

DRAFT #1

File No. SD-107

BEFORE THE NEVADA GAMING COMMISSION
AND THE STATE GAMING CONTROL BOARD

In the Matter of

CDS GAMING COMPANY

(NGC Reg. 5.115(3))

ORDER

THIS MATTER came on regularly for hearing before the State Gaming Control Board ("Board") on September 2, 1998, and before the Nevada Gaming Commission ("Commission") on September 24, 1998, at Las Vegas, Nevada; and

THE BOARD AND COMMISSION having considered all information pertinent hereto;

IT IS HEREBY ORDERED BY THE NEVADA GAMING COMMISSION UPON THE RECOMMENDATION OF THE STATE GAMING CONTROL BOARD:

1. THAT CDS Gaming Company has filed an application, as amended and supplemented, pursuant to NGC Regulation 5.115(3)(c), for approval of an alternative method of providing periodic payments to winning patrons.

2. THAT CDS Gaming Company is granted approval, pursuant to NGC Regulation 5.115(3)(c), to provide periodic payments to winning patrons pursuant to the terms and conditions described in this Order, but such approval is limited to expire at midnight of the regular September 1999 Commission meeting and is conditioned as follows:

A. CDS Gaming Company or Casino Data Systems shall maintain a restricted account which may only be used for the purpose of funding CDS Gaming Company progressive system jackpots in Nevada pursuant to the terms and conditions of this Order (the "Restricted Account"). The Restricted Account shall be maintained for the benefit of winning patrons of CDS Gaming Company progressive systems in Nevada and shall include a reserve (the "Reserve") consisting of cash and/or United States Government Treasury Securities of not less than the sum of the following amounts:

- (i) Two times the amount initially paid to patrons upon verification of a winning jackpot ("Initial Payment") for any CDS Gaming Company progressive system in Nevada; and
- (ii) An amount sufficient to fully fund the present value of the difference between the amount currently reflected on the progressive meters of all CDS Gaming Company progressive systems in Nevada, and the Initial Payment amounts of all CDS Gaming Company progressive systems in Nevada; and
- (iii) The present value of the aggregate remaining balances owed on all jackpots previously won by patrons through any CDS Gaming Company Nevada progressive system.

B. In addition, CDS Gaming Company shall at all times maintain in the Restricted Account a surplus reserve (the "Surplus Reserve") consisting of cash and/or United States Government Treasury Securities equal to the

aggregate amount of installment payments due to winners of CDS Gaming Company Nevada systems due and payable within one (1) year, or \$3 million, whichever is less.

C. In addition to the Reserve and Surplus Reserve, Casino Data Systems shall at all times satisfy and be in compliance with the following ratios and tests (collectively the "Ratios"), the precise components and definitions of which may be separately determined by the Chairman of the Board or his designee:

- (i) A current ratio of not less than 2 to 1; and
- (ii) An interest coverage ratio of not less than 3 to 1.

D. Casino Data Systems must engage at its sole expense an independent certified public accountant (the "CPA") to examine the one year period beginning on the effective date of this Order and ending on the day of the regularly scheduled Commission meeting in September, 1999 ("the one year period") and Casino Data System's Chief Financial Officer ("CFO") must examine monthly, beginning with the month of September, 1998, the pertinent records relating to the Reserve, Surplus Reserve, and the Ratios set forth in paragraph C above, and determine for the one year period or each month, respectively:

- (i) The Reserve and Surplus Reserve amounts maintained by CDS Gaming Company or Casino Data Systems for the benefit of CDS Gaming Company; and
- (ii) Casino Data System's degree of satisfaction of the Ratios set forth in paragraph C above.

Casino Data Systems shall make available to the CPA all books, records and information which may be necessary to enable him to make these determinations. The CPA and the CFO shall report and certify to the Board in writing in a format acceptable to the Chairman of the Board or his designee their findings with respect to the one year period and month, respectively, under review. Such report and certification by the independent certified public accountant and the CFO must be made to the Board no later than ninety (90) calendar days after the end of the one year period and thirty (30) calendar days after the end of each the month, with the first monthly report and certification to be made by October 30, 1998 for the month of September 1998.

E. If the CPA or the CFO reports and certifies to the Board that Casino Data Systems or CDS Gaming Company was not in full compliance with all of the conditions herein for the period under review, and if the Chairman of the Board or his designee notifies Casino Data Systems in writing of such noncompliance, then Casino Data Systems must obtain a one (1) year letter of credit (the "LOC") in an amount sufficient to fund the present value of the then outstanding obligations to be paid to jackpot winners through any CDS Gaming Company system in Nevada and to fund any payments due upon verification of a winning jackpot. Casino Data Systems must draw down on such LOC and distribute to any such unpaid winners, cash equal to the present value of the remaining payment obligations of CDS Gaming Company on such jackpots if Casino Data Systems or CDS Gaming Company, by the end of the quarter preceding the expiration date of the LOC, continues to be in a state of noncompliance with any condition herein and Casino Data Systems or CDS Gaming Company has not

provided documentation satisfactory to the Chairman of the Board or his designee conclusively demonstrating that the letter of credit shall be renewed or replaced, or has filed an application for and received a waiver thereof from the Board and Commission.

F. If the LOC described in paragraph E above is not obtained within fifteen (15) calendar days after receiving notification of any noncompliance and no administrative extension has been granted by the Chairman of the Board or his designee, Casino Data Systems shall make immediate payments to unpaid jackpot winners through any Nevada CDS Gaming Company system in amounts equal to the present value of any unpaid obligations, and Casino Data Systems and CDS Gaming Company shall immediately cease to offer any licensed game, tournament contest, or promotional activity involving any Casino Data Systems or CDS Gaming Company system in Nevada for which periodic payments are utilized.

G. Casino Data System's CFO must immediately notify the Chairman of the Board or his designee of any nonpayment of a periodic payment to a jackpot winner through any CDS Gaming Company system, or any event or circumstance which may cause Casino Data Systems or CDS Gaming Company to not be able to fulfill or which may otherwise impair its ability to satisfy its payment obligations to any such unpaid jackpot winners. Upon such notification, the Chairman of the Board or his designee may invoke the powers granted him pursuant to paragraph E above.

H. Any method of funding the Reserve and Surplus Reserve other than by the use of cash or the purchase of United States Government Treasury

Securities must be approved in advance in writing by the Chairman of the Board or his designee.

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

J. Any failure of Casino Data Systems or CDS Gaming Company to maintain full compliance at all times with the terms of this Order, or any failure of CDS Gaming Company to immediately notify the Chairman of the Board or his designee of any deficiencies, shall constitute an unsuitable method of operation and may subject CDS Gaming Company to the institution of appropriate disciplinary proceedings.

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3. THAT, the Commission hereby expressly finds that the approvals hereby granted are consistent with the purpose of NGC Regulation 5.115.

ENTERED at Las Vegas, Nevada, this 24th day of September, 1998.

FOR THE COMMISSION:

Bill Curran, Chairman

Submitted by:

Dennis K. Neilander, Chief
Corporate Securities Division

APPROVED AS TO FORM:

FRANKIE SUE DEL PAPA
ATTORNEY GENERAL

By _____
Deputy Attorney General
Gaming Division