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CHEROKEE NATION GAMING COMMISSION
RULES AND REGULATIONS

CHAPTER:	Financial Accountability	CHAPTER #:	IV
SUBJECT:	Electronic Gaming Machine Jackpot Liabilities	SECTION –SUBSECTION:	I
EFFECTIVE DATE:	05/02/2012	SUPERSEDES MATERIAL DATED:	
APPROVED BY:		DATE:	05/02/2012

A. Purpose

The purpose of this regulation is to assure the accuracy, financial accountability, and appropriate use of jackpots and promotional awards connected to electronic game play. Jackpots and/or promotional prizes connected to the play of electronic gaming machines (EGM) are normally controlled by the casino operation over the long-term and are typically programmed to provide a specified and/or increased hold percentage to the casino.

B. Scope

This regulation applies to those jackpots and/or promotional awards connected to electronic game play.

C. Definitions

1. **Base Amount** – the guaranteed starting amount of the jackpot prior to any additional contributions; the base amount is usually funded exclusively by the casino.
2. **Contribution Rate** – for progressive pools, the rate or amount contributed from each wager or specific wager type.
3. **Incremental Amount** – the difference between the amount of a progressive jackpot and its base/seed amount (i.e. amounts added as the result of wagers).
4. **In-House Progressives (IHP)** – progressive jackpots administered and controlled within a single casino location, whether stand-alone or linked.
5. **Linked Progressive Gaming Device** – a “linked progressive” is two (2) or more gaming devices that offer common progressive jackpot(s) which are linked to a progressive controller within a single casino location.



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6. **Seed Amount** – the starting and/or additional amounts programmed into the electronic gaming device/controller which should include, at a minimum, the base amount and may include additional contributions, transfers from removed/retired in-house progressives, and/or promotional awards; those amounts programmed into the progressive controller in excess of incremental amounts added from wagers.
7. **Stand Alone Progressive Gaming Device** – a stand-alone progressive gaming device is a single progressive game that is not part of any link or does not share participation.
8. **Wide Area Progressives** – multi-site progressive gaming devices that are interconnected in more than one (1) casino; the purpose of a multi-site progressive system is to offer common progressive jackpot(s) at all participating locations.

D. Non-Progressive Jackpots

For single machine non-progressive jackpots or participation games with predetermined jackpots based upon specified payout percentages and/or structures, the casino operation should charge the jackpot to revenue when the jackpot is paid provided the machine is operating within the pre-approved payout tolerances programmed into the machine.

E. Promotional Awards

Promotional awards added to or used in place of a machine jackpot or other award that is contingent upon game outcome, must be pre-approved by the Cherokee Nation Gaming Commission (CNGC). Submission for approval must include procedures for accounting treatment, list of game(s) affected, and adjusted payout percentage.

F. In-House Progressives

For single machine progressive jackpots and local area progressive jackpots, also referred to as In-House Progressives (IHPs), the casino operation:



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1. May charge base jackpots and/or other casino contributions to revenue ratably over the period of play expected to precede payout, or may charge to revenue when established, or, if immaterial, may charge to revenue when the jackpot is paid. If accrued and there is any remaining portion not charged to revenue when the jackpot is paid, the remaining casino contributions shall be charged to revenue at that time. If casino contributions are accrued and the IHP is removed/retired those funds may be credited back to revenue. All casino contributions must be clearly identified when recording the transaction.
2. Shall accrue incremental amounts and any other player contributions over the period in which the amounts are generated and/or applied to the progressive device(s).
3. Shall at least once a day, record the amount shown on each progressive jackpot meter at the licensee’s establishment. Explanations for meter reading decreases must be maintained with the progressive meter reading sheets, and where the payment of a jackpot is the explanation for a decrease the licensee shall record the jackpot payout form number on the sheet or have the number reasonably available.
4. Shall review daily recorded meter readings for reasonableness, investigate large and/or unusual readings and correct, as required, to ensure that contribution rates are accruing appropriately and/or that all adjustments (increases/decreases) are supported. Investigations and any adjustments made to the meters as a result, shall be documented and made available to the CNGC upon request.
5. Shall reconcile the Jackpot Liability account(s) at least monthly and clearly identify the progressive device and its status (i.e., active or inactive/retired).
6. Any casino contributions (base/seed) must be clearly documented prior to the jackpot being awarded. Any funds contributed which are not clearly identified shall be treated as player contributions.



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7. The casino operation, in conjunction with and as approved by the CNGC, shall develop and implement procedures sufficient to comply these requirements and ensure adequate tracking and accounting for active IHPs.

G. Removal/Retirement of IHP Games

1. If the casino operation desires to remove in-house progressive games/devices from the gaming floor before the progressive jackpot has been won, the final meters less any casino contributions (previously identified) must be transferred to another similar progressive device or other method of distribution that benefits those customers who funded the jackpot (i.e., EGM players from the location where the contributions were made), as approved by the CNGC.
2. Upon removal, distribution of all player contributions shall be determined within twelve (12) months of the date on which the progressive funds were retired from the floor.
3. If funds are designated for distribution as a promotional prize(s) or award(s), the period to distribute the funds identified must occur within a specified timeframe not to exceed the twelve (12) month timeframe specified in G (2).
4. The casino operation, in conjunction with and as approved by the CNGC, shall develop and implement procedures sufficient to comply with these requirements and ensure adequate tracking and distribution of retired IHP funds.

H. Allowable Distribution Methods for IHPs

For a distribution to a promotional prize or award:

1. The full amount of funds contributed by casino patrons shall be returned in the form of a promotional prize or award without any administrative expenses being removed to pay for any costs associated with the distribution method (e.g., funds



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cannot be used to pay for advertising, marketing related expenses, equipment rental, insurance, indirect costs, etc.).

2. Funds may not be used in lieu of funds previously budgeted for promotional or tournament events; retired progressive funds are to be “in addition to” rather than “in place of” funds identified for marketing/promotional purposes.
3. Retired gaming machine progressive funds cannot be used to fund promotional prizes or awards directed to customers of other wagering activities (e.g., card/table game players).
4. Funds may not be used to purchase or otherwise pay for low-point beer and/or alcoholic beverages as defined by the Cherokee Nation Tax Commission.
5. Upon designation and approval, funds used to purchase prizes and fund awards for promotional events shall be designated within the funding source for each marketing promotion.

I. Wide Area Progressives (WAPs)

1. For any Wide Area Progressive machine, the WAP provider shall provide the casino operation and the CNGC with site and/or host procedures required:
 - a. To verify primary and/or secondary jackpots;
 - b. To calculate and audit progressive contributions;
 - c. To determine jackpot payment method(s);
 - d. To calculate participation fees; and,
 - e. To ensure the integrity and financial accountability for the respective WAP



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(e.g., network architecture, security of storage media/logic areas/ports, surveillance requirements, etc.).

2. WAP primary jackpots are the responsibility of the WAP provider. Secondary jackpots shall be charged when the jackpot is paid provided the machine is operating within the pre-approved payout percentage tolerances programmed into the machine.