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POLICY MEMORANDUM

Procedures for Casino Closures and Changeovers

To ensure that licensees perform appropriate procedures when completing ownership changeovers and closures, the Board has compiled a list of procedures. These procedures are recommended and are not intended to be all encompassing. Other steps may be necessary and should be determined on an individual basis. 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. 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 seven days before the changeover/closure occurs and the following items should be addressed, if 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. Gaming Control Board Agents may be present to observe some or all of these procedures.

3. Plans for security over pit 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.
6. The intended procedures for turning in the gaming license 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 collectibility of credit instruments.

- 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.
- 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.
- 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.

Additionally, if the licensee has a NGC Regulation 22.040 reserve, a request for the release of the reserve should eventually be submitted once the race/sports obligations have been satisfied.

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 slot vouchers, 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.
12. In the case of a closure, the licensee's closure plan will address the disposition of safe deposit boxes.
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.
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.
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)
 - 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.

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

Sincerely,

Mark A. Clayton
Board Member

MAC/LLH

cc: Dennis K. Neilander, Board Chairman
Randall E. Sayre, Board Member