

NAGRA NEWS

SUMMER 2009

A Message From the President

I am honoured to be representing NAGRA this year as President and to be working with the many talented and dedicated people who volunteer their time and energy with NAGRA on behalf of gaming jurisdictions across the United States and Canada.

Those of you who attended the recent NAGRA conference in Washington, DC, experienced firsthand the excellent educational, training and networking opportunities that were provided. You will also have noticed that NAGRA initiated several changes in the interest of going "green" and being fiscally responsible. As an example, conference materials were available for download (saving printing costs) and a handy pocket-sized agenda was provided to each attendee. These efforts will continue as NAGRA seeks innovative ways to provide value to its membership in a cost effective manner. My sincere thanks to Jim Haynes and Penny Taylor Moore and to all the committee chairs for their incredible work in putting together a very successful conference.



Rick Saville
NAGRA President
2009-2010

Some of you have attended NAGRA events for a number of years and others are relatively new to the organization. Have you ever wondered what it would be like to become more involved, as a presenter, a committee chair or as a board member? The areas of interest include, but are not limited to, charitable gaming, investigations, lotteries, casino and electronic gaming, internet gaming, Indian gaming, gaming standards and responsible gaming, etc., and your participation is welcomed. I encourage you to contact any board member or committee chair to discuss your interest.

NAGRA's annual conference is fortunate to have strong participation from both the regulatory and business sectors of the gaming industry. This has been especially important during the current economic climate. This venue provides a conduit for regulators and trade affiliates to facilitate better communication around regulatory issues or concerns and to keep up to date in an industry where technology is constantly

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Join NAGRA in Vancouver!



Save the Date
for NAGRA's 2010 Annual Conference
 June 27 through June 30, 2010
 Renaissance Harbourside Hotel | Vancouver, BC, Canada

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evolving. I encourage you to mark your calendars for the 2010 annual conference in spectacular Vancouver, British Columbia, also host city of the 2010 Winter Olympics. Our conference will be held at the Renaissance Harbourside Hotel, June 27 - 30, 2010.

On behalf of the Board and all NAGRA members, I would like to express appreciation to Penny Taylor Moore who was to serve as our President this term. Unfortunately for NAGRA, a recent career change has led to Penny's resignation from the Board. Penny served NAGRA for many years and her exemplary leadership and sage advice will be greatly missed. I am pleased to announce that Leah Cooper Boggs of Kentucky has been appointed to the position of Vice President. Leah fills the vacancy left when I was appointed by the Board to the office of President. Leah continues to hold the Treasurer's position. I am also pleased to announce the appointment of Viola Pietrandrea of Connecticut as Eastern U.S. Regional Director. Viola fills the vacancy left by Judge Mary Gigliacomo Colins of Pennsylvania who has returned to the bench.

I would like to close by thanking our Past President Jim Haynes for the exceptional leadership, hard work and effort he has devoted to NAGRA during the last year. Thank you, Jim.

Rick Saville
 NAGRA President ■

Rick Ask Appointed as New Administrator for the Montana Gambling Control Division

by Rick Ask

Greetings from Montana. For your information, Gene Huntington, the longest serving Administrator in the history of the Montana Gambling Control Division, has retired. I have been appointed to replace him by the state's new Attorney General, Steve Bullock. Gene was a great Administrator and supporter of NAGRA who will be missed by us all. Many of you may remember me as the Division's Operations Chief — the capacity in which I served this agency for many years. I have also been an active member of NAGRA in the past and served the Association in many roles up to and including President in 1993-1994. I, too, will be committed to seeing that the Division continues to actively support the Association in the years to come.

I appreciate the opportunity to serve as the Administrator and feel fortunate to have a very capable and seasoned staff with whom to work. Investigations Chief Jeff Bryson, License and Tax Supervisor Kathy Baertsch, Lab Supervisor Ben Kamerzel, and Cregg Coughlin, the Assistant Attorney General assigned as counsel to the Division, have been with the Division for a long time and are very good at what they do.

A lot has happened in Montana gaming regulation over the last few years. We have successfully implemented an automated video gambling machine tax accounting and reporting and licensing system. When Montana first legalized video gambling machines in 1985, there were no functioning dial-up or on-line systems available to account for machine activity. As they became available, all of the jurisdictions legalizing the activity since then have imple-

mented a system. Montana had an old paper, pencil, and tape roll system that required a long distance monitoring process and strict adherence to record maintenance and submission to work. Now only a few small locations with old machines are permitted to report and maintain records under the old system. Everyone else — 90% or better — is on the new automated accounting and reporting system with which machine activity records are reported electronically on a weekly or bi-weekly basis; compliance issues are dealt with as they occur; tax estimates/bills are sent to machine owners when they are due; and taxes are paid electronically. Machine permitting that could take days through the mail for an operator under the old system now takes a matter of seconds.

As for those old tape rolls — a hard copy record of machine play to be kept by machine owners for up to three years — their days may be numbered as well. The Division recently adopted rules allowing machine manufacturers to implement alternative data storage devices, such as thumb drives, in video gambling machines and do away with the tape copy record. The alternative data storage devices must contain records previously found on the machine tape rolls. The records are secured with signature keys that will allow auditors to determine whether or not data has been altered. The first machine to utilize an ASD was recently submitted for testing and approval. Machine owners and Division auditors are anxiously waiting for the day when most of the machines in play utilize the ASD.

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eclipse Compliance Testing Announces ISO 17025 Accreditation

Independent Testing Laboratory eclipse Compliance Testing, a division of Nick Farley & Associates, Inc. (NFA), announced that it has received its ISO 17025 accreditation from The American Association for Laboratory Accreditation (A2LA) for Information Technology Testing, further establishing its position as a technically competent lab in the marketplace. The accreditation granted by A2LA encompasses software and hardware tests on electronic gaming devices, including lottery and server-based systems. Commented Janice Farley, Vice President of eclipse Compliance Testing, "We are very excited to receive this accreditation from one of the world's foremost laboratory accreditation bodies. Although many of the methods we employ in our testing processes were already in place, this journey brought our team even closer as they worked collaboratively to apply the principles of ISO. I am really proud of our whole staff." According to Ms. Farley, the A2LA accreditation was awarded on June 1, 2009. This official recognition came after the company's first attempt, a feat not accomplished by many other independent testing labs in the gaming industry.

"It was a challenge, but we set a company goal to achieve our accreditation on the first try." stated Ms. Farley. "In fact, the A2LA auditor assigned to conduct our assessment was the same auditor that was assigned to competing labs. We are definitely energized to have achieved our accreditation on the first attempt!" Ms. Farley continued, "Attaining ISO 17025 accreditation within the aggressive time line we set and on our first try is truly a testament to our excellence in gaming compliance testing."

Company Profile:

eclipse Compliance Testing is a full service regulatory compliance test laboratory and electronic gaming device consulting organization. They serve the regulated gaming, amusement and vending industries. Their management has been testing electronic gaming equipment for all regulated gaming jurisdictions since 1987 and has the expertise and knowledge to provide the gaming, amusement and vending industries with world-class testing and consulting services. ■

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Since being appointed I have been asked several times, where does Montana gambling regulation go from here. My answer is that Attorney General Bullock's directive was to keep moving to improve the efficiency and effectiveness of the agency. We are currently looking at improvements to the web entry option to the tax reporting system and streamlining

the amended license application process. We'll continue to be an effective regulatory agency and, given our experience in the last few years, one that is not afraid of change if it means improving the system. ■

News from the Indiana Gaming Commission

By Adam F. Packer, Deputy General Counsel, Indiana Gaming Commission

INDIANAPOLIS – On July 19-21, the Indiana Continuing Legal Education Foundation (ICLEF) held its inaugural Master's Series Convention at the French Lick Resort • Casino, and it included an Indiana first: an advanced gaming law seminar. Indiana Gaming Commission (IGC) Executive Director Ernest E. Yelton acted as chair and discussion leader, and was assisted by IGC General Counsel Philip Sicuso and Deputy General Counsel Adam Packer. The discussion-based seminar included six hot topics in Indiana gaming law: 1) recent and developing legislation; 2) gaming crime and control; 3) problem gaming and social responsibility; 4) horse racing and racinos; 5) licensing and administrative procedure; and 6) charity gaming. Highlights for gaming regulators included the following:

State Rep. Trent Van Haaften led the legislative topic. 2009 included the passage of HEA 1285, which gave the IGC the power to replace the ownership of a failing casino with a trustee. The power may be used if a casino licensee or transfer applicant is found unsuitable or if a casino licensee voluntarily relinquishes control of its casino. SEA 160 dissolved the Indiana Boxing Commission and established the Indiana State Athletic Commission under the jurisdiction of the IGC. The Athletic Commission licenses and regulates boxing and unarmed combat. The 2009 legislature established a gaming study committee to examine issues including admission taxes, land-based gaming, out-of-state competition, smoking bans, a Fort Wayne casino, fees, Coast Guard inspections, and financial assistance to the Gary casinos. Participants also discussed the "stability" of the Indiana market, and whether expansion, discussions about moving to land-based casinos, and pleas from casino licensees to modify the tax structure have called into question Indiana's "stability."

Orange County, Indiana Prosecutor Kelly Minton discussed gaming enforcement, focusing on gaming crimes both in the casino (e.g., capping and pinching bets, card marking teams) and in the community. He discussed challenges and triumphs in pursuing charges against gaming crime and explained the prosecutorial mindset in these cases. A discussion followed about county-to-county inconsistency in pursuing gambling prosecutions, with the general consensus being that rural casino counties prosecute more casino crimes than densely-populated counties.

Kevin Mullally, Gaming Laboratories International, led a discussion on problem gambling. The group briefly discussed the recent Indiana Court of Appeals decision in *Caesars v. Kephart*, 903 N.E.2d 117, in which the Court answered in the negative the question of whether a casino owes a duty of care to a patron whom the casino knows is a compulsive gambler. There is no duty because a gambler is responsible for her own actions. The Court explained that casino gambling is a voluntary activity with bilateral foreseeability of harm and that the injury that Kephart claimed is an inherent part of the legal, regulated activity of casino gambling. Kephart's counsel has filed a petition to transfer the case to the Indiana Supreme Court, arguing that Caesars, by enticing Kephart to gamble when it knew she was a compulsive gambler, intentionally harmed her. The Supreme Court has not ruled on whether it will accept transfer. This round of the seminar also focused on self-exclusion. Mr. Mullally's model for a useful self-exclusion program is one that gives the gambler the tools to help himself. Unhelpful programs are mostly enforcement-focused and do not require the gambler to take any responsibility for his actions; the resulting attitude in the mind of the gambler is that "the

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government is going to help me and keep me out, so I don't have to face my problem."

Kay Fleming, Ice Miller LLP, addressed several licensing and taxation issues that her clients (casinos and suppliers) have. Under taxation, the group discussed the effective tax rates between the racinos (approx. 50%) and the riverboat casinos (vary widely but avg. 37%) and whether some tax assistance should be provided to the racinos. One idea was not to include promotional credits wagered in the casinos' adjusted gross revenue, from which the casinos pay wagering taxes. Ms. Fleming also started a conversation on casino disciplinary actions, including whether casinos should get more credit for self-reporting regulatory violations that do not affect revenue or the integrity of gaming.

Finally, Lea Ellingwood, an IGC attorney, handled charity gaming. Charity gaming used to be regulated by the Indiana Department of Revenue, but a 2007 shift to the IGC has resulted in increased enforcement, expanded licensure options, and staff

more focused on the gaming aspects of charity gaming. A law passed in 2009, SEA 414, provides that a charity gaming patron is not required to submit, and a qualified organization is not required to obtain, certain personal information unless the patron wins at least \$250 on a pull tab, punchboard, or tip board or the qualified organization is required to report the patron's winnings to the IRS for federal income tax purposes. SEA 414 also allows charities to share reusable licensed supplies. The law allows a person to operate charity games for up to three different charities in a calendar month (current law limits to one per month). The law also explains when a worker at a festival event may participate in gaming activity offered at the festival, and that an individual who is a member of a charity may work at licensed events held by other charities.

All IGC legal staff attended the seminar, gathering tips and strategies from industry presenters. The sold-out seminar was a success, as it covered nearly every current controversy or recent development in Indiana gaming law. ■

Video King® Awarded Patent on Bingo Racing Game

OMAHA, NE – Video King®, a global provider of electronic games, gaming systems and bingo hall equipment, announced that it has recently been awarded a patent on its bingo racing game concept, which has had a patent pending for almost three years.

"We came up with a game concept that is an absolute hit," said Rusty Morin, Video King's CFO, who helped in the collaboration of the game design and development of the patent.

"The core element of Video King's themed racing games is to use randomly generated numbers that are associated with various themed racing competitors to create an animated racing event or contest that has the feel and suspense of watching a live race or event," he said.

The racing phenomenon has transformed hundreds of normally quiet bingo games into places where

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people stand, cheer and yell as they watch the animated race or contest progress on TV screens located throughout the halls.

Video King's new patent includes three primary elements, according to Dan Free, Video King's CTO and Vice President, who played the major role in the game's technical development along with the conceptualization of the patent.

"Elements include the assignment of combinations of numbers that are displayed on a traditional bingo or keno flashboard to create participants; an animated display of events that is driven by randomly drawn numbers; and the game winner being determined by which bingo player is holding either a bingo card or a pull-tab that ultimately has the same combination of numbers as are randomly drawn and that were used to determine the outcome of the animated contest or race the players are watching," he said.

True to racing form, Video King's concept also utilizes a simulated racing announcer, who can deliver the call of the race in English, Spanish or French – covering many of the languages spoken in the halls using Video King's products around the world.

"Bingo players enjoy the game because for years they have played side games amongst themselves, based on watching the numbers, as they are called, fill the 15 columns of numbers on a traditional bingo flashboard. Each column of five numbers represented what the players called a horse, with the winner being determined by which horse (column) gets the five numbers called first," Morin said.

"Video King's concept brings an entertaining new element to the games through the racing animation that is generated and watched by the players as a result of each number being called," he added.

Besides the integration of the animation concept that the Video King's patented concept brings, Morin expanded the game concept even further – by designing bingo cards that utilize combinations of the numbers and patterns to create winning combinations similar to real-life racing wagers, along with the possibility for players to win huge progressive jackpots, he said.

The software used to generate the game's animated features integrates seamlessly with Video King's primary bingo hall equipment product lines (bingo ball consoles and flashboards) along with Video King's electronic bingo handset and fixed-based player devices.

"Video King currently has three different bingo racing themes now running," said Free, adding that "more game themes are in store."

The product currently includes HorsePower Racing™, based on a thoroughbred-racing theme; Go-Go Ball Racing™, a humorous spin on a race of bingo ball characters; and Long Shot™, a spoof on a greyhound race.

"Video King has a few new twists that we also intend to introduce that will make the game jackpots even more exciting," Free added.

For further information on Video King and its complete line of products, log on to VideoKingNetwork.com or contact our marketing department at (800) 635-9912, Ext. 5851.