

National Indian Gaming Commission

Settlement Agreement

1. This settlement agreement (the Agreement) is entered into by and between the Ponca Tribe of Oklahoma (the Tribe), a federally recognized Indian tribe, and the Chairwoman of the National Indian Gaming Commission (the Chairwoman) related to the management of the Tribe's Two Rivers Casino by Gary Watkins (Watkins) and his company G2, Inc., (G2) without an approved management contract in violation of the Indian Gaming Regulatory Act (IGRA), 25 U.S.C. 2701 *et seq.*, and National Indian Gaming Commission (NIGC) regulations, 25 C.F.R. § 501 *et seq.*

Circumstances of Violation

2. On or about September 1, 2011, the NIGC initiated an investigation into the management of the Two Rivers Casino (the Casino), a wholly-owned enterprise of the Ponca Tribe of Oklahoma, to determine whether the facility was being managed in absence of a management contract approved by the Chairwoman in violation of IGRA and NIGC regulations.
3. A management contract dated July 27, 2010, between the Tribe and G2 was submitted to the NIGC on August 4, 2010, before the Two Rivers Casino was opened.
4. On or about October 19, 2010, Watkins and G2, began managing the Two Rivers Casino without a management contract approved by the NIGC Chairwoman. On the same date, the Tribe and Watkins entered into a General Manager Agreement.
5. Watkins was not an employee of the Tribe. The General Manager Agreement entered into between the Tribe and Watkins provided that Watkins would receive \$950.00 per week. However, from October 2010 to February 2011, Watkins did not receive any pay checks from the Casino. The General Manager Agreement did not bestow any tribal employee benefits on Watkins. The Tribe never provided Watkins with a 1099.
6. Watkins used his own funds and funds received from a third party to refurbish and outfit the casino. Watkins entered into a construction contract with the Tribe on March 1, 2010, in which Watkins was to perform all work, at his sole cost and expense. Watkins stated to the Tribe that the total cost to renovate the Casino was approximately \$700,000. On October 10, 2011, Centurion Games filed a petition in the District Court of Tulsa County claiming that a verbal agreement was in effect between Watkins/G2 and Centurion Games. As part of this agreement, Centurion Games would loan Watkins/G2 \$722,970.99 for the renovation and operation of the Two Rivers Casino. Watkins/G2 agreed to pay Centurion Games

an amount equal to 10% of the monthly gross proceeds generated by Two Rivers Casino until paid in full. Watkins/G2 also agreed to pay Centurion 50% of the profits received from his operation of the Casino on a monthly basis as long as he managed the Casino. Centurion alleged that Watkins/G2 only repaid \$135,000 of the loan and failed to make any profit payments.

7. On December 31, 2010, Watkins used non-tribal funds to increase the vault by \$48,000. The Casino general ledger notes that on January 2, 2011, the vault was increased by G2, stating "raise vault to help with new year" in the memo line.
8. On December 17, 2010, Watkins issued a check to G2 amounting to 25% of the net gaming revenue and distributed 75% of the net gaming revenue to the Tribe. These distributions were based on the November 2010 profit/loss statement reflecting net revenue of \$43,029.93 of the Casino.
9. Payments of \$35,000 were made from the Casino operating account to G2 on March 5, 2011, April 1, 2011, May 1, 2011, June 7, 2011, and July 1, 2011. Payments of \$7,500 were made from the Casino operating account to the Tribe on February 18, 2011, March 16, 2011, April 20, 2011, and May 18, 2011. These payments reflect the agreement memorialized in the unapproved management agreement that was submitted to the NIGC.
10. Watkins entered into electronic gaming machine agreements and signed all agreements. All but one of the agreements was signed by Watkins as "President".
11. A Class III Equipment Lease/Purchase Agreement and Software License was entered into on October 11, 2010, between Mega Bingo and the Ponca Tribe of Oklahoma. The document was signed by Gary Watkins, President, on October 8, 2010.
12. A Rental or Participation Agreement was entered into on September 10, 2010, between Bally Gaming, Inc dba Bally Technologies and Two Rivers Casino. The document was signed by Gary Watkins, President, on September 9, 2010.
13. A Wide Area Network Services Agreement was entered into on September 2, 2010, between Bally Gaming, Inc. dba Bally Technologies and the Two Rivers Casino. The agreement was signed by Gary Watkins, President, on September 9, 2010.
14. A Participation Agreement was entered into on June 6, 2010, between IGT and Two Rivers Casino. The agreement was signed by Gary Watkins, President, on June 6, 2010.
15. An Equipment Lease Agreement was entered into on June 6, 2010, between Video Gaming Technologies and G2 on behalf of the Ponca Tribe of Oklahoma. The agreement was signed by Gary Watkins, President.

16. A Mutual Confidentiality and Nondisclosure Agreement were made effective on March 17, 2010, between Video Gaming Technologies and Gary Watkins, an individual representing the Ponca Tribe of Indians. The agreement was signed by Gary Watkins, individually, and Ponca Tribe of Indians of Oklahoma's Chairman, Douglas R. Rhodd, on March 17, 2010.
17. A Gaming Equipment Lease Agreement was entered into on September 15, 2010, between AGS, LLC and Two Rivers Casino. The document was signed by Gary Watkins, President, on September 8, 2010.
18. Watkins hired and supervised employees of the Casino. He had authority to hire and fire Casino employees.
19. The Tribe terminated its relationship with Watkins on August 31, 2011, and withdrew the management contract from NIGC review.
20. Consequently, from approximately October 19, 2010 through August 31, 2011, Watkins and G2 managed the Casino without a management contract approved by the NIGC Chairwoman in violation of IGRA, 25 U.S.C. § 2711, and NIGC regulations, 25 C.F.R. Part 573.
21. On March 26, 2012, the NIGC notified the Tribe that it was investigating the possible management of the Casino without an approved management agreement and issued a document request.
22. On April 27, 2012, the Tribe complied with the NIGC document request.
23. On or about November 6, 2012, the Tribe and the NIGC entered negotiations over a settlement of this violation.

Recitals

24. The Chairwoman has authority to levy and collect appropriate civil fines, not to exceed \$25,000 per violation, against the tribal operator of an Indian game or a management contractor engaged in gaming for any violation of any provision of IGRA and NIGC regulations. 25 U.S.C. § 2713(a)(1); 25 C.F.R. § 575.4. "If noncompliance continues for more than one day, the Chairman may treat each daily act or omission as a separate violation." 25 C.F.R. § 575.4(a)(2).
25. The Tribe wishes to enter a settlement agreement with the Chairwoman to avoid the issuance of a notice of violation.
26. The Chairwoman acknowledges that prior to the execution of this Agreement, the Tribe took affirmative steps to correct the violation by severing all ties with Watkins and G2 and by assuming full managerial and operational control over the

Two Rivers Casino through its Ponca Indian Economic Development Authority Board of Directors.

Terms of Settlement Agreement

27. The Tribe admits the facts set forth in the "Circumstances of Violation" section of this agreement; agrees that the NIGC possesses jurisdiction over this matter; and agrees to comply with the terms of this agreement.
28. In exchange for the terms, conditions, and understandings set forth in this agreement, the Tribe waives its right to any administrative review of this settlement (25 C.F.R. §§ 584, 585), submit information prior to the issuance of a civil fine assessment (25 C.F.R. § 575.5), seek the reduction or waiver of a civil fine (25 C.F.R. § 575.6), and the right to seek judicial review (25 U.S.C. § 2714).
29. In exchange for the terms, conditions, and understandings set forth herein, the Tribe hereby waives the rights specified in paragraph 28 of this Agreement and any other right to seek judicial review or otherwise challenge or contest the Chairwoman's actions under this Agreement, including the right to have the Chairwoman provide her written analysis of the factors to be considered in assessing a civil fine set forth under 25 C.F.R. § 575.4.
30. The Chairwoman agrees upon execution of this agreement that the NIGC shall not institute further proceedings or actions or assess any additional sanctions against the Tribe, the Ponca Tribal Gaming Commission or any other entity of the Tribe, or any of the officers and/or directors of such tribal entities, including the members of the Business Committee and the members of the Gaming Commission, for any actions arising out of the circumstances of this agreement unless the Tribe fails to comply with this Agreement. If the Tribe or any of the aforementioned parties or individuals fails to comply with this Agreement, the Tribe agrees that it will pay a fine of \$75,000, as outlined in Paragraphs 37 and 38.
31. The Tribe and/or any tribal entity shall prohibit Watkins and G2 and/or any other entity owned in whole or part or otherwise associated with Watkins, including any entity in which Watkins or an entity owned by him is a shareholder, from any association of any kind with the Two Rivers Casino, any tribal gaming activity, and any tribal gaming facility.
32. The Tribe and/or any tribal entity shall not employ or retain Watkins, or any entity owned in whole or part or otherwise associated with Watkins, including any entity in which Watkins or an entity owned by him is a shareholder, to operate, manage, consult, or provide any type of materials, machines, or services related directly or indirectly to the operation or management of any of its gaming facilities.

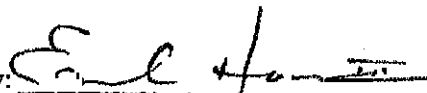
33. The Tribe and/or any tribal entity shall not permit Watkins, G2, or any entity owned in whole or part by or in any way associated with Watkins, including any entity in which Watkins or an entity owned by him is a shareholder, to develop, finance, or otherwise have a direct or indirect financial interest in any existing or future gaming facility and/or operation or to provide any type of materials, machines, goods or any type of services to the Tribe's existing or future gaming facilities or operations.
34. The Tribe and/or any tribal entity shall not enter any type of arrangement with Watkins, G2, or any entity owned in whole or part by Watkins, any entity in any way associated with Watkins, including any entity in which Watkins or an entity owned by him is a shareholder, that provides Watkins or such entities, either directly or indirectly, with a sum of money and/or future sums of money as consideration for such entities' past gaming-related services to the Tribe or any tribal entity and/or as consideration for the prohibition of such gaming-related services in the future.
35. The Tribe, and/or any tribal entity shall not have any type of relationship involving Indian gaming with Watkins, G2, any entity owned in whole or part by Watkins, any entity in any way associated with Watkins, and/or any entity in which Watkins or an entity owned by him is a shareholder.
36. The Tribe will assist the Chairwoman in completing her investigation of circumstances of this violation. Such assistance will include providing signed declarations from tribal officials and employees, including but not limited to Chairman Earl "Trey" Howe III, and providing witnesses for any administrative hearing involving Watkins and/or G2.
37. The Tribe shall pay a civil fine of seventy-five thousand dollars (\$75,000.00). However, this fine shall be suspended as long as the Tribe complies with the terms of the Agreement.
38. If the Tribe breaches any of the provisions of this Agreement, Tribe agrees and consents that a civil fine of \$75,000.00 will become fully due and payable on the date of the breach. In such circumstance, the NIGC shall issue a written notice (also known as a demand letter) to Tribe pursuant to NIGC debt collection regulations, 25 C.F.R. § 513. The Tribe agrees that the NIGC and/or U.S. Department of Treasury may proceed with debt collection of the \$75,000.00 civil fine (less amounts already paid) against the Tribe, and may assess interest, penalties and administrative costs from the date of breach of this Settlement Agreement, as provided in 25 C.F.R. § 513.5. In such circumstance, the Tribe waives any rights to an oral hearing under 25 C.F.R. § 513.6, but the NIGC shall provide Tribe with a reasonable opportunity to submit written material supporting a request to reconsider the determination that Tribe is in breach of this Agreement or to challenge the method by which the NIGC calculated the debt.

39. The Tribe agrees to participate in an NIGC sponsored training conducted in Oklahoma within 18 months of the execution of this Agreement. Compliance with this Paragraph can be demonstrated by at least one member of the Ponca Tribal Gaming Commission or Business Committee attending any training presented by the NIGC.
40. This agreement shall not become public unless and until it is accepted and signed by the Chairwoman of the NIGC. However, upon its acceptance by the Chairwoman of the NIGC, and her signature, the parties agree that this agreement will become public.

Additional Covenants

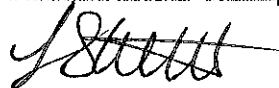
41. The parties stipulate that this Agreement shall be deemed a final order of the Commission and a final agency action pursuant to 25 C.F.R. § 580.10.
42. This Agreement constitutes the entire agreement between the Chairwoman and the Tribe and supersedes all prior verbal or written agreements and understandings between the parties related to the subject matter hereof. No warranties, representations, covenants, or agreements shall be binding upon any party except as set forth herein. Any modification or waiver of any term of this Agreement, including the modification or waiver of term, must be in writing and signed by the parties.
43. The Chairwoman and Tribe expressly agree and acknowledge that time is of the essence in the Agreement. The recitals herein and above shall be binding upon the parties, their agents, heirs, personal representatives, successors, and assigns.
44. A signature produced by facsimile shall be deemed to be an original signature and shall be effective and binding for purpose of the Agreement.

For the Ponca Tribe of Oklahoma

By: 

Date: 5-1-13

For the National Indian Gaming Commission

By: 
Tracie L. Stevens, Chairwoman

Date: 05-03-13