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POLICY MEMORANDUM

Procedures for Casino Closures and Changeovers

To assist licensees perform appropriate procedures when completing closures (including temporary closures) and ownership changeovers, the Board has compiled a list of procedures that should, at a minimum, be considered and addressed. These procedures are not intended to be all encompassing. Other steps may be necessary and should be determined on an individual basis in consultation with the Board.

Note that it is mandatory that the new owner(s) be licensed prior to the changeover, and the new owners cannot be involved in managing the operations prior to licensure unless approved by the Nevada Gaming Commission pursuant to NGC Regulation 8.060.

Note that the changeover/closure plan is not intended to serve as a vehicle for requesting required approvals or waivers, unless waivers are specifically granted in this policy memorandum. Separate letters should be sent to the appropriate Board divisions for each type of request for approval or waiver**.**

A changeover/closure plan should be established and forwarded to the Audit Division if the affected property is a Group I licensee, or to the Tax and License Division if a Group II licensee. An additional copy should be provided to the Enforcement Division.

The plan should be submitted at least ten (10) calendar days before the changeover/closure occurs. When the need for a temporary closure occurs suddenly due to an emergency situation, the Board should be notified at least 48 hours before the closure or as soon as reasonably possible. The plan for a temporary closure should be submitted to the Board within 24 hours of the scheduled closure or as soon as is possible. Changeover/closure plans, including temporary closure plans should address the following items, as applicable:

1. Contact information of person coordinating the changeover/closure activity (e.g., name, title, phone number, e-mail address, and if available, mobile phone number that can be used to reach contact person during activities).

2. A schedule for certain procedures (e.g., dropping hoppers; counting of booths, cage, kiosks, fill cabinets, and vault; closure of tables, etc.), along with an indication of the party responsible for performing each step. Drops/counts should generally be scheduled immediately after the doors have closed, if possible, and specific times should be provided. The timing of any change in the ownership of specific assets should be noted. For example, when closing a slot booth, the plan should indicate what time the funds in the booth will be counted, what assets are being sold to the new licensee and the disposition of items in the booth that will not become the property of the new licensee. Nevada Gaming Control Board Agents may be present to observe some or all of these procedures. The Board will coordinate Agent involvement with licensees, if Agent observation is to occur.

3. Plans for security over pit and other funds during changeover/closure.

4. Chip and token inventories are to be verified. If the new licensee does NOT intend on using the former owner's chips and tokens, the plan should discuss the procedures for the redemption of chips and tokens, and for their eventual destruction pursuant to NGC Regulation 12.070. If the new licensee intends to continue to use the chips and tokens, the plan should specify any restrictions or limitations that are placed on the redemption of all outstanding chips and tokens.

5. Plans for disposition of any progressive amounts. The disposition of all in-house progressives (e.g., slots, poker, keno, bingo, and table game progressives) should be included in the plan. This would include any progressive that had been temporarily removed from the floor pursuant to NGC Regulation 5.110(6). Additionally, the plan should state whether inter-casino linked systems (ILS) will remain on the floor. If ILS are to be removed, the licensee should coordinate with the operator of the ILS to ensure compliance with NGC Regulation 5.112(6) and (7) and address the resolution in the plan. Some progressive disposition plans will require Board approval. Separate correspondence seeking approval pursuant to NGC Regulation 5.110(5) and (7) should be sent to the Board at least thirty days prior to the closure to allow sufficient time for disbursement of progressive amounts (if required) in advance of the closure. Administrative approval granting an additional 30 days beyond requirements of Regulations 5.110(5)(c)(4) and 5.112(6)(d)(4) is granted to licensees for <u>temporary closures due to emergency and/or unforeseen circumstances</u>. Licensees must notify the Audit Division (Group I licensees) or the Tax and License Division (Group II licensees), if the additional 30 day extensions are being used. Requests for extensions beyond this additional 30 day administrative approval must submitted in writing to the Board.

6. The intended procedures for turning in the gaming license, if applicable, pursuant to NGC Regulation 9.010. Also, for changeovers, please indicate whether the new operator's license will be activated prior to, or subsequent to, the procedures described in #2. It is important to note that if all conditions for licensing of the new operator are not satisfied prior to the changeover process, the former licensee must remain responsible for all compliance issues, patron disputes, etc.

during the changeover process.

7. Information regarding the disposition of collectible credit instruments. The following options are available pursuant to NRS 463.3857 and NGC Regulation 6.125:

    a. Sale of outstanding credit instruments to the new owner/licensee. With this option, specifics regarding the subsequent receipt of patron payments and payment of gaming fees on these collections will need to be addressed.

    b. Retention of outstanding credit instruments by former licensee. With this option, a cash deposit or acceptable security deposit must be posted with the Board for the estimated taxes on the collectible value of outstanding markers. This estimate will be verified during the final audit of the property.

    c. Inclusion of the entire outstanding balance of collectible credit instruments as of the date of closure/changeover in the final gaming tax return.

    d. Transfer of collectible credit instruments to an affiliated licensee. With this option, the affiliate shall abide by NGC Regulation 6.125(9)(b).

    The final audit performed by the Board will address the collectability of credit instruments. If the closure is only temporary, the licensee may continue with its normal credit collection activities and the above may not apply, as collection activity will continue to be reported on the monthly tax returns that must be submitted during the period of closure.

8. Plans for submission of the final audited or reviewed financial statements, CPA compliance reports, and internal audit compliance reports. Specifically:

    a. The licensee should specify whether stub period financial statements and CPA compliance reports will be issued, whether the stub period information will be combined with the previous year's financial statements, or whether a request for waiver of NGC Regulations 6.080(6) and 6.090(9) will be submitted.

    b. The licensee should also indicate when the internal audit reports will be submitted, or if a waiver of NGC Regulation 6.090(15) will be requested.

Note: Paragraph 8 above does not apply to temporary closures. Licensees must continue complying with the requirements of Regulations 6.080(6), 6.090(9), and 6.090(15). However, if circumstances dictate the need for an extension of these filing requirements, licensees are given administrative approval for an additional 30 day filing extension. Licensees should advise the Audit Division (Group I licensees) or the Tax and License Division (Group II licensees) if they are electing

to use the 30 day filing extensions. Any requests for extensions beyond 30 days must be submitted to the Board in writing.

9. At least 60 days prior to ceasing operations, submission of a NGC Regulation 5.115(12) plan to address the satisfaction of those periodic payments being made by the licensee to its patrons. For temporary closures, licensees must provide assurances that periodic payments will continue to be satisfied as previously approved. If previously approved agreements require amendment or if a new agreement is being established, then Board approval for the new agreement must be received.

10. For those licensees with a race book and/or sports pool, submission of a plan for honoring future bets and the payment of winning tickets. These obligations may be assumed by the new licensee, or may be transferred to an affiliated book. If either of these options is utilized, the book accepting these obligations will account for the future wagers and winning ticket payouts for gaming tax purposes as if these obligations were those of the accepting book.

    If the obligations are assumed by an unaffiliated book, or are retained and honored by the former licensee, the resulting payouts will not affect gross gaming revenue; additionally, future wagers for which modified accrual accounting had been used (i.e., wagers not reported on tax return until month of sports event) shall be reported as gaming revenue in advance of the cessation of gaming (please contact the Audit Division regarding this method).

    Additionally, if the licensee has a NGC Regulation 5.225 or 22.040 reserve, a request for the release of the reserve may be submitted once the race/sports obligations have been satisfied. If a licensee is only closing temporarily, it may request a release of the reserve once the obligations have been satisfied, request a reduction in the reserve, or they may continue maintaining the existing reserve until the property reopens. The Audit Division should be contacted regarding any questions about these reserves.

11. Disposition of various amounts owed to gaming customers. For changeovers, the licensee shall address whether the new licensee is assuming the liability and honoring any outstanding wagering vouchers and payout receipts, slot club points, multi-race keno tickets, front money accounts, and safekeeping monies. If the new licensee is NOT assuming any of these liabilities, or the property is closing, the licensee shall address the actions they will take to honor these amounts owed. For changeovers or non-temporary closures, licensees should contact the Audit Division (Group I licensees) or the Tax and License Division (Group II licensees) to discuss options for reporting expired slot vouchers and payout receipts on the final tax return.

Licensees that are closing temporarily must continue filing monthly tax returns and expired slot vouchers/payout receipts must be reflected on those tax returns, as usual. With respect to slot points, multi-race keno tickets, front money accounts and safekeeping monies, the assumption is that once the licensee begins operations again all such amounts will be properly reflected at their balances at the time of temporary closure. The licensee should comply with applicable regulations, Minimum Internal Control Standards and Internal Control Procedures related to these items to ensure that all balances upon closure are properly restored to their correct amounts when the property reopens. The licensee should also establish a process whereby patrons who want to collect their front money accounts, including those held in accordance with Regulation 5.225, and safekeeping funds before the property reopens, can do so. The submitted plan should detail this process, as well as how patrons will be made aware of the process.

12. In the case of a closures, the licensee's closure plan will address the disposition of safe deposit boxes. For temporary closures, the plan should address how patrons may access the contents of their safe deposit boxes or how the contents of all boxes will be secured until the property reopens.

13. For changeovers, describe the means by which sufficient cash will be maintained to meet the "on hand" bankroll requirement for NGC Regulation 6.150 during the changeover procedures. Also, attach the most recent NGC Regulation 6.150(6) bankroll computations. Consider what effect the changeover will have on existing corporate treasury waivers used to satisfy the casino bankroll requirements. Any requests for new or modified waivers should be submitted via separate letter, but should also be described as part of the changeover plan.

    For temporary closures, the normal bankroll requirements will be temporarily waived. However, licensees must maintain sufficient funds that can be used to pay expected chip/token redemptions, wagering vouchers and payout receipts, safekeeping and front money deposits, the Regulation 5.225(20)(b)/Regulation 22.040 liability, the Regulation 5A.125 reserve amount and, if applicable, periodic payment liabilities. Upon demand by a patron, all payments should be made within 30 days of demand unless otherwise approved by the Board.

    If a licensee has been previously approved to use a corporate treasury waiver for the "Next Business Day Bankroll Requirement", and the requirements of the waiver continue to be met, then that waiver meets the bankroll requirements during closure.

14. The month in which cessation of gaming occurs is the last month for which gaming tax returns will be filed by the former operator. Credit instrument collections received and gaming related payouts made in subsequent months should not be reported on gaming tax returns unless complying with NGC Regulation 6.125(3) as discussed in #7b of this letter. For temporary closures, credit instrument

collections received and gaming related payouts must continue to be reported on the applicable monthly tax returns as usual. Furthermore, the credit collection efforts required by Regulation 6.120(3) must continue to be complied with.

15. For properties that are being renamed, there are a number of additional considerations requiring coordination between the old and new operators:

    a. There are NGC regulations and standards which require the name of the casino on documents given to patrons, including the following:

        i. Slot vouchers [Technical Standard 3.150(9)(a)]

        ii. Keno tickets (Minimum Internal Control Standard #1/Internal Control Procedure #1)

        iii. Race and sports tickets [NGC Regulation 22.050(2)]

    b. Changes to table layouts, dice, playing cards, and slot machine glass should also be coordinated.

    c. New paper stock with the correct casino name for manual markers, fill/credit forms, payout forms and other documents may also be needed.

    While the Board does not require that licensees address these issues in the changeover plan, the new operator should consider the need to seek special approval if the changes cannot be accomplished by the time the new license is activated.

A final Board audit will typically commence within 30 days of the closure or ownership change, or as staffing permits. As such, provisions should be made for a working space for agents, the availability of required documentation, and the name, title, phone number, and business address of the person to contact to facilitate the completion of audit procedures. NRS 463.140(3) requires that all records be maintained for one year after cessation of gaming. For temporary closures, Board audits may or may not be conducted. The Audit and Tax and License Divisions will advise licensees if audits or any other procedures will be performed during the time of closure in order to make specific arrangements.

Temporary Closures (or Significant Reduction in Operations)

Although the need for a temporary closure or a significant reduction in operations may occur suddenly and be unanticipated, licensees are reminded that continued compliance with the Minimum Internal Control Standards (Group 1 licensees) or the Internal Control Procedures (Group 2 licensees) is expected. Licensees are urged to pay particular attention ensuring continued compliance with standards/procedures related to the safeguarding of assets (e.g., funds in cages, slot booths, change banks, other gaming

and LET areas, count rooms, drop boxes, currency acceptor boxes, as well as credit instruments, chip/token inventories, safe deposit boxes, etc.). Additionally, computer systems and gaming equipment must continue being secured in accordance with all applicable standards/procedures, as well as any additional security required by the licensee's management. Furthermore, licensees are expected to continue ensuring sufficient and adequate control/supervision of the property while it is closed, including ensuring compliance with applicable surveillance standards required by Regulation 5.

Any questions regarding closure or changeover procedures may be directed to the Board's Audit, Tax and License, or Enforcement Divisions.

Sincerely,

Terry Johnson, Esq.
Board Member

TJ/KC

cc: Sandra Douglass Morgan, Chairwoman
Phil Katsaros, Board Member