United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

AUG 05 1999

990819-0-04

Honorable Gary Locke
Governor of Washington
Olympia, Washington 98504

Dear Governor Locke:

On June 24, 1999, we received the First Amendment to the Tribal/State Compact for Class III Gaming Between the Nisqually Tribe (Tribe) and the State of Washington (State) dated March 4, 1999. We have completed our review of this Amendment and conclude that it does not violate the Indian Gaming Regulatory Act of 1988 (IGRA), Federal law, or our trust responsibility. Therefore, pursuant to delegated authority and Section 11 of IGRA, we approve the Amendment. The Amendment shall take effect when the notice of our approval, pursuant to Section 11 (d)(3)(B) of IGRA, 25 U.S.C. § 2710(d)(3)(B), is published in the FEDERAL REGISTER.

We wish the Tribe and the State continued success in their economic venture.

Sincerely,

/s/ Kevin Gover

Assistant Secretary - Indian Affairs

Enclosure
Identical Letter Sent to: Honorable Stephanie Scott
Chairperson
Nisqually Indian Tribe
12819 Yelm Highway, S.E.
Olympia, Washington 98513

cc: Portland Area Director w/copy of approved amendment
Supt., Spokane Agency w/copy of approved amendment
National Indian Gaming Commission w/copy of approved amendment
Pacific NW Field Solicitor w/copy of approved amendment
Washington U.S. Attorney w/copy of approved amendment

DEPARTMENT OF THE INTERIOR

Bureau of Indian Affairs

Indian Gaming

AGENCY: Bureau of Indian Affairs, Interior.

ACTION: Notice of amendment to approved Tribal-State Compact.

SUMMARY: Pursuant to Section 11 of the Indian Gaming Regulatory Act of 1988, Public Law 100–497, 25 U.S.C. 2710, the Secretary of the Interior shall publish, in the **Federal Register**, notice of approved Tribal-State Compacts for the purpose of engaging in Class III gaming activities on Indian lands. The Assistant Secretary—Indian Affairs, Department of the Interior, through his delegated authority, has approved the First Amendment to the Tribal/State Compact for Class III Gaming between the Nisqually Tribe and the State of Washington, which was executed on March 4, 1999.

DATES: This action is effective August 13, 1999.

FOR FURTHER INFORMATION CONTACT: George T. Skibine, Director, Indian Gaming Management Staff, Bureau of Indian Affairs, Washington, D.C. 20240, (202) 219–4066.

Dated: August 5, 1999.

Kevin Gover,

Assistant Secretary—Indian Affairs.

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BILLING CODE 4310–02–P

FIRST AMENDMENT TO THE TRIBAL/STATE COMPACT
FOR CLASS III GAMING
BETWEEN
THE NISQUALLY TRIBE
AND THE STATE OF WASHINGTON

WHEREAS, on May 25, 1995, the State of Washington and the Nisqually Indian Tribe executed a Class III Gaming Compact pursuant to the Indian Gaming Regulatory Act of 1988, P.L. 100-497, codified at 25 USC Section 2701 et seq. and 18 USC Section 1166-1168, and

WHEREAS, the Class III Gaming Compact executed by the State and the Tribe was approved by the Secretary of the Interior and is in full force and effect (hereinafter referred to as the "Compact"), and

WHEREAS, negotiations conducted in accordance with the Order dated September 26, 1997 in State of Washington v. The Confederated Tribes of the Chehalis Reservation, et al., No. C-95-1805-FVS (W.D. Wa.) authorized the Tribal Lottery Systems as described in Appendix X, the State and Tribe have agreed to amend Section III and to add Appendix X .

NOW, THEREFORE, the Compact shall be and hereby is amended to read and state as follows:

1. Section III.A. is hereby amended by the addition of the following:

"III. NATURE, SIZE AND SCOPE OF CLASS III GAMING

A. Scope of Class III Gaming Activities. The Tribal Gaming Operation may utilize in its Gaming Facility, subject to the provisions of this Compact, any or all of the following Class III activities:

1. Baccarat;

" . . .

23. Washington State Lottery tickets, subject to Appendix B;" and

24. Tribal Lottery Systems. Notwithstanding anything in this Compact which could be construed to be to the contrary, Tribal Lottery Systems operated in conformity with Appendix X are hereby authorized.

2. Appendix X is added in the form attached hereto and is hereby incorporated by reference.

IN WITNESS WHEREOF, the Nisqually Tribe and the State of Washington have executed this amendment to the Compact.

NISQUALLY INDIAN TRIBE

BY: Stephanie Scott Dated: 3/4/99, 1999.

Stephanie Scott, Chairperson

STATE OF WASHINGTON

BY: Gary Locke Dated: Feb 25, 1999.

Gary Locke, Governor

DEPARTMENT OF INTERIOR

By: Kevin Gover Dated: AUG 5 1999

Kevin Gover
Assistant Secretary - Indian Affairs

APPENDIX X

to the

THE NISQUALLY TRIBE - STATE OF WASHINGTON

CLASS III GAMING COMPACT

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 Manufacturing Computer 4
2.10 On-Line Lottery Game 4
2.11 On-line Lottery Game Ticket 4
2.12 Player Terminals 4
2.13 State Gaming Agency("SGA") 4
2.14 Tribal Gaming Agency ("TGA") 4
2.15 Tribal Lottery System 5

SECTION 3 TRIBAL ELECTRONIC SCRATCH LOTTERY GAME SYSTEM 5

3.1 Description of System Operation 5
3.2 Game Set and Subset Requirements 7
3.3 Data Required to be Available Prior to Commencement of an Electronic Scratch Ticket Game 9
3.4 Data Required to be Available Following the Completion of a Scratch Ticket Game 10
3.5 Software Auditing Tool to be Made Available 10
3.6 No Auditing of Game Sets While in Play; Dispute Process 11
3.7 Manufacturing Computer 12
3.8 Central Computer Used in Connection With Electronic Scratch Ticket Game 13

3.9 Player Terminals Used in Electronic Scratch Ticket Games 14

SECTION 4 TRIBAL ON-LINE LOTTERY GAME SYSTEM 14
4.1 Description of System Operation 14
4.2 Central Computer Used for On-Line Lottery Game 16
4.3 Player Terminals Used for On-Line Games 17
4.4 Verification and Viewing Requirements for On-Line Game Results 18
4.5 On-line Lottery Game Records 18
4.6 Redemption Period 18
4.7 Other Game Rules 18
4.8 Prizes; Jackpots 19

SECTION 5 PLAYER TERMINALS 19
5.1 Use as a Stand-Alone Gambling Device Prohibited 19
5.2 Features 19
5.3 Non-Volatile Backup Memory Required 20
5.4 On/Off Switch 20
5.5 Static Discharge/Interference 20
5.6 Accounting Meters 20
5.7 No Automatic Clearing of Accounting Meters; Reading and Resetting Meters 21
5.8 Display of Information 22
5.9 Protection of Displayed Information 22
5.10 Hardware Switches Prohibited 22
5.11 Networking Requirements 22
5.12 Prohibited Software Functions 23
5.13 Quick-Pick Function 23
5.14 Wagers; Displaying Electronic Scratch Ticket Outcomes 23

SECTION 6 STANDARDS FOR RANDOM NUMBER GENERATORS USED WITHIN THE TRIBAL LOTTERY SYSTEM
6.1 Chi-Square Analysis 24
6.2 Runs Test 24
6.3 Correlation Analysis 24
6.4 Serial Correlation Analysis 24

SECTION 7 ELECTRONIC ACCOUNTING SYSTEM 25
7.1 Revenue Reporting Requirements 25

SECTION 8 CASHLESS TRANSACTION SYSTEM SECURITY, REPORTING AND STORAGE REQUIREMENTS 29
8.1 Player Accounts 29
8.2 Smart Cards 31
8.3 Other Functions 31

SECTION 9 GENERAL SECURITY REQUIREMENTS 32
9.1 Separation 32
9.2 Security 32
9.3 Secure Connections; DES or Equivalent Data Encryption 32
9.4 Surge Protection; Uninterrupted Power System (UPS) 32
9.5 Identification Plates 32
9.6 Locked Areas 33
9.7 Key Control Standards 33
9.8 MEAL Cards 33
9.9 Access Control 33
9.10 Cameras 33
9.11 Verification Data and Functions 34

SECTION 10 TESTING OF TRIBAL LOTTERY SYSTEMS TO ENSURE INTEGRITY 34
10.1 Designation of Independent Gaming Test Laboratory 34
10.2 Testing and Certification of Tribal Lottery Systems 34
10.3 Approval by the SGA 36
10.4 Modifications of Approved Lottery Systems; Emergency Certifications 36
10.5 Manufacturer's Conformity to Technical Standards 36
10.6 Payment of Gaming Test Laboratory Fees 37
10.7 Gaming Test Laboratory Duty of Loyalty 37
10.8 Random Inspections 37
10.9 SGA to be Supplied Model of Player Terminal and System 37

SECTION 11 ALTERNATIVE STANDARDS PERMITTED 38

SECTION 12 TRIBAL LOTTERY SYSTEM TERMINAL ALLOCATIONS 38
12.1 Initial Allocation 38
12.2 Compliance Requirement 38
12.3 Compliance Review 39
12.4 Further Conditions 39
12.5 Other Circumstances 40

SECTION 13 STATE REGULATORY FEES 40
13.1 Payment of Outstanding Fees 40
13.2 Set-up Fee 41
13.3 Payment of Tribe's Share of Set-up Fee 41

13.4 Annual Regulatory Fees 42
13.5 Regulatory Fee Disputes 43

SECTION 14 OTHER PAYMENTS 44
14.1 Impact Costs 44
14.2 Charitable Donations 44
14.3 Community Impacts 44
14.4 Payment 44

SECTION 15 MORATORIUM 45
15.1 Three year moratorium 45
15.2 Technical Changes 46
15.3 Amendments 46

SECTION 16 DISPUTE RESOLUTION 46

APPENDIX X

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.

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:

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, first by depositing credits into a player account, a voucher system, or a "smart" card system or similar device for recording individual player data, and then providing a means to exchange such credits for cash or cash equivalents. All exchanges for cash must be through a cashier or other separate redemption system.

2.2 Central Computer. A computer which conducts random 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 7.0.

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.

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

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 State Gaming Agency ("SGA"). The agency of the State of Washington which has the authority and responsibility to carry out regulatory functions on behalf of the State in connection with a Tribal-State compact. Unless indicated otherwise in the compact or any law or regulations adopted in connection therewith, the SGA shall be the Washington State Gambling Commission.

2.14 Tribal Gaming Agency ("TGA"). The agency of the Tribe which has the authority and responsibility to carry out regulatory functions on behalf of the Tribe in connection with a Tribal-State compact. The TGA shall be as further defined in the compact.

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 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, 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 from 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 chooses a particular game by touching the screen, pressing a button, or performing some other form of interaction with the Player Terminal.

3.1.4 Following 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 on the Player Terminal with respect to any game which is being played through that terminal.

3.1.6 After the player purchases an Electronic Scratch Ticket it is dispensed to the Player Terminal. The outcome associated with that ticket is shown on the Player Terminal only after the player touches the screen or performs some other physical interaction with the terminal to cause the outcome to be revealed. 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, not to exceed $5.00, but a single Ticket may offer more than one opportunity to win a prize on the same wager;

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.

3.2.2 Game Set Verification Process. Prior to commencement of play, the 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. Scratch Tickets shall be dispensed from two or more Subsets of a given Game Set which have been securely stored in the Central Computer and which Subsets are rotated on a fixed and sequential, and not random basis;

d. Scratch Tickets shall be dispensed from a Subset in the order in that Subset in which they were held in the Central Computer; and

e. 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.

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 The date and time that the game was stored on the Manufacturing Computer; and

3.3.9 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;

3.4.3 The total number of Electronic Scratch Tickets at each prize or other game category level, that were dispensed by the Central Computer to Player Terminals, and the total number of tickets in each such category that were sold at each Terminal;

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 The sequence in which each ticket was dispensed from each Subset.

3.5 Software Auditing Tool to Be Made Available. For auditing and security purposes, any Tribal Lottery System shall include and have available for the SGA and the TGA a secure software tool to audit each Game Set and Subset 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 tapes, and any other reports or information regarding play at the Terminal for the play in dispute. Following the collection of all relevant 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.

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. It shall also be capable of generating the data necessary to provide the reports required in this Appendix. 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. The Manufacturing Computer shall also provide a means for storing on it duplicates of the Subsets already transmitted to the Central Computer so as to reflect, on an ongoing basis, changes in the transmitted Subsets as they occur. 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, the functions of the Manufacturing Computer and the process of auditing those functions can continue with 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 6.0 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, an electronic Scratch Ticket.

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.

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, and on

another medium in the Manufacturing Computer. All storage shall be through an error checking, nonvolatile physical medium, so that should the primary storage medium fail, the functions of the Central Computer can continue with 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 5.0.

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 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 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 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 $5.00. 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 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.

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 6.0.

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 5.0. 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

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 6.0.

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 $5.00.

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 5.0.

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 through the Cashless Transaction System;

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 or, prior to commencing the process of revealing an Electronic Scratch Ticket, in video display 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.

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; and

5.3.3 Error conditions that may have occurred on the Player Terminal.

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:

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

5.6.2 If a Player Terminal offers more than one Electronic Scratch Ticket Game for play, then for each game, the meter shall record the number of credits, or equivalent monetary units, wagered and won for each game;

5.6.3 Hand-Paid and progressive jackpots paid for that terminal, which must include the cumulative amounts paid by an attendant for any such jackpot not otherwise metered pursuant to Section 5.6.2;

5.6.4 The number of Scratch Tickets purchased on the terminal;

5.6.5 The number of On-line Lottery wagers made on that terminal;

5.6.6 If a Player Terminal offers more than one Electronic Scratch Ticket Game for play, the meter shall record the number of Scratch Tickets purchased for each game; and

5.6.7 The number of times the cabinet door is opened or accessed.

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, or cash equivalents, which may be won for each Electronic Scratch Ticket and On-line Lottery Game offered through that terminal;

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.

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. 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 facility 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, shall require submission to, and approval by, the SGA and the Governor.

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, provided that players shall be required to physically interact with the terminal in order to reveal the outcome, such as by pressing a button or touching a video touch screen.

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.

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 met 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 of a daily and monthly basis, provides:

a. The total amount won per prize level for each Electronic Scratch Ticket Game and the total amount won per On-Line Lottery Game; and

b. The amount wagered per Game type.

7.1.2 Electronic Scratch Game Reports. An Electronic Scratch Ticket Game report must be made and maintained on a confidential and secure basis which, on a minimum of a daily and monthly basis, provides as to each Electronic Scratch Ticket Game Set in play:

a. All subsets in play without revealing the unused tickets and/or prizes remaining in the Subset;

b. All completed subsets;

c. The total number of Scratch Tickets sold/unsold in each Game Set;

d. The total prizes paid/remaining to be paid in each Game Set; and

e. The total jackpot amounts paid in each Game Set.

7.1.3 Electronic Scratch Ticket Security. The data collected pursuant to Section 7.1.1 and 7.1.2 with respect to Electronic Scratch Ticket games shall not be accessed by anyone until after completion or termination of the game.

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

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 jackpot was won.

7.1.6 Liability Report. A liability report will be required on a daily and monthly basis at a minimum. It should provide a summary of the outstanding funds which carry from business day to business day. At a minimum, it 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; and

d. Expired Game Play Credits.

7.1.7 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 and cash exchange 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;

d. Funds available to operator; and

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

7.1.8 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; and

i. Undated bearer instruments: indefinitely or until instrument by its own terms expires.

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

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

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

8.1.2 An audit file must be kept of all financial transactions against the account. 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 Access controls must be in place to guarantee that unauthorized individuals will not have access to account information or history;

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 Player accounts shall follow accounting procedures which are designed to verify and protect the accurate recording of all player transactions;

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 Game Play Credits;

b. Outstanding unredeemed balance;

c. Game Play Credits converted to cash;

d. Game Play Credits wagered; and

e. Game Play Credits won.

8.1.9 All customer accounts or instruments must have a redemption period of at least 14 days.

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 system accounts set forth in Section 8.1. Any smart card must store on the card or on the system using the card an audit trail 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 being played. Systems shall be permissible that allow progressive prize management with the certification of the Gaming Test Laboratory and approval of the SGA.

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.

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.

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.

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 Manufacturing Computer, Central Computer and Player Terminal which shall have written

upon it the computer or Terminal's serial number, model number, name of the manufacturer and a unique location or inventory number.

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 keys secured as 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; and (b) a locked microprocessor compartment.

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

9.8 MEAL Cards. For all entries into the locked areas of the Manufacturing Computer, Central Computer, 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 and Player Terminals 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. Any Manufacturing Computer and storage related thereto, Central Computer and storage related thereto, and any Player Terminal, shall be monitored by camera and video recordings maintained thereof, 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 SGA 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. 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 may be offered for play unless:

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

10.2.2 The Tribal Lottery System 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 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. The Tribe shall make all such materials available to the SGA upon request;

10.2.4 If requested by the Gaming Test Laboratory, the Tribe shall require the Manufacturer to transport not more than two (2) working models of the Tribal Lottery System 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 Tribal Lottery System. If requested by the Gaming Test Laboratory, 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.

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.

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 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 SGA. The certification shall be deemed approved if no action is taken thereon by the SGA within said sixty (60) or fifteen (15) day period, as may be applicable. 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 and submitted to the SGA 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 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.

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 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 TERMINAL ALLOCATIONS

12.1 Initial Allocation. During the first year of operations under this Appendix, the Tribe shall be entitled to an allocation and operation of 425 Player Terminals ("Allocation").

12.2 Compliance Requirement. Following one year of operation, the SGA shall conduct a review of the Tribal Lottery System operation to determine whether the requirements set forth in Sections 12.2.1 through 12.2.5 have been satisfied. If the operation is in compliance, the Tribe's Allocation shall be increased to 675 Player Terminals. The following requirements shall be met:

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

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

12.2.3 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;

12.2.4 Any changes in the operating requirements which are necessary to accommodate the increase in terminals have been implemented; and

12.2.5 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.

12.3 Compliance Review. Upon written request by the Tribe to review its compliance with the requirements set forth in Section 12.2, the SGA shall determine within 45 days if there has been such compliance, and shall notify the Tribe of its determination. If no notice of determination is provided to the Tribe within 10 days after due, the Tribe shall be deemed to be in compliance with Section 12.2 provisions. If the State Gaming Agency determines that the Class III operation has not satisfied such requirements, any resulting dispute will be resolved through the binding dispute resolution procedures set forth in this Compact.

12.4 Further Conditions. Provided the requirements of Sections 12.2.1 through 12.2.5 have been met and so determined by the SGA, or have been deemed to be so determined, the Tribe may increase the number of Player Terminals it is authorized to operate above the number of Terminals in its Allocation, up to a maximum of 1500 Player Terminals per facility, by acquiring allocation rights from any tribe which has entered into a compact authorizing operation of a Tribal Lottery System consistent with this Appendix ("Eligible Tribe"), or may transfer some or all of its Allocated Player Terminals to an Eligible Tribe, subject to the following conditions:

12.4.1 The Tribe agrees that its acquisitions and transfers of 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 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.

12.4.2 The Tribe may transfer up to its full Allocation of Player Terminals to any other Eligible Tribe provided that it waives the right to operate that number of Player Terminals which it has so transferred.

12.4.3 The Tribe may not operate any Player Terminals acquired from any other Tribe's allocation until 30 days has elapsed following delivery to the State of a complete set of the documents which govern the transfer.

12.5 Other Circumstances. Notwithstanding anything in this Section 12 to the contrary, 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 Tribe, 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 on the following minimum terms:

13.2.1 $85,000 shall be received by the SGA within three months following the effective date of this Appendix;

13.2.2 $85,000, plus any fees not yet paid under Section 13.2.1 provisions, shall be received by the SGA no later than six months following the effective date of this Appendix; and,

13.2.3 the remaining $80,000 and any other amounts not yet paid under Sections 13.2.1 and 13.2.2 shall be received by the SGA prior to the Tribe's operation of the Tribal Lottery System.

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 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 supercede 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. With respect to the Regulatory Fee for the first calendar year or portion thereof commencing with the date of this Appendix, the SGA shall estimate its reasonable cost of regulating the Tribe's operation based on the prior billing year's actual costs incurred in connection with class III gaming other than as governed by this Appendix. The Tribe's Regulatory Fee for the first year shall be subject to adjustment as provided in Section 13.4.2 and 13.4.3. The total Regulatory Fee due from the Tribe for the first year, shall be due and payable in accordance with Section 13.4.3.

13.4.2 First Year Regulatory Fees for Tribal Lottery System. Upon commencement of operations of a Tribal Lottery System, 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 and shall adjust the Tribe's Regulatory Fee for that year established under 13.4.1 or 13.4.3 accordingly.

13.4.3 Subsequent Years. 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 and 13.4.2, shall be set by determining the actual cost of regulating all of Tribe's class III activities in the preceding year and setting and adjusting the coming year's Regulatory Fee based thereon. If the previous year's Regulatory Fee exceeded the SGA's actual cost of regulation, any excess which was paid will be applied as a credit to the payment of Regulatory Fees in such next year. In the alternative, the Regulatory Fee may be set by agreement between the Tribe and the SGA reached through good faith negotiations commenced at the request of the Tribe, the terms of which may include a fixed amount without subsequent adjustment if both parties, at their sole discretion, agree.

13.4.4 Billing and Payment. The SGA shall notify the Tribe of the forthcoming Regulatory Fee at least 45 days prior to its becoming due. Other than as may be provided in connection with a negotiated fee, Regulatory Fees may be paid for an entire year in advance of the date on which the billing year commences, or within 45 days of being notified of the forthcoming year's Regulatory Fee, whichever last occurs, in which event the Tribe shall receive a 10% discount. Regulatory Fees which are so paid and discounted shall not be subject to any retroactive adjustment based on the prior year's estimate having been over the actual costs of regulation. Except for a negotiated fee that provides otherwise, or payment in advance, Regulatory Fees shall be paid 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.

13.5 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 Tribal Lottery System activities on the terms and conditions set forth below:

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, 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, shall be donated to non-tribal bona fide non-profit and charitable organizations in the State of Washington; and

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, 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 Payment. The payments set forth in Section 14.1 through 14.3 shall be subject to the following:

14.4.1 As used in this Section 14 and applied to revenues from the Tribal Lottery System, 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 repaid to winners), less any cost of developing, licensing, or otherwise obtaining the use of the Tribal Lottery System.

14.4.2 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;

14.4.3 The Tribe and the State acknowledge that the Tribal Lottery System is a new and untested gaming system, which will have substantial start-up costs and uncertainties associated with it. In order to provide a means for adjusting for such uncertainties and expenses, the amounts due from Tribe under Sections 14.1, 14.2 and 14.3 shall be reduced by one-half as to the first year's revenues and payments, and by one-quarter as to the second year's revenues and payments.

SECTION 15. MORATORIUM

15.1 Three year moratorium. The Tribe agrees to seek no amendment to the compact with respect to the subject matter of gambling devices for a period of three (3) years from the date of execution of this Amendment by the Governor of the State of Washington, except in the following circumstances:

15.1.1 Federal or State law is amended to authorize any gambling devices now prohibited in the State and not governed by this Appendix;

15.1.2 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

15.1.3 Any other tribe located in the State of Washington obtains through a Compact, or Compact amendment, 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 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.

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

SECTION 16. 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 binding arbitration provisions of the Compact.