TGA will be notified and follow-up shall be performed for any one machine having an unresolved variance between actual cash drop and the report information required in Section 7.1.10 (a) in excess of an amount that is both more than $25 and at least three

DRAFT

percent (3%) of the actual cash drop. The follow-up performed and results of the investigation shall be documented and maintained for inspection.

5.15.3 At least annually, accounting/auditing and TGA personnel shall randomly verify that EPROM or other equivalent game software media changes are properly reflected in the analysis reports.

5.15.4 Accounting/auditing employees shall review exception reports on a daily basis for propriety of transactions and unusual occurrences. TGA will be notified in writing of any unexplained or suspicious transactions or unusual occurrences.

5.15.5 All auditing procedures and any follow-up performed shall be documented and maintained for inspection.

5.15.6 Cash shall be removed from the Player Terminal in accordance with Appendix A drop box and transportation standards for secure and verifiable handling of cash receipts from electronic games.

5.16 Door Access Logging. The Player Terminal shall record the date and time of any opening of cabinet door(s); provided, that this information need not be retained on the Player Terminal if it is communicated to another component of the system. This information shall be retrievable in report form.

SECTION 6. STANDARDS FOR RANDOM NUMBER GENERATORS USED WITHIN THE TRIBAL LOTTERY SYSTEM

Any random number generation used in connection with the Tribal Lottery System must be by use of a microprocessor and random number generation program that meets the following random selection tests:

6.1 Chi-Square Analysis. Each card, symbol, number, or stop position which is wholly or partially determinative of the outcome of the game satisfies the 99 percent confidence limit using the standard chi-square analysis.

DRAFT

6.2 Runs Test. Each card, symbol, number, or stop position does not as a significant statistic produce predictable patterns of game elements or occurrences. Each card symbol, number, or stop position will be considered random if it meets the 99 percent confidence level with regard to the "runs test" or any generally accepted pattern testing statistic.

6.3 Correlation Analysis. Each card, symbol, number, or stop position is independently chosen without regard to any other card, symbol, number or stop position, drawn within that game play. Each card, symbol, number, or stop position is considered random if it meets the 99 percent confidence level using standard correlation analysis.

6.4 Serial Correlation Analysis. Each card, symbol, number, or stop position is independently chosen without reference to the same card, number, or stop position in the previous game. Each card, number, or stop position is considered random if it meets the 99 percent confidence level using standard serial correlation analysis.

SECTION 7. ELECTRONIC ACCOUNTING SYSTEM

One or more Electronic Accounting Systems shall be required to perform reporting and other functions in support of the Tribal Lottery Game activities described in this Appendix. These systems may communicate with the other computers described in this document utilizing the protocol standards set forth in Section 9.3. The Electronic Accounting System shall not interfere with the outcome of any gaming functions.

7.1 Revenue Reporting Requirements. The following reporting capabilities must be provided by the Electronic Accounting System:

7.1.1 Player Terminal Revenue Report. A revenue report for each Player Terminal must be made and maintained on a confidential and secure basis which, at a minimum on a daily and monthly basis, provides:

a. The total aggregate amount won per Player Terminal;

b. The aggregate amount wagered per Player Terminal; and

c. The amount of cash deposited into each Player Terminal.

DRAFT

7.1.2 Closed Game Set Reports. Immediately after a Game Set is completed or pulled from play, a report will provide the Game Set ending information described in Section 3.4 above.

7.1.3 In Play Game Set Reports. One or more reports will be available for Game Sets still in play, containing the information described in Sections 3.3.1 through 3.3.7 above.

7.1.4 On-line Lottery Game Reports. An On-line Lottery Game report must be made and maintained on a confidential and secure basis which, at a minimum of a daily and monthly basis, provides as to each On-line Lottery Game, the following information:

a. Total sales;

b. Total won per prize level;

c. Total won per Player Terminal; and

d. Activity per jackpot prize, for the accounting period and to-date, per Section 7.1.5.

7.1.5 Progressive Jackpot Report. A progressive jackpot report must be made for the accounting period and to-date which provides:

a. Amount seeded;

b. Amount in reserve fund;

c. Current jackpot;

d. Contribution total;

e. Total paid in prizes;

f. Itemized jackpot awards; and

g. Amount, time of award, and the Player Terminal on which the progressive jackpot prize was won.

DRAFT

7.1.6 Larger Prize Report. A report will be required for all prizes that exceed the threshold that triggers additional procedures to be followed for the purposes of compliance with federal tax reporting requirements. At a minimum, on a daily and monthly basis, the report shall provide the following information per Player Terminal:

a. The date and time won; and

b. Amount of all prizes.

7.1.7 Liability Reports. Liability reports will be required on a daily and monthly basis at a minimum. They should provide a summary of the outstanding funds which carry from business day to business day. At a minimum, they must include:

a. Amount of prizes which were awarded, but have not yet been claimed;

b. Detail of prizes for which redemption period expired during this reporting period;

c. Unredeemed Game Play Credits;

d. Expired Game Play Credits; and

e. Daily and cumulative contributions to progressive prize pools which have not yet been awarded.

7.1.8 Master Reconciliation Report. A master reconciliation report must be available on a daily and monthly basis, at a minimum. It provides a summary of all daily sources of funds and disposition of funds, including the following:

a. Funds collected from cashiers, Player Terminals, and Kiosks;

b. Funds carried forward from prior business day, including liability from prizes awarded, but not paid out, prize pool balances, and reserve funds, etc.;

c. Payments to players;

DRAFT

d. Funds available to operator; and

e. Tickets and prizes dispensed and played to reconcile with amount won.

7.1.9. Data Retention Requirements. Data necessary to audit compliance with the standards set forth in this Appendix shall be maintained for a minimum of 2 years, and in connection with determining randomness where applicable, for a minimum of 6 months. To the extent not inconsistent with the foregoing, data shall be retained and backed up by the Electronic Accounting System according to the following minimum requirements:

a. Accounting records;

b. Per Player Terminal, Cashier Terminal, or other points of cash exchange-daily records and meters: on-line for 6 months;

c. Daily records and meters: off-line for 12 months;

d. Game Set Records, as to each Player Terminal and by Game Set;

e. The amount wagered and the amount won, daily by prize level, on line: 6 months;

f. The amount wagered and the amount won, daily by prize level, off line: 6 months;

g. On-line prize redemptions: 30 days;

h. Dated cash vouchers: 30 days;

i. Cash vouchers cancelled by Player Terminal: 7 days;

j. Cash vouchers redeemed by cashiers or redeemed at Kiosks: 30 days;

k. Log files that track password access to sensitive components: online for 90 days, offline for 12 months; and

l. Log files that track system events or errors: 90 days.

DRAFT

7.1.10 Other Reports. Revenue reports for the Tribal Lottery System must be made and maintained on a confidential and secure basis which, at a minimum on a daily and monthly basis, provides:

a. The amount of cash removed or dropped from Player Terminals; and

b The percentage of Player Terminals offering wagers between $5.01 and $20.

SECTION 8. CASHLESS TRANSACTION SYSTEM SECURITY, REPORTING AND STORAGE REQUIREMENTS

8.1 Player Information. The following requirements shall be met in connection with any Cashless Transaction System:

8.1.1 All player information must be stored on at least two separate non-volatile media;

8.1.2 An audit file must be kept of all player financial transactions. This file must be stored in at least two separate non-volatile media, and be accessible for purposes of audit and dispute resolution to authorized individuals; this file must be available on-line for a minimum of 30 days, after which it must be available off-line for a minimum of 180 days;

8.1.3 Physical and operational controls must be used to protect player information from tampering or unauthorized access;

8.1.4 Passwords or personal identification numbers (PINs), if used, must be protected from unauthorized access;

8.1.5 All means for communicating information within the system shall conform to the protocol standards set forth in Section 9.3;

8.1.6 All player information shall be accurately recorded and such recording protected by the system;

DRAFT

8.1.7 Any card or other tangible instrument issued to a player for the purpose of using the Cashless Transaction System shall bear on its face a control or inventory number unique to that instrument;

8.1.8 Encoded bearer instruments printed or magnetic may include coupons and other items distributed or sold for game play, promotional, advertising or other purposes, but may not include cash. Such instruments must be in electronically readable form in addition to having unique identification information printed on the instrument face. The daily and monthly reporting must include with respect to such instruments:

a. Cash converted to value in the cashless system;

b. Outstanding unredeemed balance;

c. Value in the cashless system converted to cash;

d. Amount wagered; and

e. Amount won.

8.1.9 Redemption periods, if any, shall be posted or otherwise disclosed to all players.

8.1.10 Vouchers must bear on the face, in addition to the unique serial number, the following:

a. Time/Date printed;

b. Unique identification from which it was printed; and

c. Value of voucher.

8.2 Smart Cards. Any "smart card" (i.e., a card generally made of plastic with a computer chip imbedded in it) system which the Tribe intends to implement as part of the Cashless Transaction System shall be tested by the Gaming Test Laboratory to ensure the integrity of player funds, following the standards applicable to player information set forth in Section 8.1. Any smart card must store on the card or on the system using the card an audit trail

DRAFT

of the last ten (10) transactions involving the use of the card. Each transaction record must include, at a minimum, the type of transaction, the amount of the transaction, the date of the transaction, the time of the transaction, and the identification of the Player Terminal or cashier terminal or other points of cash exchange where the transaction occurred. The minimum daily and monthly reporting for smart card activity must include:

8.2.1 Total of cash transferred to smart cards;

8.2.2 Total of smart card amounts transferred to cash;

8.2.3 Total of smart card amounts transferred to Game Play Credits;

8.2.4 Total of Game Play Credits transferred to smart card amounts; and

8.2.5 Total unredeemed smart card balance.

8.3 Other Functions. Systems shall be permissible that allow player tracking, maintenance tracking, and other gaming management or marketing functions. These systems shall not interfere with, or in any way affect, the outcome of any Tribal Lottery Game or the cashless accounting system. Systems shall be permissible that allow progressive prize management with the certification of the Gaming Test Laboratory and approval of the SGA.

8.4 Kiosks. Kiosks shall have reports that properly document all transactions, as well as dedicated video surveillance, to protect the integrity of the cashless system used. Cash boxes shall be designed so their contents are protected from unauthorized access, in accordance with Appendix A drop box and transportation standards, and shall be uniquely labeled for the purpose of audit and security.

SECTION 9. GENERAL SECURITY REQUIREMENTS

The following requirements apply to all components of the Tribal Lottery System, including the Manufacturing Computer, the Central Computer, the Electronic Accounting System and Player Terminals.

DRAFT

9.1 Separation. The Manufacturing Computer, Central Computer, and Player Terminals in each Tribal Lottery System shall be physically and operationally independent from one another except as specified otherwise in this Appendix, such as for communications, storage and security monitoring, including the routing of communications among system components, provided such routing does not affect the integrity of the communications or the outcome of any game. All Tribal Lottery System cables shall be secured against unauthorized access.

9.2 Security. The Manufacturing Computer and Central Computer must be in a locked, secure enclosure with both camera coverage and key controls in place. Routers, switches, hubs, or other network access points, to include management terminals and terminals not separated from the Tribal Lottery System by firewalls approved by the SGA and TGA, must also be in a locked, secure enclosure with both camera coverage and key controls in place. Access to Manufacturing Computers and Central Computers shall be logged by the system to include the date and time of access and available to SGA and TGA upon request.

9.3 Secure Connections; DES or Equivalent Data Encryption. Connections between all components of the Tribal Lottery System shall only be through the use of secure communication protocols which are designed to prevent unauthorized access or tampering, employing Data Encryption Standards (DES) or equivalent encryption with changeable seeds or algorithms.

9.4 Surge Protection; Uninterrupted Power System (UPS). Each component of the Tribal Lottery System shall at all times be connected to a device which provides surge protection on any line that feeds it and, with the exception of Player Terminals, shall be connected to a temporary power source, such as a UPS, to provide means for an orderly shutdown of the computer in the event of a main power system failure.

9.5 Identification Plates. A non-removable plate shall be affixed to the exterior of each Player Terminal which shall have written upon it the Terminal's serial number and model number of the component and name of the manufacturer. Other audit numbers may be required to be affixed to provide a means of identifying individual Terminals for correlation to required reports.

DRAFT

9.6 Locked Areas. The Manufacturing and Central Computers shall at a minimum be enclosed in a locked and monitored cabinet. Access shall be through the use of access controls provided in Section 9.7. The Player Terminal shall have at a minimum the following separately locked areas, which shall be the only means of accessing any non-public part of the Terminal: (a) a locked and monitored cabinet door; (b) a locked microprocessor compartment; (c) a locked outer cash box door; and (d) a locked drop cash box door.

9.7 Access Control Standards. Keys which provide access to any locked compartment, component or area of a Tribal Lottery System, as well as passwords, keycards, or PIN numbers used to access the Tribal Lottery System, shall be maintained and used in accordance with the access control standards enacted in the Tribe's statement of minimum internal controls.

9.7.1 Each employee accessing the Tribal Lottery System software except for Player Terminals and unattended Kiosks by means of a password, keycard, or PIN number, including vendor representatives, must have a user name or user number unique to that individual, and the Tribal Lottery System must log the date and time of access. These access logs must be readily available for audit by TGA and SGA.

9.8 MEAL Cards. For all entries into the locked areas of the Manufacturing Computer, Central Computer, unattended Kiosks, or any Player Terminal, a written record must be made on a machine entry authorization log (MEAL) indicating at least the following: the time, date, and purpose of entering said locked area(s), and the name and employee number (or other personal identification specific to such person) of the person doing so.

9.9 Access Control. In addition to maintenance of MEAL cards, the Manufacturing and Central Computers shall record and generate a report on any access including date, time of access, person (by employee number) accessing the computer, and the reason for access.

9.10 Cameras. For purposes of this section, all components of the Tribal Lottery System, except wiring, cables, and conduit in which they are located, shall have the ability to be effectively and clandestinely monitored and recorded by means of a closed circuit television

DRAFT

system or digital surveillance system in accordance with Appendix A and as authorized by TGA and SGA, in compliance with the requirements of the Compact.

9.11 Verification Data and Functions. In addition to its functions in operating a connection with the Electronic Scratch Ticket and On-line Lottery Games, the Central Computer may be used to record the data used to verify game play and to configure and perform security checks on Player Terminals, provided such functions do not affect the security, integrity or outcome of such games.

SECTION 10. TESTING OF TRIBAL LOTTERY SYSTEMS TO ENSURE INTEGRITY

10.1 Designation of Independent Gaming Test Laboratory. The Tribe shall select one or more gaming test laboratories (hereinafter "Gaming Test Laboratory") to perform the testing required in this Appendix. Any Gaming Test Laboratory selected shall have demonstrated it is competent and qualified to conduct scientific tests and evaluations of electronic gaming systems and to otherwise perform the functions set forth in this Compact, and shall be licensed by the SGA. The SGA shall maintain a list of approved Gaming Test Laboratories. A Tribe may request additional laboratories be placed on the SGA's list of Gaming Test Laboratories which request shall not be reasonably withheld. Any laboratory that is currently licensed and approved by any state, province or country to test or evaluate electronic gaming devices or systems shall be placed on the list if after review by the SGA it is found to be so qualified and otherwise meets the background and licensing requirements applicable to such laboratories under Washington State Law. For any testing required under this Appendix, the Tribe shall choose a laboratory from those Gaming Test Laboratories on said SGA list. If, at any time, any of the Gaming Test Laboratory's licenses from any jurisdiction are suspended, terminated or subject to disciplinary actions, the Gaming Test Laboratories may be removed from the SGA's list. If removed from the SGA list, the Tribe shall choose a new Gaming Test Laboratory as provided herein.

10.2 Testing and Certification of Tribal Lottery Systems. No Tribal Lottery System or component thereof may be offered for play unless:

10.2.1 Such Tribal Lottery System is approved by the SGA as provided in Section 10.3;

DRAFT

10.2.2 The Tribal Lottery System or component prototype thereof, has been tested and certified by the Gaming Test Laboratory as meeting the requirements specified by this Appendix;

10.2.3 If not already provided to the Gaming Test Laboratory, the Tribe shall provide, or require that the manufacturer provide to the Gaming Test Laboratory and the SGA two (2) copies of Tribal Lottery System illustrations, schematics, block diagrams, circuit analyses, technical and operation manuals, program object and source codes, hexadecimal dumps (the compiled computer program represented in base 16 format), and any other information requested by the Gaming Test Laboratory or SGA;

10.2.4 If requested by the Gaming Test Laboratory or SGA, the Tribe shall require the Manufacturer to transport working models of the Tribal Lottery System to a location designated by the Gaming Test Laboratory or SGA for testing, examination or analysis. Neither the State nor the Gaming Test Laboratory shall be liable for any costs associated with the transportation, testing, examination, or analysis, including any damage to the components of the Tribal Lottery System. If requested by the Gaming Test Laboratory or SGA, the Tribe shall require the Manufacturer to provide specialized equipment or the services of an independent technical expert to assist with the testing, examination and analysis. For purpose of continued monitoring, the SGA may retain working models of any Tribal Lottery System or component after approval for as long as the equipment is in play in the state;

10.2.5 At the conclusion of each test, the Gaming Test Laboratory shall provide to the SGA and the TGA a report that contains findings, conclusions and a certification that the Tribal Lottery System conforms or fails to conform to the requirements contained in this Compact. If the Gaming Test Laboratory determines that the device fails to conform to such requirements or technical standards, and if modifications can be made which would bring the Tribal Lottery System into compliance, the report may contain recommendations for such modifications. The State is not bound by the findings, conclusions or certifications of the Gaming Test Laboratory for purposes of its enforcement of the provisions of this Compact and may perform further testing on the system or components to verify compliance;

DRAFT

10.3 Approval by the SGA. Upon receiving the certification from the test laboratory, the SGA shall either approve or disapprove the Tribal Lottery System or component thereof based on the technical criteria contained in this Appendix, within sixty (60) days of receipt of the certification as to any new Tribal Lottery System or any component thereof, and within fifteen (15) days of the receipt of the certification as to any modification of a system which has already been approved by the SGA. The certification shall be deemed approved if no action is taken thereon by the SGA within said sixty (60) day period or fifteen (15) day period, as may be applicable. The fifteen (15) day period shall be extended for the first nine (9) months after the effective date of this Appendix and, during that first nine (9) month period, such certification shall only be deemed approved if no action is taken within thirty (30) days. Any disputes arising out of the approval process in this Section 10.3 shall be resolved in accordance with the binding arbitration provisions of the Compact.

10.4 Modifications of Approved Lottery Systems; Emergency Certifications. No modification to any Tribal Lottery System may be made after testing, certification and approval of a Tribal Lottery System without certification of the modification by the Gaming Test Laboratory under Section 10.2 and approval thereof by the SGA under Section 10.3. In situations where immediate modifications are necessary to preserve the integrity of a Tribal Lottery System which has been operating pursuant to an approval obtained under section 10.3, the Gaming Test Laboratory may issue an emergency certification of the modification and that it must be made immediately to preserve the integrity of the Tribal Lottery System. Such emergency certifications shall be deemed to be temporarily approved by the SGA and remain in effect until the SGA takes action on the certification, which shall be governed by section 10.3, provided that no emergency certification shall be valid or effective until actually approved by the SGA if it was not received by the SGA within 5 days after being issued.

10.5 Manufacturer's Conformity to Technical Standards. Before any component of a Tribal Lottery System may be placed into operation, the Tribe shall first have obtained a written Certification from the manufacturer that upon installation, each such component: (a) conforms to the specifications of the Tribal Lottery System as certified by the Gaming Test Laboratory; and (b) operates and plays in accordance with the requirements of this Compact. Authorization to operate a Tribal Lottery System requires that it operate and play in accordance with the

DRAFT

requirements specified by this Appendix; provided that while the failure of such Tribal Lottery System to comply with such requirements will suffice as a grounds to enjoin or otherwise terminate said Tribal Lottery System's operation, such non-compliance will not be deemed a violation of this Compact as long as the Tribe has relied in good faith on the certification of the manufacturer and has retained a written certification in the manner described in this section.

10.6 Payment of Gaming Test Laboratory Fees. The Tribe shall be responsible for the payment of all Gaming Test Laboratory fees and costs in connection with the duties described in this Compact. The Tribe shall provide copies of all Gaming Test Laboratory invoices and payments by the Tribe to the SGA, which shall have the right to audit such fees. In order to assure independence of the Gaming Test Laboratory, any Gaming Test Laboratory Payment delinquency by the Tribe of fees or costs due to the Gaming Test Laboratory may be grounds by the SGA for rejecting such laboratory's reports or certification.

10.7 Gaming Test Laboratory Duty of Loyalty. The Tribe shall inform the Gaming Test Laboratory in writing that, irrespective of the source of payment of its fees, the Gaming Test Laboratory's duty of loyalty and reporting requirements run equally to the State and the Tribe.

10.8 Random Inspections. The Tribe shall allow the SGA to inspect any components of the Tribal Lottery System for the purposes of confirming that such component is operating in accordance with the requirements of this Compact and that such component is identical to that tested by an Independent Test Laboratory. Inspections shall be pursuant to the Facility access rules set forth in the Compact.

10.9 SGA to be Supplied Model of Player Terminal and System. If not already provided to the SGA, the SGA shall, upon request, be supplied a Player Terminal Central Computer and Manufacturing Computer to be held at the SGA's offices for purposes of determining compliance with these technical requirements.

SECTION 11. ALTERNATIVE STANDARDS PERMITTED

Notwithstanding anything in this Appendix to the contrary, the SGA and Tribe may agree on alternative provisions to those set forth herein, provided such provisions adequately preserve

DRAFT

and protect the integrity and security of any game or gaming system or component, or accounting or auditing system or component, affected thereby.

SECTION 12. TRIBAL LOTTERY SYSTEM PLAYER TERMINAL ACQUISITION AND OPERATION

12.1 Allocation. The Tribe shall be entitled to an allocation of, and may operate or transfer the ability to operate, up to 1075 Player Terminals ("Allocation").

12.1.1 If the Tribe has not previously operated a gaming facility, the SGA shall conduct a standard compliance review commencing on the one year anniversary of the facility's opening to determine whether the following requirements have been satisfied:

a. There have been no violations of the provisions of the Compact that have resulted in sanctions imposed by the Federal District Court;

b. There have been no violations of the Compact which are substantial or would be deemed material due to repetition;

c. There have been no material adverse impacts on the public safety or welfare of the surrounding communities in the nature of criminal activities directly related to the operations of the Class III Gaming Facility;

d. Any changes in the operating requirements that are necessary to accommodate any increase in the number of Player Terminals in use have been implemented; and

e. All fees due from Tribe under Section 13 have been paid, or in the alternative either a memorandum of understanding with the SGA ("MOU") has been entered into or an arbitration has been demanded, has not been resolved, and the Tribe has complied with the provisions of Section 13.5.

DRAFT

A summary of the results of the compliance review will be provided to both the Tribe and the TGA.

12.2 Further Conditions. The Tribe may acquire the ability to operate additional Player Terminals that have been allocated by compact to any other Washington tribe and may also transfer any of its own Allocation of Player Terminals, or the ability to operate such allocated Terminals to another Washington tribe that has entered into a compact authorizing operation of a Tribal Lottery System consistent with this Appendix ("Eligible Tribe"), subject to the following conditions:

12.2.1 Subject to Section 12.4 below, the Tribe may operate no more than 2,500 Player Terminals per facility ("Facility Limit"), and no more than a combined Player Terminal total ("Total Operating Ceiling") of 3,000 Player Terminals. It is also agreed that upon the effective date of this Appendix, the Total Operating Ceiling for the Muckleshoot Tribe, Tulalip Tribes, and Puyallup Tribe shall be 3,500 for each of those three tribes until the third anniversary of the effective date of this Appendix, at which time it shall increase to 4,000 for each of those same three tribes. It is further agreed that the Tribe shall not be entitled as a matter of right to an increase in its Total Operating Ceiling based on the fact that the Muckleshoot Tribe, the Tulalip Tribes, and the Puyallup Tribe are entitled under this Appendix to operate up to the separate, higher Total Operating Ceiling(s) established specifically for them in this Appendix.

12.2.2 The Tribe agrees that its acquisitions and transfers of the ability to operate additional Player Terminals shall be made only pursuant to a plan approved by no less than a majority of the tribes that were Eligible Tribes at the time such plan was adopted. Development and approval of the plan shall follow notice to all Eligible Tribes and an opportunity to participate in creating the plan. Once adopted or amended, the plan shall stay in effect without change for at least one year, even if additional tribes become Eligible Tribes thereafter, but such additional tribes may participate in the plan. Changes in the plan shall not affect the validity or terms of prior transactions conducted between or among tribes under the plan. The State shall have no responsibility whatsoever with respect to the plan, including but not limited to responsibility for providing notices to tribes, determining if the plan has been

DRAFT

agreed to properly, monitoring its rules or implementation, or any other aspect of such plan, the entire responsibility for which shall be upon the Eligible Tribes.

12.2.3 The Tribe waives the ability to operate a Player Terminal pursuant to its Allocation if the ability to operate such a Terminal has been transferred to another tribe until such time as the ability to operate such a Terminal has been reacquired by the Tribe.

12.2.4 The Tribe may not utilize the ability to operate a Player Terminal that was allocated to, and subsequently acquired from, another tribe, until it completes delivery to the State of documentation confirming the number of transfers of the ability to operate such Terminals it has acquired.

12.3. Joining Facilities by Common Enclosure.

12.3.1 Notwithstanding anything to the contrary in this Compact (including any amendments), Facilities that are physically joined ("Joined Facilities") by a Common Enclosure (as defined below) shall be treated as separate Facilities for the purpose of determining compliance with the Facility Limit. No Class III game or gaming system, or component thereof, shall be located or operated outside the Tribe's gaming facility except as approved pursuant to Section 5.11. Facilities may share utility services, electronic and computer data, accounting, equipment, instructions, information, functions and systems. If the combined Player Terminals in any structure (regardless of its resemblance to a Joined Facility or inclusion of what would otherwise be deemed to be a Common Enclosure) total no more than the Facility Limit, the Tribe may treat the entire structure as a single Facility and not as a Joined Facility or as containing a Common Enclosure.

12.3.2 As used herein, the term "Common Enclosure" means a walkway, breezeway, or hallway that is physically connected to, and is shared in common by, Joined Facilities and its primary purpose is to provide a passage from one facility to another. A Common Enclosure shall not contain any Tribal Lottery System Player Terminals, gaming tables or other gaming equipment and shall not be more than one story tall, with a height of not more than twenty feet from the floor to the interior ceiling and a width of not more than thirty feet.

DRAFT

12.4 Other Circumstances. Except as specifically provided in Section 12.2.1 of this Appendix, in the event the State agrees (or is required by law or a court ruling to agree) to permit an allocation of Player Terminals to a tribe which is greater, or is on terms which are more favorable, than as set forth herein, the Tribe shall be entitled to such greater Allocation or more favorable terms.

SECTION 13. STATE REGULATORY FEES

13.1 Payment of Outstanding Fees. All regulatory fees which have been billed by the SGA to the tribes collectively who are parties to State of Washington v. The Confederated Tribes of the Chehalis Reservation, NO. C 95-1805-FVS (W.D. Wa.), covering services through the most recent billing period, shall be paid prior to the Tribe being authorized to operate the Tribal Lottery Systems set forth in this Appendix. This requirement shall be deemed to have been met with respect to any fees as to which either a) a MOU has been entered into regarding such fees and the Tribe has paid all fees due through the most recent billing period as stated above, or b) an arbitration has been demanded and has not been resolved and the Tribe has made the payments and deposits required under Section 13.5.

13.2 Set-up Fee. As part of the recoverable cost of regulating Tribal Lottery Systems under this Appendix, the State shall be entitled to the reasonable cost of initially setting up such regulation ("Set-up Fee"), which shall not exceed for all Eligible Tribes, in the aggregate, the sum of $250,000. The Tribe acknowledges that the SGA's ability to regulate Tribal Lottery Systems, and thus the implementation of this Appendix, is contingent on the receipt by the SGA of an advance deposit to be credited against the Set-up Fee in the full amount of $250,000 ("Set-up Deposit"). The Tribe agrees to cooperate and participate on a fair and pro rata basis (i.e., dividing the entire amount due by the number of Eligible Tribes at the time such determination is made) in any agreement among the Eligible Tribes with respect to the Set-up Deposit, which shall be paid to the SGA within three months of the casino opening.

13.3 Payment of Tribe's Share of Set-up Fee. As a condition to the Tribe's operation of the Tribal Lottery System under this Appendix, the Tribe shall deposit with the SGA its pro-rata share of the Set-up Deposit if the actual costs comprising the Set-up Fee have not yet been

DRAFT

determined, or if so, of the Set-up Fee. In the event the Tribe pays the SGA more than its pro-rata share of the Set-up Deposit or, after the actual costs are determined, the Set-up Fee, it shall be reimbursed by way of future Regulatory Fee credits based on the collection by the SGA of additional pro-rata payments from other Eligible Tribes, the addition of such tribes and resulting recalculation of the pro-rata amount per tribe, or both, as the case may be. The pro-rata amount per tribe shall be redetermined by the SGA at least once a year to take into account the collection of further tribal pro-rata payments or the addition of new Eligible Tribes, and further credits due as a result thereof shall be applied to the next billing period.

13.4 Annual Regulatory Fees. The Tribe agrees to pay its share of the SGA's actual costs which are reasonably incurred in order to commence and carry out its regulatory functions with respect to the Tribe's gaming under this Appendix, through the payment of an annual Regulatory Fee. For the sake of convenience and efficiency, the Regulatory Fee shall also include any actual costs which were incurred by the SGA in connection with the Tribe's class III gaming other than those authorized under this Appendix, and shall supersede provisions in the Compact with respect to the imposition of such fees therein. "Actual costs" as used herein shall mean those costs that were reasonably incurred in order to protect the honesty and integrity of the gaming being operated by Tribe under, and to monitor the Tribe's compliance with, the Compact. Costs incurred in common for more than one tribe shall be allocated among such tribes. For purposes of this Section 13, prior years' actual costs shall be based on the actual costs incurred for the twelve months ending September 30. Regulatory Fees shall be paid as follows:

13.4.1 First Year Regulatory Fees. Upon commencement of operations of a Gaming Operation, the SGA shall make a good faith estimate of the cost of regulating the Tribe's activities under this Appendix for the remainder of the calendar year.

13.4.2 Cost Allocation. Notwithstanding anything in the Compact to the contrary, the Regulatory Fees for all class III activities under the Compact, including those applicable to the activities described in this Appendix (except for the first year fees set by estimate as provided in Sections 13.4.1), shall be set by determining the cost of regulating the Tribe's class III activities using the State's cost allocation model currently in use as of the effective date of this Amendment.

DRAFT

13.4.3 Billing and Payment. The SGA shall notify the Tribe of the forthcoming Regulatory Fee at least 45 days prior to its becoming due. Regulatory Fees may be paid for an entire year in advance of the date on which the billing year commences (calendar year) or in no more than 12 equal monthly installments, each of which shall be due on the first day of each month, which monthly payments shall commence on the first day of the first month of the billing year, or within 45 days following notification of the amount of the forthcoming year's Regulatory Fee, whichever is later.

13.4.4 Audit. The SGA shall send the Tribe an annual audited accounting of actual costs on or before April 30th of the following year.

13.4.5 Revisions to State's Cost Allocation Model. The State may revise its cost allocation model, which shall become effective upon 90 days' notice to the Tribe. If the Tribe disputes the revised model, the State and Tribe shall meet and confer in an attempt to resolve the matter within 30 days. If the parties cannot resolve the dispute, the dispute resolution provisions set forth in section 13.5 shall apply.

13.5 Regulatory Fee Disputes. If the Tribe disputes the State's determination of the Regulatory Fee, the Tribe shall pay no less than the amount of the fee which is not in dispute to the SGA when due and deposit the disputed amount into an escrow account that is restricted until such dispute is resolved. The dispute will be resolved pursuant to the binding arbitration provisions of this Compact. If the Tribe fails to make the required payment to the SGA or deposit into escrow, the State may pursue any of the remedies set forth in the Compact for the Tribe's breach thereof.

SECTION 14. OTHER PAYMENTS

In order to provide for impacts to local community services that may arise as a result of the gaming authorized under this Appendix, the following payments shall be made from revenues derived from, as specified, the Tribe's Class III gaming or Tribal Lottery System activities on the terms and conditions set forth below.

DRAFT

14.1 Impact Costs. Up to one-half of one percent (0.5%) of the net win derived from Tribal Lottery System activities, determined on an annual basis using the Tribe's fiscal year, shall be added to any amounts payable and distributable from other Class III activities under the Compact in order to meet community impacts, to the extent such Compact amounts are insufficient to meet actual and demonstrated impact costs.

14.2 Charitable Donations. One-half of one percent (0.5%) of the net win derived from Tribal Lottery System activities, determined on an annual basis using the Tribe's fiscal year, shall be donated to non-tribal bona fide non-profit and charitable organizations in the State of Washington.

14.3 Community Impacts. Up to one-half of one percent (0.5%) of the net win derived from the Tribal Lottery System, determined on an annual basis using the Tribe's fiscal year, determined by deducting from one percent of said net win the amounts actually paid under Sections 14.1 and 14.2 in said year, shall be applied to Tribal governmental programs which have an impact on the community by assisting the Tribe and its members in become self-sufficient, such as programs concerned with Tribal law enforcement, education, housing, health, elderly care, safety, and gaming regulation.

14.4 Problem Gambling. Thirteen one-hundredths of one percent (0.13%) of the net win derived from all Class III gaming activities, determined on an annual basis, shall be dedicated to problem gambling education, awareness, and treatment in the State of Washington. Contributions shall be made to governmental, charitable and/or non-profit organizations, which may include the Department of Social and Health Services' Division of Alcohol and Substance Abuse (DSHS/DASA), that are directly related to helping to reduce problem gambling. The 0.13 percent of net win shall be paid annually, commencing with the conclusion of the Tribe's first full fiscal year following the date upon which this Appendix becomes effective and shall be paid annually within one year of the close of the Tribe's fiscal year.

14.5 Smoking Cessation and Prevention. Thirteen one-hundredths of one percent (0.13%) of the net win derived from Tribal Lottery System activities, determined on an annual basis, shall be dedicated to smoking cessation, prevention, education, awareness, and treatment

DRAFT

in the State of Washington. Contributions shall be made to governmental, charitable and/or nonprofit organizations that have as a purpose the discouragement of the use of tobacco. However, if the Tribe operates any of its Class III gaming facilities as entirely smoke-free, the Tribe‘s smoking cessation contribution shall be reduced proportionally based upon the pro rata number of Tribal Lottery System machines in that non-smoking facility compared to the total number of Tribal Lottery System machines operated by the Tribe. Additionally, it is also agreed that if the Tribe completely prohibits the sale and use of alcohol in all of its Class III gaming facilities, the Tribe shall be entirely excused from making the smoking cessation contribution required by this subsection for as long as the prohibition on the sale and use of alcohol remains in effect. The 0.13 percent of net win shall be paid annually, commencing with the conclusion of the Tribe’s first full fiscal year following the date upon which this Appendix becomes effective and shall be paid annually within one year of the close of the Tribe’s fiscal year as set forth in section 14.6.3.

14.6 Payment. The payments set forth in Section 14.1 through 14.5 shall be subject to the following:

14.6.1 Except in Section 14.4, as used in Section 14, the term "net win" shall mean the total amount of Tribal Lottery System revenue after prizes or winnings have been paid out (i.e., the difference between the amount wagered or played and the amounts paid to winners), less any cost of developing, licensing, or otherwise obtaining the use of the Tribal Lottery System. In Section 14.4, the term "net win" shall mean the total amount of Class III gaming revenue after prizes or winnings have been paid out (i.e., the difference between the amount wagered or played and the amounts paid to winners) less any cost of developing, licensing, or otherwise obtaining the use of the Class III games;

14.6.2 Because IGRA requires that the Tribe be the primary beneficiary of gaming revenues, no donation shall be due under Section 14.2 in any Tribal fiscal year in which the Tribe has not made a profit from its class III operation, taking into account the effect of such donation if made. As used herein, the term "profit" shall mean net profits associated with the operation of all Class III gaming by the Tribe, as determined under GAAP, but without deduction for depreciation;

DRAFT

14.6.3 The payments and distributions required by Sections 14.1, 14.2, and 14.3, above, shall be paid within one year of the close of the Tribe's fiscal year. In the first year that a tribe operates a gaming facility, the payments required by Sections 14.1, 14.2, and 14.3, above, shall be reduced by one half, and in the second year that a tribe operates a gaming facility, the payments required by those Sections shall be reduced by one quarter. The payments required by Sections 14.4 and 14.5, shall be paid as indicated in those Sections.

14.7 Community Investments and Contributions

14.7.1 Qualifying Programs. The Tribe agrees to continue its commitment of investing in the health and welfare of the community by providing for programs that benefit tribal and non-tribal members through Community Investments and Contributions. Community Investments and Contributions are intended to support programs including, but not limited to the following:

a. Goods and services purchased;

b. Wages and benefits paid (including number of jobs provided);

c. Law enforcement, courts, detention programs, and fire and emergency services (contributions may include cross deputization and mutual aid agreements, facilities and equipment);

d. Natural resource protection and habitat restoration;

e. Health care, including: drug and alcohol treatment and prevention services, smoking cessation programs, problem gambling treatment and services, mental health care, dental care, and health promotion programs, such as diabetes prevention, nutrition programs, and fitness programs;

f. Education, including tutoring, head start and related services, as well as direct financial support to State-funded education;

g. Day care;

DRAFT

h. Disaster and emergency preparedness;

i. Public utilities, including water, wastewater, and water treatment infrastructure;

j. Economic development and job training;

k. Elder services;

l. Cultural resource protection;

m. Social services programs, such as food banks, shelters, etc.;

n. Transit services;

o. Outreach and informational programs, such as financial training for homeowners, home repair classes, GED classes, parenting classes, etc.;

p. Roads, bridges and other transportation infrastructure (including sidewalks, lighting, signage);

q. Low income housing;

r. Public works, public facilities (such as museums, libraries, cultural facilities, wellness centers, elections facilities), athletic fields, parks, and other recreational facilities;

s. Contributions to communities or charities; and

t. In kind contributions related to any of the above.

14.7.2. Community Investments and Contributions Report. In order to ensure that such efforts and contributions are recognized and documented, the Tribe agrees to provide and certify data that fairly reflect its Community Investments and Contributions in an annual report. The report shall contain the date or time period of the contribution, a brief description of the program or services, and an approximate dollar value of the investment or contribution. The report shall be accompanied by a certification that the data supplied by the Tribe is accurate.

DRAFT

SECTION 15. MORATORIUM

15.1 Amendment Moratorium. The Tribe agrees to seek no additional amendments to this Appendix with respect to the subject matter of Tribal Lottery System Terminals prior to June 30, 2009, ("Moratorium") except in the following circumstances, which circumstances may also constitute a basis for the Tribe to seek such an amendment after the expiration of the Moratorium:

15.1.1 Technical Changes. Nothing in this Section shall prohibit the Tribe or State from seeking changes of the technical provisions of this Appendix if the necessity or desirability for such changes becomes apparent in the development, testing, production, marketing, or use of the system. Neither party shall unreasonably deny such requests.

15.1.2 Mutual Agreement. Nothing in this Section shall diminish the right of either party to amend the terms and conditions of this Compact by mutual agreement, as otherwise provided in this Compact.

15.2 Post-Moratorium. Upon the expiration of the Moratorium, the following circumstances may constitute a basis for the Tribe to seek an amendment and without prejudice to any other provision(s) of the Compact or this Appendix, except the application of the Moratorium in section 15.1, above, to such provision(s), when:

15.2.1 Federal or State law, whether by statute, rule, regulation or other action is amended to authorize any gambling devices now prohibited or not now permitted in the State and/or not governed by this Appendix;

15.2.2 A State or Federal Court within the State of Washington or a Federal Court interpreting the laws of the State of Washington issues a final and unappealable decision permitting participation by any person, organization or entity to use a gambling device that was not deemed by the State to be authorized at the time this Compact amendment was executed, or is not authorized by this Compact; or

DRAFT

15.2.3 Any other tribe located in the State of Washington obtains through a Compact or Compact amendment, or otherwise through applicable federal law, or any person or entity (including the State Lottery) is licensed to use or places in use, any type or number of Class III - type gambling device or equipment which is materially different from or allows a greater quantity per location than that which is authorized by this Compact. In such event the Tribe shall be entitled to use such equipment or increase their allocation to a like number, subject to good faith negotiations with the State regarding the use and regulation of such equipment, which negotiations shall be subject to the dispute resolution provisions of this Compact.

15.2.4 Any other tribe located in the State of Washington actually offers to patrons pursuant to a Compact or Compact amendment, or otherwise through applicable federal law, higher maximum wagers than provided for in this Compact, and/or the extension of credit, then the Tribe may likewise do so in conformity with the terms and conditions so permitted the other tribe.

SECTION 16. HOURS OF OPERATION

Notwithstanding anything in the Tribe's Compact, as amended, to the contrary, the Tribe shall determine the hours of operation for each of its gaming facilities.

SECTION 17. DISPUTE RESOLUTION

In the event of a dispute hereunder, it shall be resolved in accordance with any dispute resolution provisions specifically made applicable in this Appendix to such disputes, or if there are none, under the Dispute Resolution provisions of the Compact.

SECTION 18. EFFECTIVE DATE

This Appendix shall take effect only when the following conditions have, in the order listed, been met: 1) additional amending Appendices containing identical terms, conditions, and provisions have been approved and signed by the authorized officials of the State and by all of the Indian tribes in the State of Washington (excepting only the Cowlitz Tribe and the Spokane

DRAFT

Tribe) that were federally recognized on or before January 1, 2007; 2) the approved and signed amending Appendices for every federally recognized Washington tribe (excepting only the Cowlitz Tribe and the Spokane Tribe) have been forwarded to the United States Secretary of the Interior; and, 3) notice of the approval of this Appendix by the United States Secretary of the Interior has been published in the Federal Register in accordance with 25 U.S.C. §2710(d)(3)(B). Provided, if the provisions of this Section 18(1) and (2) above have not been fully satisfied within 90 days after execution by the State and the Tribe, then the Tribe shall be entitled to terminate its approval of this Appendix. Provided further, that the State may, if it chooses, waive the requirements of subsections (1) and (2) of this Section 18.

DRAFT

Jamestown S'Klallam Tribe - State of Washington
Class III Gaming Compact

Appendix X2 Addendum
Tribal Lottery System Terminal Allocations

Section 1. Overview

The Parties executed the Fourth Amendment to the Tribal-State Compact, known as Appendix X2. Appendix X2 became effective May 31, 2007. This Appendix X2 Addendum further supplements Appendix X2 as follows:

Section 2. Definitions

All terms not defined herein shall have the same definitions as in the Tribe's Compact and its amendments and appendices.

2.1 "**Available for Lease**" means a Player Terminal that is part of an Eligible Tribe's Allocation of Player Terminals and is neither in use in any Eligible Tribe's Gaming Facility or Facilities, nor leased to another Eligible Tribe.

2.2 **"Certification"** means a confirmation conducted and signed by an Independent Accounting Firm that states the number of Player Terminals Available for Lease in the State of Washington.

2.3 **"Eligible Tribe"** means a Washington Tribe that has entered into a compact authorizing operation of a Tribal Lottery System consistent with Appendix X2.

2.4 **"Independent Accounting Firm"** means a person or firm licensed by the Washington State Board of Accountancy.

Section 3. Increases to Tribe's Allocation of Player Terminals

3.1 The Tribe's Allocation of Player Terminals as set forth in Appendix X2 may increase by 50 Player Terminals upon meeting the procedures and conditions set forth in this Addendum.

3.2 The Tribe shall provide the State Gaming Agency with written notice, along with Certification from an Independent Accounting Firm, that there are 500 or fewer Player Terminals Available for Lease among all tribes participating in the Tribal Lottery System under Appendix X2. The Tribe shall derive its notice and Certification from information provided by participants in the plan described in Section 12.2.2 of Appendix X2.

3.3 Upon receipt of the Tribe's notice, the State Gaming Agency shall review the Certification and verify the Player Terminals Available for Lease in the state. To facilitate the State Gaming Agency's review and verification process, the Tribe

DRAFT

shall authorize the Independent Accounting Firm to make available for review by the State Gaming Agency all supporting records used to develop the Certification.

3.4 The State Gaming Agency has 30 days to review, verify, and provide written notification to the Tribe of the additional Allocation of Player Terminals set forth in Section 3.1. Any such increase to the Tribe's Allocation shall become effective 30 days after notification by the State Gaming Agency.

3.5 Such notice by the State Gaming Agency shall for all purposes increase the Allocation of Player Terminals for the Tribe until such time as, if ever, another notice and Certification is delivered to the State Gaming Agency for an increase to the Allocation.

3.6 Except as set forth in Section 3.7, additional increases to the Tribe's Allocation of Player Terminals under this Section are limited to one (1) increase per twelve (12) month period.

3.7 Notwithstanding the limitation set forth in Sections 3.5 and 3.6, if the Tribe, or another Eligible Tribe, licenses a new Gaming Facility on Tribal Lands that will operate more than 1,075 Player Terminals at its initial opening, the Tribe may provide written notification to the State Gaming Agency of such licensure. After receipt of such notification, the State Gaming Agency has 30 days to review, concur, and provide written notification to the Tribe that the Tribe's Allocation of Player Terminals shall increase by an additional 50 Player Terminals.

3.8 In the event any other Eligible Tribe becomes entitled to an increased Allocation of Player Terminals under that tribe's version of Section 3.4 or 3.7, the Tribe shall be automatically entitled to the same Allocation increase authorized to that other Washington tribe by its version of Section 3.4 or 3.7 above, and the State shall provide prompt notification of the increase to the Tribe.

Section 4. Dispute Resolution

4.1 If a dispute arises between the Tribe and the State with respect to the terms and conditions set forth in this Addendum, including but not limited to the number of Player Terminals Available for Lease, the State and Tribe shall meet and attempt to resolve the dispute not later than 30 days prior to the increased Allocation of Player Terminals going into effect.

4.2 If either party believes, after the meet and confer has commenced, that a resolution by the parties cannot be achieved, then either or both parties shall be entitled to have the dispute resolved pursuant to the dispute resolution provisions of the Compact.

DRAFT

JAMESTOWN S'KLALLAM TRIBE
and the
STATE OF WASHINGTON
CLASS III GAMING COMPACT

APPENDIX W
Rules Governing Wide Area Progressives

Table of Contents

STATEMENT OF CONDITIONS AND LIMITATIONS 1
1. INTRODUCTION 1
1.1 Definitions 1
1.2 Intent 2
2. REQUIREMENTS 2
2.1 General Requirements 2
2.2 Submission Process 3
3. TESTING AND APPROVAL 4
3.1 Independent Gaming Test Laboratory 4
3.2 General Testing Requirements 5
3.3 Materials Provided to Gaming Test Laboratory 5
3.4 Approval by the State Gaming Agency 5
3.5 Installation 6
3.6 WAP Operator Certification 6
3.7 Payment of Fees 6
4. INSPECTIONS 6
5. PARTICIPATION IN ANOTHER APPROVED WAP 7
5.1 Requirements for participation in another approved WAP: 7

DRAFT

CLASS III GAMING COMPACT

APPENDIX W
Rules Governing Wide Area Progressives

STATEMENT OF CONDITIONS AND LIMITATIONS

The Jamestown S'Klallam Tribe (Tribe) and the State of Washington (State) believe that conducting Class III gaming under the terms, limitations, and conditions set forth below will benefit the Tribe and the State, will be fair and protect the members of the Tribe and the other citizens of the State, and is consistent with the objectives of the federal Indian Gaming Regulatory Act. The parties have agreed upon conditions of the terms, provisions, and limitations contained in this Appendix W.

This Appendix contains interdependent conditions and consequences that must be accepted as a whole in order to operate or participate in a Wide Area Progressive (WAP). As a result, authorization to operate or participate in a WAP requires the Tribe to operate and participate in accordance with all of the requirements of both this Appendix and the subsequent memorandum of understanding agreed to under subsection 2.2.3.

1. INTRODUCTION

1.1 Definitions

Any capitalized term used but not defined herein shall have the same meaning as in the Compact.

"Component" means hardware, software, and any integral parts or combination thereof necessary to operate the WAP.

"Fair" means the odds of winning prizes being equal to other devices connected to the same WAP within accepted statistical industry standards as verified by an approved Gaming Test Laboratory.

"Participant Tribe" means a tribal government within the State that has been accepted to join in a specific approved WAP.

"Progressive Prize" means a prize that increases by a predetermined amount based on play on a Class III Tribal Lottery System (TLS).

"Wide Area Progressive" or "WAP" means a jackpot sharing system between multiple participating jurisdictions and/or governments within and outside the State.

"WAP Controller" means a component at each participating jurisdiction's and/or

DRAFT

government's gaming facility that accumulates Progressive Prizes and provides Progressive Prize information to display for players.

"WAP Operator" means the licensed manufacturer or gaming service supplier that maintains the WAP central system which communicates with individual WAP Controllers.

1.2 Intent

The intent of the parties is to allow the Tribe to use a WAP where players are entered into a pool for a Progressive Prize without the insertion of additional consideration.

1.2.1 The WAP must be Fair, secure, and auditable.

1.2.2 The WAP does not constitute a mechanical gambling or lottery device activated by the insertion of a coin or by the insertion of any object purchased by any person taking a chance by gambling in respect to the device.

1.2.3 The WAP does not constitute an electronic or mechanical device or video terminal which allows for individual play against such device or terminal.

2. REQUIREMENTS

2.1 General Requirements

The basic requirements for a WAP authorized under Section IV-Class III Gaming Activities of the Compact are as follows:

2.1.1 Any WAP Controller utilized by the Tribe may operate only in conjunction with the TLS and may not offer a game where the player may play against the device.

2.1.2 The restrictions on the use and operation of the TLS as governed by Appendix X and Appendix X2, including prohibiting individual play against such devices or terminals, are not changed by this Appendix.

2.1.3 The WAP will be Fair for players in the State.

2.1.4 The rules of play will be posted for the customer.

2.1.5 The WAP will conform with 25 U.S.C. § 2710 (d)(1)(A), (B), and (C).

2.1.6 The WAP will allow the State Gaming Agency to remotely view the Tribe's reports and activity in real time as specifically provided for in a full submission.

2.1.7 The Tribe will make available for review agreements and contracts regarding WAP participation in accordance with Compact Section X, B Access to Records.

2.1.8 Employees and/or representatives of a WAP Operator must meet the applicable

DRAFT

licensing and certification requirements in accordance with Compact Section V Licensing and Registration Requirements and VI Tribal Licensing and State Registration.

2.1.9 Each specific type of WAP approved will conform to the standards documented in a Memorandum of Understanding after a full submission has been approved, and the Tribe shall not begin operation of said WAP until the testing and certification requirements referred to in Section 3 of this Appendix are met.

2.1.10 The Tribe will notify the State Gaming Agency of its partipation in a specific type of WAP and will follow the requirements in an approved Memorandum of Understanding for the specific type of WAP in order to participate in that WAP.

2.2 Submission Process

2.2.1 Each full submission made must meet the requirements contained in the Compact, Appendix X, Appendix X2, and this Appendix, and shall set the technical standards and Internal Controls for the operation of that type of WAP. Except for the TLS as governed by Appendix X or X2, the Tribe and the State Gaming Agency shall enter into a separate Memorandum of Understanding for each specific type of WAP the Tribe wishes to operate.

2.2.2 A "full submission," as that term is used in this Appendix, shall include a detailed description of technical standards and other information that includes at least the following:

2.2.2.1. How the system operates with the TLS, including connections to the system and other jurisdictions, probability, and summary of game rules which must be posted for the customer in any format;
2.2.2.2. WAP illustrations, schematics, block diagrams, circuit analyses, program object and source codes, and hexadecimal dumps which means the compiled computer program represented in base 16 format;
2.2.2.3. Technical and operation manuals including operation, interface, Progressive Prize verification, and random number generator standards;
2.2.2.4. System hardware specifications including all key Components including the WAP Controller;
2.2.2.5. Base software which means the software platform upon which games are loaded;
2.2.2.6. Game software for one or more games, including game set size and point of overlap;
2.2.2.7. System security including encryption, firewalls, key controls, and surveillance;
2.2.2.8. Odds for winning the Progressive Prize, the base Progressive Prize amount, the reset Progressive Prize amount, the incremental increases of the Progressive Prize, and any secondary pool increment(s);
2.2.2.9. Accounting system requirements and reports which must include at

DRAFT

least a progressive balancing report and report of unusual events such as critical memory clears, changes to Progressive Prizes, offline equipment, multiple site prizes, and related reports;

2.2.2.10. Reports which must include at least a progressive summary, aggregate, and payoff and any adjustments made by the WAP Operator on Progressive Prize pools;

2.2.2.11. Procedures for handling simultaneous Progressive Prize winners in multiple locations or jurisdictions;

2.2.2.12. Procedures to make changes or adjustments to or be removed from the WAP, including notice requirements to the Participant Tribes and players;

2.2.2.13. Procedures for accepting additional Participant Tribes or participating jurisdictions and/or governments into the WAP;

2.2.2.14. Procedures to handle system malfunctions and reporting those malfunctions to participating jurisdictions and/or governments;

2.2.2.15. Player dispute procedures;

2.2.2.16. Procedures, including a timeframe, for Gaming Operations staff or WAP Operator to provide notice to the Tribal Gaming Agency and State Gaming Agency of WAP non-compliance;

2.2.2.17. Capability and process to allow the State Gaming Agency to remotely view the Tribe's WAP to review reports and activity real time; and

2.2.2.18. Any agreement, written specifications, or limitations required of a WAP Operator by any other state or tribal government and affecting a WAP.

2.2.3 The Tribe may present to the State Gaming Agency, at any time, a WAP full submission it believes satisfies the requirements of the Compact and this Appendix. Within ninety (90) days of the Tribe's providing of a complete, full submission for its proposed WAP to the State Gaming Agency, the Tribe and the State Gaming Agency will execute a Memorandum of Understanding as required by Section 2.1.9.

3. TESTING AND APPROVAL

3.1 Independent Gaming Test Laboratory

3.1.1 Designation. The Tribe shall select one or more gaming test laboratories (hereinafter "Gaming Test Laboratory") to perform the testing required in this Appendix. The selection of a Gaming Test Laboratory will be done according to Appendix X2, Section 10.1.

3.1.2 Gaming Test Laboratory Duty of Loyalty. The Tribe shall inform the Gaming Test Laboratory, in writing, that irrespective of the source of payment of its fees, the Gaming Test Laboratory's duty of loyalty and reporting requirements run equally to the State Gaming Agency and the Tribe.

DRAFT

3.2 General Testing Requirements

The general purpose of testing the WAP and related Components is to determine the compliance of the WAP with the Memorandum of Understanding agreed to by the Tribe and the State Gaming Agency. Prior to operation of the WAP, the WAP and related Components shall be tested by a licensed Gaming Test Laboratory, to verify:

3.2.1 Compliance with the applicable requirements of the Compact, Appendix X, Appendix X2, and this Appendix; and

3.2.2 The WAP is Fair for both the players and the participating gaming facilities; and

3.2.3 Compliance with the Memorandum of Understanding and currently accepted gaming test industry standards with respect to multi-jurisdictional WAPs.

3.3 Materials Provided to Gaming Test Laboratory

3.3.1 The Tribe shall provide or require that the WAP Operator provide to the Gaming Test Laboratory a copy of the executed Memorandum of Understanding, and any other information requested by the Gaming Test Laboratory. The Tribe shall make all such materials available to the State Gaming Agency upon request;

3.3.2 If requested by the Gaming Test Laboratory, the Tribe shall require the WAP Operator to transport not more than two (2) working models of the WAP associated player terminals, and any required system elements to a location designated by the Gaming Test Laboratory for testing, examination or analysis. Neither the State nor the Gaming Test Laboratory shall be liable for any costs associated with the transportation, testing, examination, or analysis, including any damage to the Components of the WAP. If requested by the Gaming Test Laboratory, the Tribe shall require the WAP Operator to provide specialized equipment or the services of an independent technical expert to assist with the testing, examination and analysis. The Gaming Test Laboratory will notify the State Gaming Agency of the request and need for the request;

3.4 Approval by the State Gaming Agency

Upon receiving the certification, technical standards tested, and results of testing from the Gaming Test Laboratory, the State Gaming Agency shall either approve or disapprove the WAP or Component thereof, based on the criteria contained in this Appendix and the Memorandum of Understanding. The Tribe or WAP Operator may request a temporary suspension of the State Gaming Agency's review of the WAP or Component for a mutually agreed upon time period through a written request to the State Gaming Agency Director.

During the State Gaming Agency approval process, the Gaming Test Laboratory will meet with the State Gaming Agency and respective Tribal Gaming Agency to inform regulatory staff of the certification process and technical standards tested and provide training so that these personnel have an understanding of the WAP, can create a

DRAFT

regulatory program, and can better respond to questions and complaints.

3.5 Installation

3.4.1 No WAP may be offered for play unless:

3.4.1.1 Such WAP is approved as provided in this Appendix; and

3.4.1.2 The WAP prototype thereof has been tested and certified by the Gaming Test Laboratory as meeting the requirements and Memorandum of Understanding specified by this Appendix.

3.4.2 The State Gaming Agency and Tribal Gaming Agency will meet to confer on WAP initial implementation and Internal Controls changes to prepare for WAP operation. Initial Internal Controls and any subsequent changes are to be completed in conformance with Compact Section XI Standards of Operation.

3.6 WAP Operator Certification

Before any Component of a WAP may be placed into operation, the Tribe shall first have obtained a written certification from the WAP Operator that, upon installation, each such Component:

3.5.1 Conforms to the specifications of the WAP as certified by the Gaming Test Laboratory; and

3.5.2 Operates and plays in accordance with the applicable requirements of the Compact, Appendix X, Appendix X2, this Appendix, and the Memorandum of Understanding.

3.7 Payment of Fees

3.6.1 The Gaming Test Laboratory shall not accept a WAP submission from a WAP Operator without first receiving an executed Memorandum of Understanding from the Tribe. All Gaming Test Laboratory fees related to a WAP submission shall be the responsibility of the WAP Operator.

3.6.2 All State Gaming Agency testing fees related to a WAP submission shall be the responsibility of the WAP Operator.

4. INSPECTIONS

4.1 The Tribe shall allow the State Gaming Agency to inspect any Components of a WAP for the purposes of confirming that such Component is operating in accordance with the requirements of the Compact, Appendix X, Appendix X2, this Appendix, and the Memorandum of Understanding and that such Component is identical to that tested by a Gaming Test Laboratory. Inspections shall be pursuant to the Compact.

4.2 The WAP Operator shall allow the Tribal Gaming Agency and State Gaming Agency to inspect any Components of a WAP for the purposes of confirming that such Component is operating in accordance with the requirements of the Compact, Appendix X, Appendix

DRAFT

X2, this Appendix, and the Memorandum of Understanding and that such Component is identical to that tested by a Gaming Test Laboratory.

4.3 When the Tribal Gaming Agency or State Gaming Agency determine there is a failure to comply with the Memorandum of Understanding, either will immediately suspend a WAP's operation.

4.4 Reinstatement of a WAP's operation shall occur once the Tribal Gaming Agency and State Gaming Agency agree that a suspended WAP complies with the Memorandum of Understanding as determined by follow-up testing by the Gaming Test Laboratory.

4.5 If after an investigation the Tribal Gaming Agency or State Gaming Agency believe the WAP is not operating in a Fair manner, either may request a mathematical review by an independent third party. The WAP Operator will pay the cost of this review.

5. PARTICIPATION IN ANOTHER APPROVED WAP

The Tribe may participate in more than one approved WAP. When the Tribe elects to participate in a WAP that has already been approved by the State Gaming Agency, Sections 1-4 of this Appendix do not apply except as required by Section 5.1.3 below.

5.1 Requirements for participation in another approved WAP:

5.1.1. When participating in a WAP that has already been approved by the State Gaming Agency, the Tribe must follow the requirements in the Memorandum of Understanding related to that WAP.

5.1.2. The Tribe will notify the State Gaming Agency of its participation in or withdrawal from another WAP and will make any and all copies of its participation agreements available for review.

5.1.3. When the Tribe participates in an already approved WAP, the Tribe will follow the requirements listed in Sections 1, 2.1, 3.5, 3.6, 4, and 5 of this Appendix.

DRAFT

APPENDIX Y

JAMESTOWN S'KLALLAM TRIBE – STATE OF WASHINGTON
CLASS III GAMING COMPACT

TABLE OF CONTENTS

1 INTRODUCTION 1
1.1 General 1
1.2 Intent 1
1.3 Testing 1
1.4 Judicially Articulated Restrictions 2
1.5 Approval Process 2

2 TESTING AND MACHINE APPROVAL 3
2.1 Designation of Independent Gaming Test Laboratory 3
2.2 Testing and Certification of EGDs 3
2.3 Approval by the State Gaming Agency 4
2.4 Modifications of Approved Systems; Emergency Certifications 4
2.5 Manufacturer's Conformity to Technical Standards 5
2.6 Payment of Gaming Test Laboratory Fees 5
2.7 Gaming Test Laboratory Duty of Loyalty 5
2.8 Random Inspections 5
2.9 State Gaming Agency to be Supplied Model of Player Terminal and System 5

DRAFT

APPENDIX Y

JAMESTOWN S'KLALLAM TRIBE – STATE OF WASHINGTON CLASS III GAMING COMPACT

1. INTRODUCTION

1.1 General

This Appendix is created to provide the basic "core" requirements for Electronic Gaming Devices ("EGDs") authorized under IV (A)(6) of the Compact and to establish the approval and testing process for gaming machines and associated equipment that are to be operated by the Jamestown S'Klallam Tribe ("Tribe") in the State of Washington, pursuant to the Compact heretofore approved by the Secretary of the Interior. This Appendix does not apply to EGD's authorized under Appendix X or X2 to the Compact, which are governed by the respective Appendix.

These standards take into consideration certain judicially articulated restrictions on the use and operation of EGDs. Those restrictions prohibit:

a) individual play against such devices or terminals; and

b) activation of gaming devices by the insertion of a coin or currency.

1.2 Intent

The intent of this Appendix is to ensure that gaming located on Tribal Lands occurs in a manner that is:

a) Fair;

b) Secure;

c) Auditable; and

d) Compliant with judicially articulated restrictions.

1.3 Testing

The general purpose of testing gaming equipment is to determine the suitability of such gaming equipment for operation in the intended environment. Prior to operation, all EGDs and associated equipment shall be tested by a licensed gaming laboratory to:

a) verify that they comply with the requirements of the Compact and this Appendix;

b) ensure that they are fair to both the players and the operators;

c) verify that they comply with currently accepted gaming test industry standards such as GLI 11 and 12; and

d) ensure that the equipment does not constitute:

i) electronic, mechanical or electro-mechanical devices or terminals which allow for individual play against such devices or terminals, or

ii) gambling that is activated/initiated by the insertion of a coin or currency.

DRAFT

1.4 Judicially Articulated Restrictions

EGDs may be utilized by the Tribe under the following conditions:

a) The EGD is activated by a "cashless transaction system" and not by the insertion of coin or currency;

b) The EGD does not allow for individual play against the device or terminal. The parties agree that this requirement can be met in the following non-exclusive ways:

i) Players compete for a number from a predetermined set of numbers, each associated with a specific outcome; or

ii) Players compete in a pooled wagering system whereby prizes are awarded from a wagering pool or pools made up of the players' wagers and the house is entitled to a set amount of the pooled wagers. Systems meeting the requirements of this subsection may allow for an initial seeding of the wagering pool by the house, and reseeding in circumstances of excessive volatility.

c) Player terminals do not contain slot machine-type spinning reel mechanisms in mechanical form, nor allow for activation by a slot machine-type handle; and

d) The Tribe and the State Gaming Agency have signed an agreement for each specific type of EGD which confirms that that type of EGD meets the foregoing requirements and sets technical standards and internal controls for operation of that type of EGD.

1.5 Approval Process

a) Except for those EGDs governed by Appendix X or X2, the Tribe and the State Gaming Agency shall enter into an agreement for each specific type of EGD which the Tribe wishes to operate. Each agreement shall confirm that the proposed type of EGD meets the requirements contained in the Compact and this Appendix, and shall set the technical standards and internal controls for the operation of that type of EGD. Such technical standards and internal controls shall be uniformly applied to all Washington State gaming tribes and shall include, but not be limited to: operation, interface and random number generator standards; game reports; accounting system requirements and reports; cashless transaction system requirements and reports; security system requirements; testing requirements; and regulatory fees.

b) The Tribe may present to the State Gaming Agency, at any time, a machine concept it believes satisfies the requirements of the Compact and this Appendix. Within thirty (30) days thereafter, the State Gaming Agency shall notify the Tribe of its acceptance or rejection of said concept. If the State Gaming Agency accepts the Tribe's concept, the Tribe and the State Gaming Agency shall have ninety (90) additional days to execute the agreement required by § 1.5(a); provided, however, said ninety (90) day period shall not commence until the Tribe has made a full submission of its machine proposal to the State Gaming Agency; provided, further, that the Tribe shall not commence operation of said EGD until the

DRAFT

laboratory testing and certification requirements referred to in § 1.3 of this Appendix are met.

c) A "full submission," as that term is used in § 1.5(b), shall include machine hardware (a prototype EGD), base software (the software platform upon which games are loaded), game software for one or more games, and a detailed narrative description of said hardware, base software and game software. Failure of the Tribe and the State Gaming Agency to agree upon a machine concept or failure to execute an agreement required by § 1.5 (a) shall constitute a dispute or disagreement between the Tribe and the State Gaming Agency, subject to the dispute resolution provisions contained in § 12 of the Compact.

2. TESTING AND MACHINE APPROVAL

2.1 Designation of Independent Gaming Test Laboratory

The State Gaming Agency shall select one or more gaming test laboratories (hereinafter "Gaming Test Laboratory") to perform the testing required in this Appendix. Any Gaming Test Laboratory selected shall have demonstrated it is competent and qualified to conduct scientific tests and evaluations of electronic gaming systems and to otherwise perform the functions set forth in the Compact. The Tribe may request additional laboratories be placed on the State Gaming Agency's list of Gaming Test Laboratories, which request shall not be unreasonably denied. Any laboratory that is currently licensed and approved by any state, province or country to test or evaluate EGDs or electronic gaming systems shall be placed on the list if, after review by the State Gaming Agency, it is found to be so qualified and otherwise meets the background and licensing requirements applicable to such laboratories under Washington State law. For any testing required under this Appendix, the Tribe shall choose a laboratory from those Gaming Test Laboratories on said State Gaming Agency list. If, at any time, any of the Gaming Test Laboratories' licenses from any jurisdiction are suspended, terminated or subject to disciplinary actions, the Gaming Test Laboratories may be removed from the State Gaming Agency's list. If removed from the State Gaming Agency's list, the Tribe shall choose a new Gaming Test Laboratory as provided herein.

2.2 Testing and Certification of EGDs

a) No EGD may be offered for play unless:

i) such EGD is approved by the parties as provided in this Appendix; or

ii) the EGD prototype thereof has been tested and certified by the Gaming Test Laboratory as meeting the requirements specified by this Appendix.

b) If not already provided to the Gaming Test Laboratory, the Tribe shall provide or require that the manufacturer provide to the Gaming Test Laboratory two (2) copies of EGD illustrations, schematics, block diagrams, circuit analyses, technical and operation manuals, program object and source codes, hexadecimal dumps (the complied computer program represented in base 16 format), and any other information requested by the Gaming Test Laboratory. The Tribe shall make all such materials available to the State Gaming Agency upon request;

DRAFT

c) If requested by the Gaming Test Laboratory, the Tribe shall require the manufacturer to transport not more than two (2) working models of the EGD to a location designated by the laboratory for testing, examination or analysis. Neither the State nor the Gaming Test Laboratory shall be liable for any costs associated with the transportation, testing, examination, or analysis, including any damage to the components of the EGD. If requested by the Gaming Test Laboratory, the Tribe shall required the manufacturer to provide specialized equipment or the services of an independent technical expert to assist with the testing, examination and analysis;

d) At the conclusion of each test, the Gaming Test Laboratory shall provide to the State Gaming Agency and the Tribal Gaming Commission a report that contains findings, conclusions and a certification that the EGD conforms or fails to conform to the requirements contained in the Compact. If the Gaming Test Laboratory determines that the device fails to conform to such requirements or technical standards, and if modifications can be made which would bring the EGD into compliance, the report may contain recommendations for such modifications. The parties are not bound by the findings, conclusions or certifications of the Gaming Test Laboratory for purposes of enforcement of the provisions of the Compact.

2.3 Approval by the State Gaming Agency

Upon receiving the certification from the Gaming Test Laboratory, the State Gaming Agency shall either approve or disapprove the EGD or component thereof, based on the technical criteria contained in this Appendix and the agreement adopted under § 1.5, within sixty (60) days of receipt of the certification as to any new EGD or component thereof, and within fifteen (15) days of the receipt of the certification as to any modification to a system which has already been approved by the State Gaming Agency. The certification shall be deemed approved if no action is taken thereon by the State Gaming Agency within said sixty (60) or fifteen (15) day period, as may be applicable. Any disputes arising out of the approval process in this § 2.3 shall be resolved in accordance with § 14 of the Compact.

2.4 Modifications of Approved Systems: Emergency Certifications

No modification to any EGD may be made after testing, certification and approval of an EGD without certification of the modification by the Gaming Test Laboratory under § 2.3 and approval thereof by the State Gaming Agency under this § 2.4. In situations where immediate modifications are necessary to preserve the integrity of an EGD which has been operating pursuant to an approval obtained under § 2.3, the Gaming Test Laboratory may issue an emergency certification of the modification and that it must be made immediately to preserve the integrity of the EGD. Such emergency certifications shall be deemed to be temporarily approved by the State Gaming Agency and remain in effect until the State Gaming Agency takes action on the certification, which shall be governed by § 2.3, provided that no emergency certification shall be valid or effective until actually approved by the State Gaming Agency, if it was not received by the State Gaming Agency within five (5) days after being issued.

DRAFT

2.5 Manufacturer's Conformity to Technical Standards

Before any component of an EGD may be placed into operation, the Tribe shall first have obtained and submitted to the State Gaming Agency a written certification from the manufacturer that upon installation each such component:

a) conforms to the specifications of the EGD as certified by the Gaming Test Laboratory; and

b) operates and plays in accordance with the requirements of the Compact Procedures.

Authorization to operate an EGD requires that it operate and play in accordance with the requirements specified by this Appendix; provided that while the failure of such EGD to comply with such requirements will suffice as grounds to enjoin or otherwise terminate said EGD's operation, such non-compliance will not be deemed a violation of the Compact as long as the Tribe has relied in good faith on the certification of the manufacturer.

2.6 Payment of Gaming Test Laboratory Fees

The Tribe shall be responsible for the payment of all Gaming Test Laboratory fees and costs in connection with the duties described in the Compact. The Tribe shall provide copies of all Gaming Test Laboratory invoices and payments by the Tribe to the State Gaming Agency, which shall have the right to audit such fees. In order to assure independence of the Gaming Test Laboratory, any Gaming Test Laboratory payment delinquency by the Tribe of fees or costs due to the Gaming Test Laboratory may be grounds by the State Gaming Agency for rejecting such laboratory's reports or certification.

2.7 Gaming Test Laboratory Duty of Loyalty

The Tribe shall inform the Gaming Test Laboratory, in writing, that, irrespective of the source of payment of its fees, the Gaming Test Laboratory's duty of loyalty and reporting requirements run equally to the State and the Tribe.

2.8 Random Inspections

The Tribe shall allow the State Gaming Agency to inspect any components of an EGD for the purposes of confirming that such component is operating in accordance with the requirements of the Compact and that such component is identical to that tested by an independent test laboratory. Inspections shall be pursuant to the Compact.

2.9 State Gaming Agency to be Supplied Model of Player Terminal and System

If not already provided to the State Gaming Agency, the State Gaming Agency shall, upon request, be supplied all components of each EGD to be held at the State Gaming Agency's offices for purposes of determining compliance with these technical requirements.

DRAFT