United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

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NATIONAL INDIAN GAMING COMMISSION
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Honorable Mervin Wright, Jr.
Chairman, Pyramid Lake Paiute
Tribe of Indians
P.O. Box 256
Nixon, Nevada 89424

Dear Chairman Wright:

On October 28, 1997, we received the Compact between the Pyramid Lake Paiute Indian Tribe (Tribe) and the State of Nevada (State), dated August 4, 1997. We have completed our review of this Compact and conclude that it does not violate any provisions of the Indian Gaming Regulatory Act of 1988 (IGRA) and any other provision of federal law that does not relate to jurisdiction over gaming on Indian lands, or the trust obligations of the United States to Indians. Therefore, in accordance with Section 11 of IGRA the Compact is approved. The Compact 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.

Notwithstanding our approval of the Compact, Section 11(d)(1) of IGRA, 25 U.S.C. § 2710(d)(1), requires that tribal gaming ordinances be approved by the Chairman of the National Indian Gaming Commission (NIGC). Regulations governing approval of Class II and Class III gaming ordinances are found in 25 CFR §§ 501.1-577.15 (1996). Pursuant to IGRA and the regulations, even previously existing gaming ordinances must be submitted to the NIGC for approval when requested by the Chairman. The Tribe may want to contact the NIGC at (202) 632-7003 for further information to determine when and how to submit the ordinance for approval by the NIGC.

Since the Nevada Revised Statutes permit sports betting, we interpret Article I, section 1(a) of the Compact as authorizing the Tribe to engage in sports betting at its casinos if the Tribe meets one of the exceptions in the Professional and Amateur Sports Protection Act (PASPA). PASPA makes it unlawful for a governmental entity, including an Indian tribe, to sponsor, operate, or authorize by law or compact, gaming based on the outcome of professional and amateur sports competitions. This prohibition does not extend to parimutuel animal racing or jai-alai games. To be lawful, any prohibited sports gaming pursuant to Article I, section 1(a) of the Compact must come within one of the two exceptions in PASPA which are applicable to Indian tribes.

Under the first exception, the general prohibition does not apply to a State or other governmental entity, including an Indian tribe, to the extent that the sports gaming activity was conducted by that State or other governmental entity between January 1, 1976 and August 31, 1990. The second exception establishes two criteria which must be met to authorize an otherwise prohibited sports betting activity within a State or governmental entity: (1) the activity must actually have been authorized by a statute in effect on October 2, 1991; and (2) the activity must actually have been conducted at some point between September 1, 1989 and October 2, 1991 pursuant to the law of that State or other governmental entity. We are not, however, in a position to verify the factual basis for establishing whether the Tribe comes within one of the two exceptions described above. Therefore, we express no opinion on the matter.

In addition, if the Tribe enters into a management contract for the operation and management of the Tribe's gaming facility, the contract must likewise be submitted to and approved by the Chairman of the NIGC pursuant to Section 11(d)(9) of IGRA, 25 U.S.C. § 2710(d)(9), and the NIGC's regulations governing management contracts. The Tribe may want to contact the NIGC for information on submitting the ordinance and the management contract for approval by the NIGC.

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

Sincerely,

Kevin Gover

Assistant Secretary - Indian Affairs

Enclosure

Identical Letter Sent to: Honorable Bob Miller
Governor of Nevada
State Capitol
Carson City, Nevada 89710

cc: Phoenix Area Director w/copy of approved Compact
Supt., Western Nevada Agency w/copy of approved Compact
National Indian Gaming Commission w/copy of approved Compact
Phoenix Area Field Solicitor w/copy of approved Compact
Nevada United States Attorney w/copy of approved Compact

COMPACT BETWEEN
THE PYRAMID LAKE PAIUTE INDIAN TRIBE
AND THE STATE OF NEVADA
GOVERNING CLASS III GAMING

AUTHORITY

This Agreement is made by and between the PYRAMID LAKE PAIUTE INDIAN TRIBE ("Tribe") and the STATE OF NEVADA ("State"), pursuant to Public Law 100-497, the Indian Gaming Regulatory Act, codified at 25 U.S.C. §§ 2701-2721 and 18 U.S.C. §§ 1166-1168 ("IGRA"). The Tribe has authority under Article VI, Section 1 of its Constitution and By-laws to enter into this Compact and by authority of the duly enacted Tribal resolution that is attached to this Agreement (Appendix A). The State is authorized to enter into this Agreement by Section 11(d)(3)(B) of the IGRA and the provisions of Nevada Revised Statutes §§ 277.080 to 277.170.

PURPOSE

The purpose of this Compact is to promote the sound regulation of all gaming activities on lands within the jurisdiction of the Tribe in order to protect the public interest and the integrity of such gaming activities, to prevent improper or unlawful conduct in the course of such gaming activities, and to promote Tribal economic development, self-sufficiency, and strong Tribal government by dedicating all the net revenues from such gaming activities to the public purposes of the Tribe.

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RECITALS

WHEREAS, the Tribe and the State are separate sovereigns, and each recognizes and respects the laws and authority of the other sovereign; and

WHEREAS, the Congress of the United States has enacted the IGRA, which requires a Tribal-State compact be negotiated between the Tribe and State before a Tribe may lawfully conduct Class III gaming on Indian lands; and

WHEREAS, the Tribe and the State have negotiated the terms and conditions of this compact to provide a regulatory framework for the operation of certain Class III gaming on the Indian lands of the Pyramid Lake Paiute Tribe;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the parties agree as follows:

DEFINITIONS

1. The terms "Act" and "IGRA" mean the Indian Gaming Regulatory Act, Public Law 100-497, 25 U.S.C. §§ 2701-2721, and 18 U.S.C. §§ 1167-1168.

2. The term "applicant" means any person other than the Tribe who applies for a Tribal license or who is a management company, key employee, or gaming employee.

3. The term "associated or gaming equipment" means any equipment or mechanical, electromechanical or electronic contrivance, component or machine used remotely or directly in connection with gaming, any game, race book or sports pool that would not otherwise be classified as a gaming device, including dice, playing cards, links which connect to progressive slot

machines, equipment which affects the proper reporting of gross revenue, computerized systems of betting at a race book or sports pool, computerized systems for monitoring slot machines and devices for weighing or counting money.

4. The term "Board" means the State Gaming Control Board.

5. The term "Class I Gaming" means all forms of gaming defined as Class I in Section 4(6) of the Act, 25 U.S.C. § 2703(6).

6. The term "Class II Gaming" means all forms of gaming defined as Class II in Section 4(7) of the Act, 25 U.S.C. § 2703(7).

7. The term "Class III Gaming" means all forms of gaming defined in Class III in Section 4(8) of the Act, 25 U.S.C. § 2703(8).

8. The term "Chairman" means the Chairman of the State Gaming Control Board or his designee.

9. The term "Commission" means the Nevada Gaming Commission.

10. The term "Compact" means the Pyramid Lake Paiute Tribe-State of Nevada Gaming Compact.

11. The term "gaming" means Class III gaming activities which are authorized under this Compact.

12. The terms "gaming device" or "gaming devices" have the same meaning as defined by Nev. Rev. Stat. § 463.0155 but does not include devices used in Class I Gaming or Class II Gaming.

13. The term "gaming employee" has the same meaning as Nevada Revised Statute 463.0157.

14. The term "Indian" means any person who would be subject to the jurisdiction of the United States under 18 U.S.C. § 1153, if that person were to commit any offense listed in that section in Indian country to which that section applies.

15. The term "Interstate sports betting facility" means a gaming establishment wherein wagers on sports events are received and processed via telephones, computers and associated equipment on the Reservation pursuant to Art. I § 1.d of this Compact.

16. The term "key employee" means:

a. Any employee or agent of the Tribe having management responsibility for a Tribal gaming facility including any officer or director, other than a member of the Tribal Council, or a tribal corporation;

b. Any person who has authority:

(1) To hire and fire employees at a Tribal gaming facility; or

(2) To set up working policy or procedures for a Tribal gaming facility.

c. The chief financial officer of the gaming operation or other person who has financial management responsibility with respect to the gaming operation;

d. A primary management official as defined at 25 C.F.R. § 502.19.

17. The term "license" means an approval issued by the Tribal Gaming Commission and/or the National Indian Gaming Commission.

18. The term "management company" means any person who is retained by the Tribe to manage a Tribal gaming facility which is located on the Reservation.

19. The term "management contract" means a contract between the Tribe and a management company.

20. The term "person" means a corporation, company, partnership, firm, association, natural person or any other entity.

21. The term "premise" means any structure or facility located on the reservation that is clearly defined by permanently installed walls that extend from floor to ceiling and that has a public external entrance, leading to a street or other area, which entrance is not shared by another premise. The term also includes any watercraft to the extent used for gaming activities.

22. The term "regulate" means the power to control through statute, ordinance, administrative rule, guideline, or administrative procedure and/or to license and impose taxes, fees, assessments and penalties insofar as is consistent with IGRA.

23. The term "Reservation" means all lands within the exterior boundaries of the Pyramid Lake Paiute Indian Reservation as illustrated in the map of the Reservation attached as Appendix B, and any additional lands made part of the Reservation in the future, so long as such lands are

contiguous to the Reservation lands identified in Appendix B. In addition to Reservation lands identified in Appendix B, the term "Reservation" also includes any noncontiguous lands acquired by the Secretary of Interior, in trust for the benefit of the Tribe, but only if the Governor of the State of Nevada concurs that gaming activity may be conducted on such newly acquired lands pursuant to 25 U.S.C. § 2719.

24. The term "slot machine" means any mechanical, electrical, electromechanical, electronic, or other device, contrivance or machine which, upon insertion of a coin, token, or similar object, or upon payment of any consideration, is available to play or operate, the play or operation of which, whether by reason of the skill of the operator in playing a gambling game which is presented for play by machine or application of the element of chance, or both, may deliver or entitle the person playing or operating the machine to receive cash, premiums, merchandise, tokens or anything of value, whether the payoff is made automatically from the machines or in any other manner. "Slot machine" specifically includes video facsimiles of any game of chance authorized under Nev. Rev. Stat. § 463.0152. In addition, if at any time the State broadens its definition of "slot machine" to include additional devices, then such devices shall also be "slot machines" within the meaning of this Compact.

25. The term "State" means the State of Nevada and its authorized officials, agents and representatives.

26. The term "Tribal Gaming Commission" means the Pyramid Lake Paiute Tribal Gaming Commission.

27. The term "Tribe" means the Pyramid Lake Paiute Tribe, including any agency, organization, subdivision, or corporate entity of the Tribe.

28. The term "Tribal gaming facility" or "Tribal gaming facilities" means the buildings or structures in which Class III Gaming is conducted on the Reservation by the Tribe.

ARTICLE I. AUTHORIZED CLASS III GAMING

1. Scope of Gaming. Subject to the terms and conditions of this Compact, the Tribe is authorized to engage in the following Class III gaming activities on the Reservation:

a. Casinos. The Tribe may engage in all forms and types of gambling which are expressly authorized by the Nevada Revised Statutes, by the Nevada Gaming Commission, and/or lawfully permitted to be played by the State. The mix of games, number of gaming devices, bet limits, and prize limits (if any) employed by the Tribe at such Tribal gaming facilities shall be determined by the Tribal Gaming Commission. All such casinos shall be located within the Reservation. The Tribe may authorize casinos to be operated on watercraft on Pyramid Lake.

b. Slots Only Locations. In addition to the full-range casinos authorized in subsection (a), the Tribe may operate a Tribal gaming facility with slots-only gaming with no more than 65 slot machines at any premise owned by the Tribe within the Reservation, not to exceed a total of 300 slot machines.

(1) The Tribe agrees not to expand slot machine operations beyond the above limits unless either:

(a) Such expansion is agreed upon in writing by the Tribe and the Chairman of the State Gaming Control Board; or

(b) Such expansion is authorized pursuant to an amendment to this Agreement or a subsequent gaming compact.

Any expansion of slot machine operations made pursuant to subsection (a) above, shall not be deemed an amendment to this Agreement, and shall not require federal approval. In evaluating such an expansion, the State shall consider the Tribe's internal controls, surveillance, and the performance of the Tribe's gaming operation.

c. Lottery. Notwithstanding anything to the contrary, the Tribe may engage in lotteries as permitted by Chapter 462 of the Nevada Revised Statutes.

d. Interstate Sports Betting. The Tribe proposes to operate a sports betting facility on its reservation, which may include the use of telecommunication facilities and the taking of interstate bets by telephone at the Tribal facility.

(1) The Tribe and the State hereby acknowledge that there is a question as to whether or not interstate telephone sports wagering is contrary to federal laws, including but not limited to 18 U.S.C. § 1084. In light of this concern the Tribe agrees to seek a legal opinion from the United States Department of

Justice as to the legality of such an interstate sports wagering facility.

(2) The Tribe and State agree to reconvene negotiations on the limited issue of interstate sports wagering if either of the following occurs:

(a) The Tribe receives a written legal opinion from the United States Department of Justice concluding that, if the Tribe and State include a provision in the Compact authorizing an interstate sport betting facility, and the Compact is approved by the Secretary, the proposed interstate sports wagering would not violate § 1084 or any other provision of federal law, or

(b) The federal law is amended or modified in such a manner as to authorize interstate sports wagering.

(3) The parties further agree and acknowledge that regardless of the outcome of the Department of Justice opinion or amendments to federal law, policy questions exist as to whether the State will consent to the proposed interstate sports wagering operation and whether such activity is appropriate for inclusion in a Tribal-State Gaming Compact, and these questions will require further negotiation.

(4) By entering into this Compact neither party waives any rights, immunities or defenses with regard to the proposed interstate wagering.

2. Gaming Devices.

a. The Tribe agrees that all gaming devices exposed for play shall be approved by the State and will meet all standards established by the State for non-Tribal gaming including, but not limited to, the hold percentages on slot machines. The Tribe shall acquire any and all gaming devices authorized by this compact from a State-licensed distributor. The Tribe further agrees that any sale, transfer or other disposition of such gaming devices shall also be through a State-licensed distributor, or with the approval of the Chairman of the State Gaming Control Board.

b. Notwithstanding the above, if gaming devices were lawful under this section when first exposed for play by the Tribe, but do not meet standards established by a change in state law, such slot machines may remain exposed for play as "grandfathered" devices to the same extent as such "grandfathering" would be available to similarly situated non-Tribal gaming operations.

c. Should the Tribe seek to deploy a new type of gaming device, the Tribe agrees that the testing and approval by the State will be a condition precedent to the exposure of the new gaming device for play. The State shall undertake such testing and approval in the same manner in which it would do so with respect to new devices

or games which a non-Tribal operation might seek to deploy.

d. The Tribe further agrees that all associated equipment utilized by the Tribe in conjunction with the Tribal gaming operation shall be approved by the State and will meet the standards established by the State, however, such approval or standards may be waived by the Chairman of the State Gaming Control Board. The State agrees to provide the Tribe with notice of such standards through distribution of informational materials specifying the standards to be met with regard to such associated equipment. Should the Tribe wish to utilize a new type of associated equipment which has not previously been approved, the Tribe agrees that the testing and approval by the State or waiver by the Chairman of the State Gaming Control Board will be a condition precedent to the utilization of the associated equipment. The State shall undertake such testing and approval in the same manner in which it would do so with respect to associated equipment which a non-Tribal operation might seek to deploy.

3. Gaming Operation Inspections.

a. The agents or employees of the State are hereby given the authority to enter the Tribe's gaming premises for random inspection of gaming devices and associated equipment. The Tribe agrees not to restrict access by such employees and that prior notice of intent to inspect is not required. However, once such agents arrive at the Tribal gaming facility for any purpose, they shall

immediately notify the managerial employee of the Tribe's gaming operation and Tribal Gaming Commission personnel and/or Tribal police dispatch office. Furthermore, such agents or employees of the State shall enter such premises only to the extent necessary to fulfill their legitimate functions as to the gaming activity and to assure that the gaming devices and associated equipment are in compliance under Section 2 above. Such agents or employees of the State shall not discriminate against the Tribe by intruding either more frequently or more intensively upon the Tribe's gaming operations that they would upon similarly situated non-Tribal gaming operations. Furthermore, such agents and employees of the State shall not, through use of the inspection authority under this paragraph, enter upon any Tribal premises for purposes other than those specifically indicated in this paragraph.

b. From time to time, the Tribe or Tribal Gaming Commission may request that the State inspect a particular gaming device or associated equipment to address a concern of management or a public complaint.

c. If the State's inspectors determine that a particular gaming device is mechanically defective or otherwise should not be exposed for play under Section 2 above, then the Tribe shall seal the gaming device until the device is repaired or the problem is otherwise resolved to the satisfaction of the State and the Tribe.

4. Surveillance. Tribal gaming facilities shall comply with all State surveillance standards applicable to the

comparable casino category based on gross gaming revenue and/or number or type of games offered at non-Tribal gaming establishments. The Tribe further agrees to upgrade or modify the Tribal surveillance equipment in response to any changes in the State's surveillance standards.

5. Tokens/Chips. The Tribe may manufacture or otherwise obtain their own gaming tokens and chips subject to the following:

a. The tokens and chips shall meet the standards and specifications set forth by the State by regulation and be approved by the State prior to any use of such tokens or chips.

b. The Tribe expressly agrees to redeem for face value any Tribal gaming tokens or chips that are presented for redemption by any lawful holder of Tribal gaming tokens or chips.

ARTICLE II. JURISDICTION

1. Tribal Jurisdiction. The Tribe shall have exclusive jurisdiction, subject to any jurisdiction the United States may concurrently exercise, to regulate Class III Gaming on the Reservation. Prosecution for violations of the Tribe's gaming code or violations of federal laws pertaining to gambling on Indian Reservations or Indian Lands or other gaming crimes or other criminal conduct shall be pursued in Tribal or federal court or both, whichever forums are appropriate. In the case of non-Indian violators, the Tribe shall either take civil action to stop the violation or request the United States Attorney to take criminal action against the violation in

federal court. In the event the United States declines prosecution, the State may prosecute any non-Indians for violations of State gaming law, which shall include, without limitation, violations under Chapters 462 through 465 and Section 205.060 of the Nevada Revised Statutes.

2. State Jurisdiction. The State agrees that its jurisdiction over Reservation gaming activities and individuals or entitles involved therewith is limited to the authorities provided for in this Compact. In acknowledgment of the limited jurisdiction or involvement of the State over the Tribe's gaming operation, the parties agree as follows:

a. The Tribe shall not represent or imply in any format, oral, written or otherwise, that the Tribal gaming facilities are regulated by the State of Nevada, the State Gaming Control Board, or the Nevada Gaming Commission, except as provided in the Compact.

b. That signs containing the following language shall be prominently displayed at all public entrances to the Tribal gaming facilities:

NOTICE

THIS FACILITY IS REGULATED BY THE PYRAMID LAKE PAIUTE TRIBE AND IS OPERATED IN ACCORDANCE WITH A COMPACT NEGOTIATED BETWEEN THE TRIBE AND THE STATE OF NEVADA, WHICH HAS BEEN APPROVED BY THE SECRETARY OF THE INTERIOR. UNDER THE COMPACT, THE STATE DOES NOT LICENSE THIS FACILITY. HOWEVER, ALL GAMING DEVICES AND GAMING EQUIPMENT ARE APPROVED AND INSPECTED BY THE STATE AND MEET ESTABLISHED STATE STANDARDS, AND ALL MANAGEMENT COMPANIES AND KEY EMPLOYEES ARE APPROVED BY THE STATE.

ARTICLE III. STATE SERVICES

1. The Tribe may contract with the State to provide additional services related to the regulation of gaming by the Tribe. Areas of potential contractual assistance include the following:

a. Assistance in the resolution of patron disputes.

b. Providing information as part of the background checks for management, employees, and contractors.

c. Providing consulting services on technical issues.

d. Training of Tribal regulatory personnel.

(1) In order to facilitate the purposes and intent of this Compact, and in order to further the cooperative relationship between the State and the Tribe, the State Gaming Control Board shall notify the Tribe of, and make available to agents of the Tribe, all training programs and classes of the Enforcement Division Training Academy.

2. The Tribe agrees to reimburse the State for the following services based on the attached fee schedule (Appendix C):

a. The services described in Section 1 immediately above;

b. Background investigation and approval/disapproval costs under Article IV other than those paid for by the applicant; and

c. Gaming device and associated equipment approval under Article I, Section 2.

3. The attached fee schedule (Appendix C) shall be subject to change from time to time to reflect changes in costs, but the Tribe shall not be charged fees higher than similarly situated non-Tribal gaming operations.

ARTICLE IV. APPROVAL STANDARDS

1. It is expressly agreed by the parties that the requirements and standards provided in the IGRA and the regulations of the National Indian Gaming Commission for licensing and background checks for management contractors, Tribally-employed managers, and key employees shall be adhered to as minimal standards.

2. Any person or entity responsible for the operation or management of any Reservation gaming activity permitted under this Compact shall be required to submit to a background check and meet any and all requirements as set forth in the Tribal gaming ordinance and the IGRA.

3. WORK PERMITS: The Tribe agrees that its gaming operation shall not employ any person as a gaming employee who is determined by the Nevada Gaming Commission or State Gaming Control Board to be a person who would be unsuitable to hold or retain a Nevada work permit in a similarly situated non-Tribal gaming operation. The Tribe will require all gaming employees to apply for work permits, and further agrees to process all applications for work permits for gaming employees. The Tribe agrees that it will mail or deliver a copy of all applications to the State within twenty-four (24) hours of receipt. The Tribal Gaming Commission may in its discretion issue a temporary work permit to the applicant. If within ninety (90)

days of receipt by the State of the application, the State has not notified the Tribe of its objection to the applicant, the Tribe in its discretion may issue, renew or deny the application. If the State objects to the issuance of the work permit the State and the Tribe agree to follow the procedures for hearing and review as provided for in Nevada Revised Statute 463.335.

4. SLOTS ONLY FACILITIES: The Tribe agrees to designate and continuously employ at least one key employee with the responsibility of overseeing all slots only locations. The Tribe agrees to file an application for approval of such key employee(s), and further agrees to file a new application for any new key employee if there is a change in personnel. The new application shall be filed within thirty (30) days of a person being hired. Enrolled members of the Tribe employed at slots-only facilities are exempt from State review including the work permit requirements of Art. IV § 3, except for the following: (1) the designated key employee(s) and (2) persons with the power to exercise significant influence over Tribal gaming operations other than elected Tribal officials. Enrolled Tribal members remain subject to all Tribal and Federal background checks and approval requirements.

5. Should the Tribe decide to operate a casino operation, other than a slots only facility, the Tribe agrees that enrolled members of the Tribe which are involved in the operation of the casino shall be subject to State review.

6. STATE APPROVAL PROCEDURE: The following procedures govern the State approval process of management companies, key

employees and other persons subject to review in all situations other than the approval of Tribal members employed at slots only locations as provided for in section 4 above. These procedures are in addition to the work card requirements contained in this Agreement.

a. The Tribal Gaming Commission shall provide the State with the names of all applicants. The applicants shall follow the State's normal approval procedure, including the application, investigation process and prepayment of investigative fees. When required, applicants shall appear before the State Gaming Control Board, at which time such Board will make a recommendation on whether the applicant shall be denied or approved with or without conditions or limitations as deemed appropriate. The Nevada Gaming Commission will review the recommendation of the State Gaming Control Board and either approve, with or without conditions or limitations as deemed appropriate, or deny the application.

b. If the Nevada Gaming Commission denies the application, a denial order will be prepared which specifies the grounds for denial. A copy of this order will be simultaneously provided to the Tribal Gaming Commission. Upon request, the Tribal Gaming Commission may request, and shall be afforded if requested, a meeting with the Nevada Gaming Commission, the State Gaming Control Board and/or their respective staff, to learn more details regarding the grounds for disapproval. This meeting may be limited to authorized personnel, and

confidentiality requirements may be enforced. If the Tribal Gaming Commission, after exhausting its opportunity to meet with such State personnel, disagrees with the denial by the Nevada Gaming Commission, it may appeal that decision by requesting reconsideration of the denial.

c. If the Tribal Gaming Commission requests such reconsideration, the matter will be placed on the State Gaming Control Board's and Nevada Gaming Commission's agendas and the Tribal representatives and/or the applicant may appear and present their arguments as to why the denial was inappropriate. The State Gaming Control Board shall make a recommendation to the Nevada Gaming Commission on the reconsideration request. If the Nevada Gaming Commission approves the reconsidered application, with or without conditions or limitations as deemed appropriate, the Tribal Gaming Commission may license such person. If the Nevada Gaming Commission, after reconsideration, reaffirms its denial, the Tribe agrees to terminate the person if hired and not to further pursue the approval of the individual or entity.

d. The Tribe agrees not to employ any person as a management company in Tribal gaming facilities until the State Gaming Control Board or the Nevada Gaming Commission has made a determination regarding the person's suitability, except under circumstances of a bona fide emergency or exigency, such as the termination, death or disability of the management company, the severance of the management company for malfeasance or other comparable

exigent circumstances. In such emergency or exigency the Tribe may, with the prior approval of the Chairman, authorize another management company to continue operating the gaming facility, pending approval by the Tribal Gaming Commission and the Nevada Gaming Commission for the replacement management company to operate the gaming facility. The approval for emergency involvement by the Chairman may be limited or conditioned.

e. The Tribe further agrees that any key employee, lender, financial institution, subsequent holder of indebtedness, or any person or entity (excluding elected Tribal officials) which in the opinion of the Chairman has the power to exercise a significant influence over the operation of the Tribal gaming facility may be required to apply for determination as to suitability. Prior to making a formal application request, the Chairman will advise the Tribal Gaming Commission of any concerns as to suitability, to allow the Tribe the opportunity to address the situation. If these concerns are not fully addressed by this informal process, the Chairman will calendar an item for the State Gaming Control Board and possible Nevada Gaming Commission consideration, requiring an application to be filed for consideration of suitability. The Tribe has the right to participate in the application process and suitability determination process, including the right to present evidence, witnesses and arguments, either in support or in opposition of the State Gaming Control Board's position.

f. In determining whether such a person would be suitable, the State shall not discriminate against Tribal gaming facilities, Tribal employees, or applicants for Tribal employment, but shall conduct the investigation within the same time frames and shall employ the same suitability standards as would be applicable to similarly situated applicants for or holders of licenses or permits to work in a similarly situated non-Tribal gaming operation. The State's authority under this Article does not extend concurrent state licensing authority over Tribal licensees. Instead, it affords the State and the Tribe the authority, as set forth above, to work jointly to preclude the Tribe from employing a management company, key employee, or gaming employee or transacting business with a lender, financial institution or subsequent holder of indebtedness which the State determines, based on specific grounds, to be unsuitable.

7. Notwithstanding any law or anything in this compact to the contrary, an applicant whose approval is denied either by the State process set forth above or by denial by the Tribal Gaming Commission, has no right of judicial review of that determination. The opportunity of an applicant to be involved in gaming on the Reservation is a privilege, not a right, and the determination of whether that privilege should be granted or denied rests in the absolute and exclusive discretion of the Nevada Gaming Commission and/or the Tribal Council of the Pyramid Lake Paiute Tribe. The sovereign immunity of these

State and Tribal Governments, and their employees and agents, is expressly retained on such approval decisions.

8. Nothing in this compact is intended to require the State in carrying out its authorities under this compact to apply a different or more stringent standard to Tribal gaming facilities as compared with non-Tribal gaming facilities licensed by the State. The parties agree that the implementation of the provisions of this compact, including the State approval authority set forth in this Article, shall be accomplished with this intention and agreement.

9. The approval standards contained in this Agreement are continuing standards. Notwithstanding any action taken by the Tribal Gaming Commission, a work permit, determination of suitability or other approval may be revoked by the State should these standards not be maintained.

10. Disciplinary actions including revocations or suspensions will follow the procedures set forth in Chapter 463 of the Nevada Revised Statutes, with the State Gaming Control Board bringing the disciplinary action before the Nevada Gaming Commission for a decision. Prior to the initiation of any disciplinary action, the State Gaming Control Board will advise the Tribe of its concerns, to allow the Tribe the opportunity to resolve the concerns. In any disciplinary action the Tribe has the right to participate in the process and present evidence in support of or in opposition to the State Gaming Control Board's position.

ARTICLE V. PATRON DISPUTES

The Tribe may seek technical assistance from the State in resolving patron disputes to the extent a dispute involves a gaming device or gaming equipment. The Tribe shall have jurisdiction, however, over all patron disputes. A patron will have a right of appeal from the decisions of the Tribe on patron disputes by seeking redress through the Tribal appeal procedure prescribed in the Tribal gaming ordinance.

ARTICLE VI. REPORTING REQUIREMENTS AND INFORMATION EXCHANGE

1. In the spirit of mutual cooperation and in recognition of the desire of both the Tribe and State to protect the integrity and reputation of gaming within the State, the State shall furnish to the Tribe the following financial reports:

a. Monthly Gaming Revenue Report. This is a summary of gaming revenue information for nonrestricted gaming. Each monthly report shall contain the most recent monthly, three-month, and twelve-month data. Whenever possible, slot machine data will be furnished to the Tribe by denomination, number of locations reporting, number of units, and win amount for each denomination.

b. Quarterly Statistical Report. This is a general summary of the State's gaming revenue.

c. Nevada Gaming Abstract. This is an annual financial analysis of gaming operations which produce more than $1 million in gaming revenue per year.

d. Any general information, statistical or financial information deemed necessary by the State and Tribe

to protect the integrity of any gaming operation within boundaries of the State.

2. The Tribe shall furnish to the State the following financial and statistical data on a monthly basis in a format agreed upon by the State and Tribe.

a. Monthly reports with year-to-date accumulative summaries on all slot machines operated by the Tribe. These reports shall reveal the number of units operated, the denomination of units, the win amount of each denomination, the percent of win to total for each denomination, drop amount by denomination, and the dollar value of the coin metered into the slot machines by denomination.

b. Monthly reports with year-to-date accumulative summaries on all other (non slot machine) gaming revenues from Tribal gaming facilities. These reports should reveal the number of gaming devices or gaming tables operated, the types of gaming activity, the amount of net revenue from such gaming devices or gaming tables.

c. Any monthly, quarterly, or annual financial reports developed from or relating to the gaming operations conducted on the Reservation.

d. Any statistical or financial information deemed necessary by the Tribe and State to protect the integrity of the Tribal gaming operation.

ARTICLE VII. TAXATION

All of the net proceeds of Class III gaming on the Reservation shall be used for the public purposes of the Tribe.

If at any time any person or entity other than the Tribe or its members acquires any interest with respect to net revenues, the Tribe shall adopt a scheme of taxation with respect to such person or entity at least as stringent as the State's system of taxation, as it now exists or is hereafter amended. The Tribe reserves the right to impose a scheme of taxation related to reservation gaming activities that is more stringent than Nevada law.

Except as expressly provided herein, the State shall have no jurisdiction to impose any gaming taxes or fees on any aspect of the Tribal gaming operation, or any other gaming-related activity lawfully conducted on the Reservation. All non-Tribal gaming activity licensed pursuant to Art. IX shall be fully subject to all gaming taxes and fees imposed by the Tribe. In those cases where the Tribe collects a tax or fee which is similar to one which the State collects, the State agrees to forego the collection of any identical or similar State tax or fee. Nothing in this section shall relieve the Tribe of its obligation to pay the State in return for services the State provides under Article III.

ARTICLE VIII. MISCELLANEOUS PROVISIONS

1. Minors. The Tribe agrees to prohibit any person under the age of 21 years from engaging either directly or indirectly in any wager or gaming activity, or loitering in or about the gaming premises.

2. List of Excluded Persons. The Tribe agrees to incorporate the State's List of Excluded Persons (i.e., Blackbook) into the Tribe's list of barred persons.

3. Internal Controls. Prior to the initiation of any gaming, the Tribe shall adopt, and thereafter maintain, Minimum Internal Control Standards which are substantially consistent with or superior to the Minimum Internal Control Standards adopted by the State Gaming Control Board applicable to the comparable category of licensees for non-Tribal gaming. The minimum standards adopted pursuant to this section shall be submitted to the State Gaming Control Board within thirty (30) days of their adoption by the Tribe. It shall be grounds for initiating the default procedures of this Compact if the Minimum Internal Control Standards adopted by the Tribe are not substantially consistent with or superior to the Minimum Internal Control Standards adopted by the State Gaming Control Board for the comparable category of licensees.

4. Cash Transaction Reporting. The Tribe hereby incorporates the currency transaction reporting requirements of Nevada Gaming Commission Regulation 6A as Tribal law. Should federal law or regulation require that the Tribe comply with the reporting requirements of the Bank Secrecy Act, the State agrees that the Tribe need not comply with Nevada Gaming Commission Regulation 6A.

5. Minimum Bankroll. The Tribe shall maintain cash or cash equivalents in an amount sufficient to reasonably protect the Tribe's patrons against defaults in gaming debts owed by the Tribe. The amount of the minimum bankroll shall be calculated in the same manner as for a non-Tribal operation.

6. Audited Financial Statements/Accounting Records.

a. The Tribe shall engage an independent accountant licensed by the Nevada State Board of Accountancy, who shall annually review the financial statements of the Tribe's gaming operation, and the compliance by such operation with the Minimum Internal Control Standards. The independent accountant shall report to both the Tribe and the State Gaming Control Board each instance or occurrence discovered by or brought to the accountant's attention that the accountant believes does not satisfy the Minimum Internal Control Standards. Not later than one hundred fifty (150) days after the end of the Tribe's business year, the Tribe shall submit a copy of such accountant's report or any other correspondence directly relating to the Tribe's system of internal control to the State Gaming Control Board.

b. The State shall maintain all audit and financial records obtained under this section, or any other section of this Compact, strictly confidential and shall not disseminate them to any member of the public for any purpose, except as required by court order or applicable federal law.

c. The accounting system used by the Tribe in its gaming operations shall be substantially consistent with the accounting system the State requires its licensees to utilize.

7. Class I and Class II Gaming. This Compact shall not apply to any Class I or Class II Gaming within the Reservation

and shall not confer upon the State any jurisdiction or any authority over such Class I or Class II Gaming conducted by the Tribe on Reservation lands. This Compact in no way restricts the Tribe from operating a Class II Gaming facility at its Tribal gaming facilities.

ARTICLE IX. NON-TRIBAL GAMING

The Tribe may authorize gaming on the Reservation by persons other than the Tribe pursuant to 25 U.S.C. § 2710(d)(5), but any such gaming must be authorized, licensed and conducted in accordance with the laws, regulations and procedures of the State. Any person other than the Tribe conducting such gaming shall be fully subject to the concurrent jurisdiction of the Tribe and the State. Nothing in this Article shall authorize the State to collect any taxes or licensing fees from such persons.

ARTICLE X. TERM

This Agreement shall take effect upon approval by the Secretary of the Interior (or his designee) and shall remain in effect for a period of four (4) years from commencement of gaming operations or until modified or terminated by mutual agreement, provided, that the term of this Agreement may be extended for additional periods of up to 20 years upon the mutual written consent of the parties. If during the term of this Agreement the Tribe develops plans for a full scale casino operation that involve long term commitments from lenders, the State and the Tribe may mutually agree to extend the term of this Agreement to be coterminous with the term of the financing

agreement. Such agreement to extend the term of this Agreement shall not be an amendment requiring federal approval.

ARTICLE XI. DEFAULT AND TERMINATION

1. Default. In the event of substantial and continuing failure by one of the parties in the performance of its obligations under this Compact, the party alleging the default shall notify in writing the other party of such alleged default and demand a correction of such default within sixty (60) days after receipt of such written notice. If the party in default shall fail to remedy such default within sixty (60) days, the parties shall meet within thirty (30) days thereafter in an effort to resolve any dispute regarding the alleged default. If the dispute is not resolved to the satisfaction of the parties within thirty (30) days after meeting, either party may pursue any lawful remedy available, including, if the circumstances are such, an action pursuant to 25 U.S.C. § 2710(d)(7)(A). Nothing in this subsection shall preclude, limit or restrict the ability of the parties to pursue, by mutual written agreement, alternative methods of dispute resolution including but not limited to, mediation or arbitration.

2. The failure to maintain a minimum bankroll pursuant to Article VIII, Section 5, of this Compact, the failure to adopt and enforce the Tribe's Minimum Internal Control Standards pursuant to Article VIII, Section 3, of this Compact, or a substantial violation of the Tribal Gaming Ordinance shall be grounds for initiating the default provision above.

3. The parties may jointly terminate this Compact by written instrument signed by both parties.

ARTICLE XII. AMENDMENTS

This Compact may be amended only with the consent of both parties and only by written instrument signed by both parties. If applicable law is amended in a substantial way affecting the provisions contained in this Compact, the parties agree to negotiate in good faith to amend this Compact so as to achieve the objectives provided for and to ensure compliance with all applicable laws.

ARTICLE XIII. SEVERABILITY

Each provision, section, and subsection of this Compact shall stand separate and independent of every other provision, section or subsection. In the event that a court of competent jurisdiction shall find any provision, section, or subsection of this Compact to be invalid, the remaining provisions, sections, and subsection of the Compact shall remain in full force and effect.

ARTICLE XIV. NOTICES

All notices, payments, requests, reports, information or demands shall be personally delivered, or sent by first-class certified or registered United States mail, postage prepaid, return receipt requested, and sent to the other party at its address appearing below or such other address as a party shall hereafter inform the other party hereto by written notice.

To the Tribe:
Tribal Chairman
Pyramid Lake Paiute Tribe
P.O. Box 256
Nixon, Nevada 89424

With a copy to:
Fredericks, Pelcyger, Hester & White, LLC
1881 9th Street, Suite 216
Boulder, Colorado 80302

To the State:
Chairman
State Gaming Control Board
1150 E. William Street
Carson City, Nevada 89710

With a copy to:
Chief Deputy Attorney General
Attorney General's Office, Gaming Division
1000 East William Street, Suite 209
Carson City, Nevada 89710

IN WITNESS WHEREOF, the parties hereto have caused this Tribal-State gaming compact to be duly executed. The execution of this Agreement shall be the last date of signature by either party below and shall become effective upon approval of the Secretary of Interior or his designee.

PYRAMID LAKE PAIUTE TRIBE OF INDIANS

MERVIN WRIGHT, JR., Chairman — DATED: 8/4/97

STATE OF NEVADA

BOB MILLER, Governor — DATED: _____

STATE OF NEVADA

WILLIAM A. BIBLE, Chairman
State Gaming Control Board — DATED: 9/17/97

FRANKIE SUE DEL PAPA
Nevada Attorney General — DATED: 10/13/97

DATED: 9-4-97

A. SCOTT BODEAU
Chief Deputy Attorney General
Gaming Division

DEPARTMENT OF INTERIOR

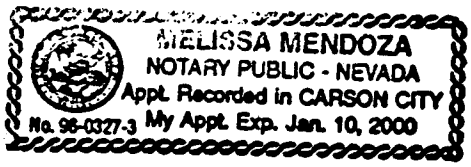
DATED: DEC 12 1997

Assistant Secretary - Indian Affairs

* * *

State of Nevada
Carson City

This instrument was acknowledged before me on Oct. 22, 1997, by A. Scott Bodeau, as Chief Deputy Atty. Gen.



Melissa Mendoza