

By: Flores

H.B. No. 3326

A BILL TO BE ENTITLED

AN ACT

1
2 relating to authorizing the operation of video lottery games by
3 licensed horse and greyhound racetrack operators, to the operation
4 of video lottery by Indian tribes, to the authority of the Texas
5 Lottery Commission and the Texas Racing Commission, and to the
6 conduct of gambling in this state; providing penalties.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

8 SECTION 1. Section 466.002, Government Code, is amended by
9 amending Subdivisions (2) through (10) and adding Subdivisions (11)
10 through (36) to read as follows:

11 (2) "Communication technology" means the methods used
12 and the components employed to facilitate the transmission of
13 information, including transmission and reception systems that
14 transmit information through wire, cable, radio, microwave, light,
15 optics, or computer data networks.

16 (3) "Director" means a [the] director employed by the
17 executive director under Section 467.033 [of the division].

18 (4) "Disable," with respect to video lottery
19 terminals, means the process that causes a video lottery terminal
20 to cease functioning on issuance of a shutdown command from the
21 video lottery central system.

22 (5) "Distribute," with respect to a video lottery
23 terminal, an electronic computer component of a video lottery
24 terminal, the cabinet in which a video lottery terminal is housed,

1 video lottery equipment, or video lottery game software intended
2 for use or play in this state, including on Indian lands in this
3 state, means the sale, lease, marketing, offer, or other
4 disposition of any of those items.

5 (6) [~~(3)~~] "Division" means the lottery division
6 established by the commission under Chapter 467.

7 (7) "Electronic storage medium," with respect to video
8 lottery, means the electronic medium on which the operation
9 software for a game playable on a video lottery terminal is stored
10 in the form of erasable programmable read only memory, data storage
11 devices typically considered alterable but through software or
12 hardware means have been rendered unalterable, compact disc-read
13 only memory, flash random access memory, or other technology medium
14 the commission approves for use in or with a video lottery terminal.

15 (8) [~~(4)~~] "Executive director" means the executive
16 director of the commission.

17 (9) "Gaming agreement" means an agreement authorized
18 under Subchapter K between this state and a federally recognized
19 Indian tribe under which this state allows the tribe to conduct
20 limited gaming activities authorized under this chapter or
21 applicable federal law.

22 (10) "House-banked game" means a game of chance in
23 which:

24 (A) the house plays as a participant;

25 (B) the house competes against all players,
26 collects from all losers, and pays all winners; and

27 (C) the house has an opportunity to win.

1 (11) "Indian lands" means land on which video lottery
2 games may be conducted by an Indian tribe under Section 47(f)(2) or
3 (3), Article III, Texas Constitution.

4 (12) "Institutional investor" means:

5 (A) a state or federal government pension plan;
6 or

7 (B) any of the following that meets the
8 requirements of a "qualified institutional buyer" as defined in
9 Rule 144A, Securities Act of 1933 (15 U.S.C. Sections 77a-77aa),
10 and the rules and regulations adopted under that rule by the United
11 States Securities and Exchange Commission:

12 (i) a bank as defined by Section 3(a)(6),
13 Securities Exchange Act of 1934 (15 U.S.C. Sections 78a-78kk), and
14 the rules and regulations adopted under that act by the United
15 States Securities and Exchange Commission;

16 (ii) an insurance company as defined by
17 Section 2(a)(17), Investment Company Act of 1940 (15 U.S.C. Section
18 80a-1 et seq.);

19 (iii) an investment company registered
20 under Section 8, Investment Company Act of 1940 (15 U.S.C. Section
21 80a-1 et seq.);

22 (iv) an employee benefit plan or pension
23 fund subject to the Employee Retirement Income Security Act of 1974
24 (29 U.S.C. Section 1001 et seq.), excluding an employee benefit
25 plan or pension fund sponsored by a publicly traded corporation
26 registered with the Securities and Exchange Commission;

27 (v) a group composed entirely of persons

1 specified by this subdivision; or

2 (vi) any other person the commission
3 recognizes as an institutional investor for reasons consistent with
4 the policies expressed in this chapter.

5 (13) [~~5~~] "Lottery" means the state lottery
6 established and operated in accordance with the Texas Constitution
7 under this chapter and includes the operation of a state-controlled
8 video lottery system [~~procedures operated by the state under this~~
9 ~~chapter through which prizes are awarded or distributed by chance~~
10 ~~among persons who have paid, or unconditionally agreed to pay, for a~~
11 ~~chance or other opportunity to receive a prize].~~

12 (14) [~~6~~] "Lottery game" means an activity conducted
13 lawfully and in accordance with the Texas Constitution and this
14 chapter that is controlled by this state as part of the lottery and
15 through which prizes are awarded or distributed by chance to
16 persons who have paid or unconditionally agreed to pay, or who
17 otherwise participate in a game, for a chance or other opportunity
18 to receive a prize [~~includes a lottery activity].~~

19 (15) [~~7~~] "Lottery operator" means a person selected
20 under Section 466.014(b) to operate a lottery game.

21 (16) "Manufacture," with respect to a video lottery
22 terminal, an electronic computer component of a video lottery
23 terminal, the cabinet in which a video lottery terminal is housed,
24 video lottery equipment, or video lottery game software intended
25 for use or play in this state, including on Indian lands in this
26 state, means to design, assemble, fabricate, produce, program, or
27 make modifications to any of those items.

1 (17) "Net terminal income" means the total amount of
2 money paid to play video lottery games less the value of all credits
3 redeemed, including any progressive prizes and bonuses, by the
4 players of the video lottery games. Promotional prizes unrelated
5 to video lottery game wagers that are offered by a video lottery
6 retailer or video lottery manager may not be deducted or otherwise
7 considered credits redeemed for money by players for the purpose of
8 determining net terminal income.

9 (18) "Pari-mutuel license holder" means a person
10 licensed to conduct wagering on a greyhound race or a horse race
11 under the Texas Racing Act (Article 179e, Vernon's Texas Civil
12 Statutes).

13 (19) "Person" means, for purposes of video lottery
14 operations, any natural person, corporation, association, trust,
15 partnership, limited partnership, joint venture, subsidiary, or
16 other entity, regardless of its form, structure, or nature.

17 (20) [~~8~~] "Player" means a person who contributes any
18 part of the consideration for a ticket or to play a video lottery
19 game under this chapter.

20 (21) "Racetrack" means a racetrack as defined by
21 Section 1.03(25), Texas Racing Act (Article 179e, Vernon's Texas
22 Civil Statutes).

23 (22) [~~9~~] "Sales agent" or "sales agency" means a
24 person licensed under this chapter to sell tickets.

25 (23) "Slot machine" means a mechanical, electrical, or
26 other type of device, contrivance, or machine not connected to the
27 video lottery central system that plays or operates on insertion of

1 a coin, currency, token, or similar object or on payment of any
2 other consideration, and the play or operation of which, through
3 the skill of the operator, by chance, or both, may deliver to the
4 person playing or operating the machine, or entitle the person to
5 receive, cash, premiums, merchandise, tokens, or any other thing of
6 value, whether the payoff is made automatically from the machine or
7 in any other manner. The term does not include any equipment,
8 machine, technological aid, or other device used or authorized in
9 connection with the play of bingo under Chapter 2001, Occupations
10 Code.

11 (24) "Substantial interest holder" means any of the
12 following that is not a bona fide lender, bank, or other authorized
13 or licensed lending institution that holds a mortgage or other lien
14 acquired in the ordinary course of business or a vendor of the
15 applicant or license holder that is not otherwise a substantial
16 business holder:

17 (A) a person who directly, indirectly, or
18 beneficially owns any interest in a privately owned corporation,
19 association, trust, partnership, limited partnership, joint
20 venture, subsidiary, or other entity, regardless of its form,
21 structure, or nature;

22 (B) a person who directly, indirectly, or
23 beneficially owns 10 percent or more of any publicly owned
24 corporation, association, trust, partnership, limited partnership,
25 joint venture, subsidiary, or other entity, regardless of its form,
26 structure, or nature;

27 (C) a person associated with an applicant or

1 license holder who the commission determines has the power or
2 authority to:

3 (i) control the activities of the applicant
4 or license holder; or

5 (ii) elect or select the executive
6 director, the managers, the partners, or a majority of the board of
7 directors of the applicant or license holder; and

8 (D) any key personnel of a video lottery retailer
9 or video lottery manager, including an executive director, officer,
10 director, manager, member, partner, limited partner, executive,
11 employee, or agent, who the commission determines has the power to
12 exercise significant influence over decisions concerning any part
13 of the applicant's or license holder's business operation.

14 (25) [~~(10)~~] "Ticket" means any tangible evidence
15 issued to provide participation in a lottery game authorized by
16 this chapter other than a video lottery game.

17 (26) "Video lottery central system" means the system
18 of procedures and facilities operated and controlled by the
19 commission that is designed to link together all video lottery
20 terminals operated in this state and allows the commission to
21 continuously monitor the activity of each video lottery terminal
22 and to disable any video lottery terminal in this state.

23 (27) "Video lottery central system provider" means a
24 person that, under a contract with the commission, provides the
25 video lottery central system.

26 (28) "Video lottery equipment" means:

27 (A) a video lottery terminal;

1 (B) equipment, a component, or a contrivance used
2 remotely or directly in connection with a video lottery terminal
3 to:

4 (i) affect the reporting of gross revenue
5 and other accounting information, including a device for weighing
6 and counting money;

7 (ii) provide accounting, player tracking,
8 bonuses, and in-house or wide-area prizes;

9 (iii) monitor video lottery terminal
10 operations; and

11 (iv) provide for the connection of video
12 lottery terminals to the video lottery central system; or

13 (C) any other communications technology or
14 equipment necessary for the operation of a video lottery terminal.

15 (29) "Video lottery game" means an
16 electromechanically or electronically simulated game displayed on
17 a video lottery terminal the outcome of which is determined solely
18 by chance based on a computer-generated random selection of winning
19 combinations of symbols or numbers other than typical roulette,
20 dice, or baccarat game themes associated with casino gambling,
21 except that game themes displaying symbols that appear to roll on
22 drums to simulate a classic casino slot machine or themes of other
23 card games and keno may be used.

24 (30) "Video lottery manager" means a person who:

25 (A) is licensed by the commission under this
26 chapter to manage a video lottery terminal establishment at a
27 racetrack; or

1 (B) provides management services for a video
2 lottery terminal establishment on Indian lands.

3 (31) "Video lottery retailer" means a racetrack or the
4 operator of the premises of a pari-mutuel license holder at which a
5 video lottery terminal establishment is located and that holds a
6 video lottery retailer license under Subchapter K.

7 (32) "Video lottery system" has the meaning assigned
8 to that term by Section 47(f), Article III, Texas Constitution.

9 (33) "Video lottery terminal" means an interactive
10 electronic device that is capable of displaying video lottery
11 games.

12 (34) "Video lottery terminal establishment" means
13 premises at which the operation of video lottery terminals is
14 authorized by the commission under this chapter in accordance with
15 a license or a gaming agreement.

16 (35) "Video lottery terminal provider" means a person
17 in the business of manufacturing or distributing video lottery
18 terminals in this state.

19 (36) "Video lottery ticket" means the evidence issued
20 by a video lottery terminal to reflect a credit balance from the
21 play of a video lottery game.

22 SECTION 2. Section 466.003, Government Code, is amended by
23 amending Subsection (b) and adding Subsection (c) to read as
24 follows:

25 (b) Any [A] contract or authorized agreement between the
26 division and a lottery operator, the video lottery central system
27 provider, a video lottery terminal provider, or a manufacturer or

1 distributor of video lottery games under Section 466.014(b) must
2 contain a provision allowing the contract or authorized agreement
3 to be terminated without penalty should the division be abolished
4 unless another state agency is assigned to regulate all video
5 lottery game activity as required by this chapter.

6 (c) Notwithstanding Subsection (a), if any gaming agreement
7 that allows video lottery is in effect, the commission or another
8 state agency designated by the legislature must regulate video
9 lottery games as necessary to comply with a gaming agreement under
10 this chapter.

11 SECTION 3. Section 466.004(a), Government Code, is amended
12 to read as follows:

13 (a) A political subdivision of this state may not impose:
14 (1) a tax on the sale of a ticket;
15 (2) a tax on the payment of a prize under this chapter;
16 [~~or~~]
17 (3) an ad valorem tax on tickets;
18 (4) a tax, fee, or other assessment on consideration
19 paid to play a video lottery game; or
20 (5) a tax or fee for attendance or admission to a video
21 lottery establishment or a racetrack at which a video lottery
22 establishment is located unless specifically authorized by
23 statute.

24 SECTION 4. Section 466.014, Government Code, is amended to
25 read as follows:

26 Sec. 466.014. POWERS AND DUTIES OF COMMISSION AND EXECUTIVE
27 DIRECTOR; CONTRACT AUTHORITY. (a) The commission and executive

1 director have broad authority and shall exercise strict control and
2 close supervision over [~~all~~] lottery games [~~conducted in this~~
3 ~~state~~] to promote and ensure integrity, security, honesty, and
4 fairness in the operation and administration of the lottery.

5 (b) The executive director may contract with or employ a
6 person to perform a function, activity, or service in connection
7 with the operation of the lottery as prescribed by the executive
8 director. A contract relating to the operation of video lottery
9 must be consistent with Subchapter K. Except as provided by this
10 subsection, a [A] person with whom the executive director contracts
11 to operate a lottery game must be eligible for a sales agent license
12 under Section 466.155. A person with whom the executive director
13 contracts to provide the video lottery central system must be
14 eligible under the same standards as those applicable to the
15 registration or approval by the commission of a video lottery
16 terminal provider in accordance with Subchapter K.

17 (c) The executive director may award a contract for lottery
18 supplies, equipment, or services, including a contract under
19 Subsection (b), pending the completion of any investigation and
20 licensing, registration, or other approval authorized or required
21 by this chapter. A contract awarded under this subsection must
22 include a provision permitting the executive director to terminate
23 the contract without penalty if the investigation reveals that the
24 person to whom the contract is awarded would not be eligible for a
25 sales agent license under Section 466.155 or with regard to video
26 lottery does not satisfy the applicable requirements for licensing,
27 registration, or other approval under Subchapter K.

1 SECTION 5. Section 466.015(b), Government Code, is amended
2 to read as follows:

3 (b) The commission shall adopt rules to the extent they are
4 not inconsistent with Chapters 551 and 552 governing the:

5 (1) security for the lottery and the commission,
6 including the development of an internal security plan;

7 (2) apportionment of the total revenues from the sale
8 of tickets and from all other sources in the amounts provided by
9 this chapter;

10 (3) enforcement of prohibitions on the sale of tickets
11 to or by an individual younger than 18 years of age or the sale of a
12 video lottery game to or by an individual younger than 21 years of
13 age; ~~and~~

14 (4) enforcement of prohibitions on a person playing a
15 lottery game by telephone; and

16 (5) enforcement of prohibitions provided by law on the
17 sale of any purchase or play of a video lottery game.

18 SECTION 6. Section 466.017, Government Code, is amended to
19 read as follows:

20 Sec. 466.017. AUDITS. (a) The commission [~~executive~~
21 ~~director~~] shall provide for a certified public accountant to
22 conduct an independent audit of the commission's annual financial
23 statements in accordance with generally accepted auditing
24 standards that requires the accountant to express an opinion on the
25 conformity of the financial statements with generally accepted
26 accounting principles [~~for each fiscal year of all accounts and~~
27 ~~transactions of the lottery~~]. The certified public accountant may

1 not have~~[, as determined by the executive director,]~~ a significant
2 financial interest in a sales agent, lottery vendor, ~~[or]~~ lottery
3 operator, video lottery manager, video lottery retailer, video
4 lottery terminal provider, or video lottery central system
5 provider. The certified public accountant shall present an audit
6 report to the executive director, the commission, the governor, the
7 comptroller, and the legislature not later than the 30th day after
8 the submission date for the annual financial report required by the
9 General Appropriations Act. ~~[The report must contain~~
10 ~~recommendations to enhance the earnings capability of the lottery~~
11 ~~and improve the efficiency of lottery operations.]~~ The state
12 auditor may review the results of and working papers related to the
13 audit.

14 (b) The records of a ~~[Each]~~ lottery operator, sales agent,
15 video lottery manager, video lottery retailer, video lottery
16 terminal provider, or video lottery central system provider
17 ~~[operator's and sales agent's records]~~ are subject to audit by the
18 commission and the state auditor. For the purpose of carrying out
19 this chapter, the executive director or state auditor may examine
20 all books, records, papers, or other objects that the executive
21 director or state auditor determines are necessary for conducting a
22 complete examination under this chapter and may also examine under
23 oath any officer, director, or employee of a lottery operator, ~~[or]~~
24 sales agent, video lottery manager, video lottery retailer, video
25 lottery terminal provider, or video lottery central system
26 provider. The executive director or state auditor may conduct an
27 examination at the principal office or any other office of the

1 person subject to the audit [~~lottery operator or sales agent~~] or may
 2 require the person [~~lottery operator or sales agent~~] to produce the
 3 records at the office of the commission or state auditor. If a
 4 sales agent, video lottery manager, video lottery retailer, video
 5 lottery terminal provider, or video lottery central system provider
 6 refuses to permit an examination or to answer any question
 7 authorized by this subsection, the executive director may summarily
 8 suspend the license or registration of the sales agent, video
 9 lottery manager, video lottery retailer, or video lottery terminal
 10 provider under Section 466.160 or Subchapter K until the
 11 examination is completed as required. Section 321.013(h) does not
 12 apply to an audit of a lottery operator, [~~or~~] sales agent, video
 13 lottery manager, video lottery retailer, video lottery terminal
 14 provider, or video lottery central system provider.

15 SECTION 7. Section 466.018, Government Code, is amended to
 16 read as follows:

17 Sec. 466.018. INVESTIGATIONS. The attorney general, the
 18 district attorney for Travis County, or the district attorney,
 19 criminal district attorney, or county attorney performing the
 20 duties of district attorney for the county in which the violation or
 21 alleged violation occurred may investigate a violation or alleged
 22 violation of this chapter and of the penal laws of this state by the
 23 commission or its employees, a sales agent, a lottery vendor, [~~or~~] a
 24 lottery operator, a video lottery manager, a video lottery
 25 retailer, a video lottery terminal provider, or a video lottery
 26 central system provider.

27 SECTION 8. Sections 466.020(c), (d), and (e), Government

1 Code, are amended to read as follows:

2 (c) A security officer or investigator employed by the
3 department of security or a peace officer who is working in
4 conjunction with the commission or the Department of Public Safety
5 in the enforcement of this chapter may:

6 (1) [~~r~~] without a search warrant, [~~may~~] search and
7 seize a lottery vending machine, lottery computer terminal, video
8 lottery terminal, or other lottery or gaming equipment that is
9 located on premises for which a person holds a sales agent, video
10 lottery retailer, or video lottery manager license issued under
11 this chapter; or

12 (2) seize a lottery vending machine, lottery computer
13 terminal, video lottery terminal, or other lottery or gaming
14 equipment that is being used or is in the possession of any person
15 in violation of this chapter.

16 (d) The Department of Public Safety or any other state or
17 local law enforcement agency in this state, at the commission's
18 request and in accordance with an interagency agreement, shall
19 perform a full criminal background investigation of a prospective
20 deputy or investigator of the department of security. The
21 commission shall reimburse the agency [~~Department of Public Safety~~]
22 for the actual costs of an investigation.

23 (e) At least once every two years, the executive director
24 shall employ an independent firm that is experienced in security,
25 including computer security and systems security, to conduct a
26 comprehensive study of all aspects of lottery security, including:

27 (1) lottery personnel security;

- 1 (2) sales agent security;
- 2 (3) lottery operator and vendor security;
- 3 (4) security against ticket counterfeiting and
- 4 alteration and other means of fraudulent winning;
- 5 (5) security of lottery drawings;
- 6 (6) lottery computer, data communications, database,
- 7 and systems security;
- 8 (7) lottery premises and warehouse security;
- 9 (8) security of distribution of tickets;
- 10 (9) security of validation and payment procedures;
- 11 (10) security involving unclaimed prizes;
- 12 (11) security aspects of each lottery game;
- 13 (12) security against the deliberate placement of
- 14 winning tickets in lottery games that involve preprinted winning
- 15 tickets by persons involved in the production, storage,
- 16 transportation, or distribution of tickets; ~~and~~
- 17 (13) security of video lottery retailers, video
- 18 lottery managers, video lottery terminal providers, and video
- 19 lottery central system providers; and
- 20 (14) other security aspects of lottery operations,
- 21 including video lottery game operations.

22 SECTION 9. Section 466.022, Government Code, is amended by
23 amending Subsection (b) and adding Subsections (c), (d), (e), and
24 (f) to read as follows:

25 (b) In addition to commission records excepted from
26 disclosure under Chapter 552, the following information is
27 confidential and is exempt from disclosure:

1 (1) security plans and procedures of the commission
2 designed to ensure the integrity and security of the operation of
3 the lottery;

4 (2) information of a nature that is designed to ensure
5 the integrity and security of the selection of winning tickets or
6 numbers in the lottery, other than information describing the
7 general procedures for selecting winning tickets or numbers; ~~and~~

8 (3) the street address and telephone number of a prize
9 winner, if the prize winner has not consented to the release of the
10 information; and

11 (4) information relating to all system operations of
12 video lottery games, including the operation of the video lottery
13 system, security related to video lottery games, and commission
14 plans and procedures intended to ensure the integrity and security
15 of the operation of video lottery games.

16 (c) Information that is confidential under Subsection
17 (b)(4) includes information and data that:

18 (1) are furnished to the commission under Subchapter K
19 or that may be otherwise obtained by the commission from any source;

20 (2) pertain to an applicant's criminal record,
21 antecedents, and background and are furnished to or obtained by the
22 commission from any source, including information obtained by the
23 commission under Section 411.108(d);

24 (3) are provided to the commission, a commission
25 employee, or an investigator acting on behalf of the commission by a
26 governmental agency or an informer or on the assurance that the
27 information will be held in confidence and treated as confidential;

1 (4) are obtained by the commission from a video
2 lottery manager, video lottery retailer, video lottery terminal
3 provider, or video lottery central system provider; or

4 (5) are prepared or obtained by an agent or employee of
5 the commission relating to a license, registration, or renewal
6 application, a finding of suitability, or any approval required
7 under Subchapter K.

8 (d) Information that qualifies as confidential under
9 Subsection (b)(4) may be disclosed in whole or in part only as
10 necessary to administer this chapter or under a court order. The
11 commission, subject to appropriate procedures, may disclose the
12 information and data to an authorized agent of a political
13 subdivision of this state, the United States, another state or a
14 political subdivision of another state, a tribal law enforcement
15 agency, or the government of a foreign country.

16 (e) For the annual report required under Section 466.016,
17 the commission may disclose a compilation of statistical
18 information that is otherwise confidential under Subsection (b)(4)
19 if the compilation does not disclose the identity of an applicant,
20 license or registration holder, or video lottery establishment.

21 (f) Notwithstanding any other provision of state law, the
22 information provided under Subsection (d) or (e) may not otherwise
23 be disclosed without specific commission authorization.

24 SECTION 10. Section 466.024, Government Code, is amended to
25 read as follows:

26 Sec. 466.024. PROHIBITED GAMES. (a) The executive
27 director, ~~[or]~~ a lottery operator, a video lottery manager, a video

1 lottery retailer, a video lottery terminal provider, or a video
2 lottery central system provider may not establish or operate a
3 lottery game in which the winner is chosen on the basis of the
4 outcome of a live sports event.

5 (b) The [~~commission shall adopt rules prohibiting the~~]
6 operation of any game using a video lottery machine, slot [~~or~~]
7 machine, or other gambling device that is not connected to the video
8 lottery central system and regulated by this state as required by
9 Section 47, Article III, Texas Constitution, and this chapter is
10 prohibited.

11 (c) In this section, "sports [~~+~~

12 [~~(1) "Sports~~] event" means a football, basketball,
13 baseball, or similar game, or a horse or dog race on which
14 pari-mutuel wagering is allowed.

15 [~~(2) "Video lottery machine" or "machine" means any~~
16 ~~electronic video game machine that, upon insertion of cash, is~~
17 ~~available to play or simulate the play of a video game, including~~
18 ~~video poker, keno, and blackjack, using a video display and~~
19 ~~microprocessors in which the player may receive free games or~~
20 ~~credits that can be redeemed for cash, coins, or tokens, or that~~
21 ~~directly dispenses cash, coins, or tokens.]~~

22 SECTION 11. Section 466.025, Government Code, is amended to
23 read as follows:

24 Sec. 466.025. REPORTS OF TICKETS SOLD, NET TERMINAL INCOME,
25 AND PRIZES AWARDED. For each lottery game, other than a video
26 lottery game, after the last date on which a prize may be claimed
27 under Section 466.408(d), the director shall prepare a report that

1 shows the total number of tickets sold and the number and amounts of
2 prizes awarded in the game. The report must be available for public
3 inspection. For video lottery games, the director shall prepare a
4 weekly report that shows net terminal income for the preceding
5 week.

6 SECTION 12. Section 466.103(a), Government Code, is amended
7 to read as follows:

8 (a) Except as provided by Subsection (b), the executive
9 director may not award a contract for the purchase or lease of
10 facilities, goods, or services related to lottery operations to a
11 person who:

12 (1) would be denied a license as a sales agent under
13 Section 466.155; or

14 (2) with regard to video lottery equipment:

15 (A) is not a registered video lottery terminal
16 provider if registration is required; or

17 (B) would be deemed unsuitable to be a video
18 lottery terminal provider under Subchapter K.

19 SECTION 13. Section 466.151(b), Government Code, is amended
20 to read as follows:

21 (b) The executive director may establish a provisional
22 license or other classes of licenses necessary to regulate and
23 administer the quantity and type of lottery games provided at each
24 licensed location of a sales agent.

25 SECTION 14. Subchapter E, Chapter 466, Government Code, is
26 amended by adding Section 466.206 to read as follows:

27 Sec. 466.206. CRIMINAL HISTORY INVESTIGATION FOR VIDEO

1 LOTTERY. Except as otherwise provided by this section, Sections
2 466.020 and 466.201, and Subchapter K, a criminal history
3 investigation of a video lottery retailer, video lottery manager,
4 video lottery terminal provider, or video lottery central system
5 provider is governed by commission rules adopted under Subchapter
6 K, which shall consider a criminal history investigation conducted
7 under the Texas Racing Act (Article 179e, Vernon's Texas Civil
8 Statutes).

9 SECTION 15. Section 466.252, Government Code, is amended to
10 read as follows:

11 Sec. 466.252. PLAYER [~~PURCHASE OF TICKET~~] AGREEMENT TO
12 ABIDE BY RULES AND INSTRUCTIONS. (a) By purchasing a ticket in a
13 particular lottery game or participating as a player in a lottery
14 game, a player agrees to abide by and be bound by the commission's
15 rules and instructions, including the rules or instructions
16 applicable to the particular lottery game involved. The player
17 also acknowledges that the determination of whether the player is a
18 valid winner is subject to:

19 (1) the commission's rules, instructions, and claims
20 procedures, including those developed for the particular lottery
21 game involved; [~~and~~]

22 (2) any validation tests established by the commission
23 for the particular lottery game involved; and

24 (3) the limitations and other provisions prescribed by
25 this chapter.

26 (b) If the lottery uses tickets, an abbreviated form of the
27 rules or a reference to the rules may appear on the tickets.

1 SECTION 16. Section 466.3011, Government Code, is amended
2 to read as follows:

3 Sec. 466.3011. VENUE. Venue is proper in Travis County or
4 any county in which venue is proper under Chapter 13, Code of
5 Criminal Procedure, for:

6 (1) an offense under this chapter;

7 (2) an offense under the Penal Code, if the accused:

8 (A) is a lottery operator, lottery vendor, sales
9 agent, video lottery manager, video lottery retailer, video lottery
10 terminal provider, video lottery central system provider, or
11 employee of the division; and

12 (B) is alleged to have committed the offense
13 while engaged in lottery activities, including video lottery
14 activities; or

15 (3) an offense that involves property consisting of or
16 including lottery tickets under Title 7 or 11, Penal Code.

17 SECTION 17. Subchapter G, Chapter 466, Government Code, is
18 amended by adding Section 466.3031 to read as follows:

19 Sec. 466.3031. UNAUTHORIZED OPERATION, USE, OR POSSESSION
20 OF VIDEO LOTTERY TERMINAL. (a) A person may not operate, use, or
21 possess a video lottery terminal unless the operation, use, or
22 possession is expressly authorized by this chapter or other law.

23 (b) Except for transport to or from a video lottery
24 establishment and as provided by this chapter, a person commits an
25 offense if the person operates, uses, or possesses any video
26 lottery terminal that is not at all times connected to the video
27 lottery central system or that does not generate revenue for this

1 state, except funds retained by the commission to pay
2 administrative costs. An offense under this subsection is a felony
3 of the third degree.

4 (c) Notwithstanding Subsection (b), a video lottery
5 retailer, video lottery manager, or registered or approved video
6 lottery terminal provider may store or possess a video lottery
7 terminal as authorized by the commission, and the commission may
8 possess video lottery terminals for study and evaluation.

9 SECTION 18. Section 466.305(a), Government Code, is amended
10 to read as follows:

11 (a) A sales agent, video lottery manager, or video lottery
12 retailer, or an employee of a sales agent, video lottery manager, or
13 video lottery retailer, commits an offense if the person
14 intentionally or knowingly sells a ticket to another person or
15 allows the person to play or conduct a game on a video lottery
16 terminal by extending credit or lending money to the person to
17 enable the person to purchase the ticket or play the game.

18 SECTION 19. The heading to Section 466.3051, Government
19 Code, is amended to read as follows:

20 Sec. 466.3051. SALE [~~OF TICKET~~] TO OR PURCHASE OF LOTTERY
21 TICKET BY PERSON YOUNGER THAN 18; PLAY OF VIDEO LOTTERY GAME BY
22 PERSON YOUNGER THAN 21 [~~YEARS OF AGE~~].

23 SECTION 20. Section 466.3051, Government Code, is amended
24 by adding Subsections (a-1) and (b-1) and amending Subsections (b)
25 through (f) to read as follows:

26 (a-1) A video lottery manager, a video lottery retailer, or
27 an employee of a video lottery manager or video lottery retailer

1 commits an offense if the person intentionally or knowingly allows
2 a person younger than 21 years of age to play a video lottery game.

3 (b) An individual who is younger than 18 years of age
4 commits an offense if the individual:

5 (1) purchases a lottery ticket; or

6 (2) falsely represents the individual to be 18 years
7 of age or older by displaying evidence of age that is false or
8 fraudulent or misrepresents in any way the individual's age in
9 order to purchase a lottery ticket.

10 (b-1) An individual who is younger than 21 years of age
11 commits an offense if the individual:

12 (1) plays a video lottery game; or

13 (2) falsely represents the individual to be 21 years
14 of age or older by displaying evidence of age that is false or
15 fraudulent or misrepresents in any way the individual's age in
16 order to play a video lottery game.

17 (c) A person 18 years of age or older may purchase a lottery
18 ticket to give as a gift to another person, including an individual
19 younger than 18 years of age.

20 (d) It is a defense to the application of Subsection (b)
21 that the individual younger than 18 years of age is participating in
22 an inspection or investigation on behalf of the commission or other
23 appropriate governmental entity regarding compliance with this
24 section. It is a defense to the application of Subsection (b-1) that
25 the individual younger than 21 years of age is participating in an
26 inspection or investigation on behalf of the commission or other
27 appropriate governmental entity regarding compliance with this

1 section.

2 (e) An offense under Subsection (a) or (a-1) is a Class C
3 misdemeanor.

4 (f) An offense under Subsection (b) or (b-1) is punishable
5 by a fine not to exceed \$250.

6 SECTION 21. Section 466.306, Government Code, is amended to
7 read as follows:

8 Sec. 466.306. FORGERY; ALTERATION OF TICKET. (a) A person
9 commits an offense if the person intentionally or knowingly alters
10 or forges a ticket or video lottery ticket.

11 (b) An offense under this section is a felony of the third
12 degree unless it is shown on the trial of the offense that the prize
13 alleged to be authorized by the ticket or video lottery ticket
14 forged or altered is greater than \$10,000, in which event the
15 offense is a felony of the second degree.

16 SECTION 22. Section 466.309(a), Government Code, is amended
17 to read as follows:

18 (a) A person commits an offense if the person intentionally
19 or knowingly tampers with, damages, defaces, or renders inoperable
20 any vending machine, electronic computer terminal, video lottery
21 terminal or other video lottery equipment, or other mechanical
22 device used in a lottery game.

23 SECTION 23. The heading to Section 466.317, Government
24 Code, is amended to read as follows:

25 Sec. 466.317. PROHIBITION AGAINST SALE OF CERTAIN LOTTERY
26 TICKETS OR OPERATION OF CERTAIN VIDEO LOTTERY SYSTEMS.

27 SECTION 24. Section 466.317, Government Code, is amended by

1 adding Subsection (a-1) and amending Subsection (c) to read as
2 follows:

3 (a-1) A person may not control or operate a video lottery
4 system in this state except as provided by this chapter.

5 (c) A person commits an offense if the person violates this
6 section. An offense under this section is a felony of the third
7 degree [~~Class A misdemeanor~~].

8 SECTION 25. Section 466.355(a), Government Code, is amended
9 to read as follows:

10 (a) The state lottery account is a special account in the
11 general revenue fund. The account consists of all revenue received
12 from the sale of tickets, license and application fees under this
13 chapter, other than Subchapter K, and all money credited to the
14 account from any other fund or source under law. Interest earned by
15 the state lottery account shall be deposited in the unobligated
16 portion of the general revenue fund.

17 SECTION 26. Subchapter H, Chapter 466, Government Code, is
18 amended by adding Section 466.360 to read as follows:

19 Sec. 466.360. VIDEO LOTTERY TERMINAL REVENUE. Revenue
20 generated from the operation of video lottery terminals is governed
21 by Subchapter K and commission rules.

22 SECTION 27. Section 466.402, Government Code, is amended by
23 adding Subsection (e) to read as follows:

24 (e) This section does not apply to the payment of prizes for
25 video lottery games governed by Subchapter K.

26 SECTION 28. Chapter 466, Government Code, is amended by
27 adding Subchapter K to read as follows:

SUBCHAPTER K. VIDEO LOTTERY

Sec. 466.501. LEGISLATIVE FINDINGS AND DECLARATIONS. The legislature finds and declares the following:

(1) The purpose and intent of this subchapter is to carry out the intent of the voters as established by the approval of Section 47(f), Article III, Texas Constitution, to expand the revenue-generating ability of the state lottery by authorizing this state to operate a video lottery system consistent with public policy strictly limiting the expansion of gambling in this state.

(2) Except for the operation of video lottery terminals on certain Indian lands as defined by the Texas Constitution, the people of this state intend to allow only state-regulated video lottery games to be conducted in this state and only in locations at which pari-mutuel wagering is conducted at racetracks.

(3) The video lottery games operated at racetracks under this subchapter are regulated by this state in a manner that allows this state to continuously monitor all video lottery terminals and to disable any video lottery terminal for the protection of the public and this state.

(4) Through the video lottery system this state will monitor the network of video lottery terminals to ensure maximum security unique to state-regulated gambling. Except as may otherwise be required by federal law governing Indian lands, each operating video lottery terminal in this state will be connected to a video lottery central system.

(5) Limited gaming is intended to enhance live horse

1 and greyhound racing, breeding programs, entertainment, and
2 employment in tourism and agricultural industries of Texas and to
3 assist this state's horse and greyhound racing industry, support
4 programs intended to foster and promote horse and greyhound
5 breeding, and improve the living and working conditions of
6 personnel who work and reside in and around the stable and backside
7 areas of racetracks.

8 (6) In authorizing only a state-regulated and
9 state-operated video lottery central system and state-regulated
10 video lottery terminals in limited locations and continuing the
11 general prohibition on gambling in this state as a matter of public
12 policy, this state is protecting the state's legitimate interests
13 by restricting such activity. By limiting the operation of video
14 lottery terminals to those connected to the state-regulated video
15 lottery system and to certain lands and certain types of games, the
16 legislature seeks to foster this state's legitimate sovereign
17 interest in regulating the growth of gambling activities in this
18 state.

19 (7) This subchapter is game-specific and may not be
20 construed to allow the operation of any other form of gambling
21 unless specifically allowed by this subchapter. This subchapter
22 does not allow the operation of slot machines, dice games, roulette
23 wheels, house-banked games, including house-banked card games, or
24 games in which winners are determined by the outcome of a live
25 sports contest that are expressly prohibited under other state law.

26 Sec. 466.502. CONSTRUCTION; APPLICABILITY OF OTHER
27 LAWS. (a) This subchapter applies uniformly throughout this

1 state and all political subdivisions of this state.

2 (b) To the extent of any inconsistency between Chapter 2003
3 and this subchapter or a commission rule governing video lottery
4 terminals, this subchapter or the commission rule controls in all
5 matters related to video lottery terminals.

6 (c) Video lottery equipment operated under commission
7 authority and this subchapter is exempt from 15 U.S.C. Section
8 1172.

9 Sec. 466.505. AUTHORITY TO OPERATE VIDEO LOTTERY SYSTEM.

10 (a) The commission may implement and operate a video lottery system
11 and regulate the operation of video lottery terminals at racetracks
12 in accordance with this subchapter and the Texas Racing Act
13 (Article 179e, Vernon's Texas Civil Statutes). This subchapter
14 supersedes any conflicting or inconsistent provision of the Texas
15 Racing Act (Article 179e, Vernon's Texas Civil Statutes) or other
16 state law.

17 (b) The commission may allow the operation of video lottery
18 terminals pursuant to this subchapter at locations on Indian lands
19 in accordance with an effective gaming agreement and in compliance
20 with applicable federal law.

21 Sec. 466.506. VIDEO LOTTERY GAMES; STATE OWNERSHIP AND
22 PROPRIETARY INTEREST. For purposes of this subchapter, this state
23 may acquire a proprietary interest in video lottery game software
24 through:

25 (1) ownership of the software; or

26 (2) an exclusive product license agreement with a
27 provider in which the provider retains copyrighted ownership of the

1 software but the license granted to this state is nontransferable
2 and authorizes this state to operate the software program, solely
3 for the state's own use, on the video lottery central system and
4 video lottery terminals connected to the video lottery central
5 system.

6 Sec. 466.507. STATE CONTROL OF VIDEO LOTTERY SYSTEM. (a)
7 In accordance with Section 47(f), Article III, Texas Constitution,
8 the commission shall control and regulate the video lottery system
9 and the video lottery central system through which this state has
10 the exclusive and unilateral ability to monitor activity of video
11 lottery terminals and remotely disable video lottery terminals for
12 the public safety, health, and welfare or the preservation of the
13 integrity of the lottery and to prevent any financial loss to this
14 state.

15 (b) This section does not affect or restrict the ability of
16 a video lottery manager or video lottery retailer to monitor
17 activity of video lottery terminals and to disable video lottery
18 terminals in accordance with commission rules.

19 (c) The commission may disable a video lottery terminal if a
20 video lottery retailer's or video lottery manager's license is
21 revoked, surrendered, or summarily suspended under this subchapter
22 and to prevent any financial loss to this state.

23 Sec. 466.510. VIDEO LOTTERY CENTRAL SYSTEM. (a) The
24 commission shall establish or cause to be established a video
25 lottery central system to link all video lottery terminals in the
26 video lottery system. The video lottery central system must
27 provide the auditing, security, and other information required by

1 the commission.

2 (b) The commission shall provide to a registered video
3 lottery terminal provider or an applicant applying for registration
4 as a video lottery terminal provider the protocol documentation
5 data necessary to enable the provider's or applicant's video
6 lottery terminals to communicate with the commission's video
7 lottery central system for transmission of auditing program
8 information and for activation and disabling of video lottery
9 terminals.

10 (c) The video lottery central system design may not limit or
11 preclude potential providers from providing state-of-the-art,
12 industry-standard video lottery terminals and associated equipment
13 such as player tracking systems, accounting systems, progressive
14 systems, and bonusing systems, except for providers that fail to
15 meet registration or approval specifications established by the
16 commission.

17 (d) The commission may contract with a video lottery central
18 system provider to establish the video lottery central system.

19 Sec. 466.511. VIDEO LOTTERY TERMINAL PROVIDER:
20 REGISTRATION OR APPROVAL REQUIRED. (a) A person may not
21 manufacture or distribute video lottery equipment for use or play
22 in this state unless the person is registered as a video lottery
23 terminal provider or is otherwise approved by the commission to
24 manufacture or distribute video lottery equipment in this state. A
25 video lottery retailer may also hold a license as a video lottery
26 terminal provider under this section.

27 (b) Unless suspended or revoked, the registration or

1 approval expires on the date specified by the commission, which may
2 not be later than the 10th anniversary of the date of the
3 registration or approval. A person may renew an unexpired
4 registration or approval by paying the required renewal fee and
5 complying with the requirements of this subchapter and commission
6 rule.

7 (c) To be eligible for registration or commission approval
8 as required by this section, an applicant must satisfy all
9 applicable requirements under this subchapter.

10 Sec. 466.512. VIDEO LOTTERY TERMINAL PROVIDER: APPLICATION;
11 CHANGE IN INFORMATION. (a) The commission shall adopt rules
12 governing the registration or approval of video lottery terminal
13 providers and the information an applicant must provide to the
14 commission. The rules must require the application and any other
15 form or document submitted to the commission by or on behalf of the
16 applicant to determine the applicant's qualification under this
17 section to be sworn to or affirmed before an officer qualified to
18 administer oaths.

19 (b) The applicant must demonstrate the ability to comply
20 with all manufacturing, quality control, and operational
21 restrictions imposed on authorized video lottery equipment,
22 patented or otherwise restricted video lottery games, or other
23 video lottery equipment that the applicant seeks to manufacture or
24 distribute for use in this state. The registration or approval
25 process must include an on-site review of the applicant's
26 manufacturing equipment and process for each separate type of
27 authorized video lottery equipment to ensure compliance with the

1 requirements of this chapter and commission rules.

2 (c) Not later than the 30th day after the date of any change
3 in the information submitted on or with the application form, the
4 applicant shall notify the commission of the change, including a
5 change that occurs after the registration or other commission
6 approval has been granted.

7 (d) The applicant shall comply with all federal and state
8 laws, local ordinances, and rules.

9 Sec. 466.513. VIDEO LOTTERY TERMINAL PROVIDER: APPLICATION
10 FEE. (a) An applicant seeking registration or approval or renewal
11 of registration or approval as a video lottery terminal provider
12 must pay a nonrefundable application fee in the amount prescribed
13 by commission rule that is sufficient to pay the costs to the
14 commission of administering and licensing video lottery terminals.

15 (b) Application fees paid under this section shall be
16 retained by the commission and may be used only to defray costs
17 incurred in the administration and enforcement of this chapter
18 relating to the operation of video lottery terminals.

19 Sec. 466.520. VIDEO LOTTERY RETAILER OR VIDEO LOTTERY
20 MANAGER LICENSE REQUIRED. (a) Except as provided by a gaming
21 agreement, a person may not own or operate a video lottery terminal
22 if the person does not satisfy the requirements of this subchapter
23 and is not licensed by the commission to act as a video lottery
24 retailer or video lottery manager.

25 (b) Unless suspended or revoked, a video lottery retailer
26 license expires on the same date the retailer's racetrack or
27 pari-mutuel license issued under the Texas Racing Act (Article

1 179e, Vernon's Texas Civil Statutes) expires.

2 Sec. 466.521. VIDEO LOTTERY RETAILER OR VIDEO LOTTERY
3 MANAGER: APPLICATION AND QUALIFICATION. (a) An applicant for a
4 video lottery retailer or video lottery manager license must:

5 (1) hold a valid racetrack or pari-mutuel license
6 granted by the Texas Racing Commission under the Texas Racing Act
7 (Article 179e, Vernon's Texas Civil Statutes);

8 (2) have a valid and executed contract with a
9 racetrack that satisfies the requirements of Subdivision (1) to act
10 as a video lottery manager for the racetrack subject to licensing
11 under this subchapter;

12 (3) demonstrate to the commission's satisfaction that
13 the applicant seeks to act as a video lottery manager for a
14 federally recognized Indian tribe that has entered into a gaming
15 agreement with this state that is in effect and governs the
16 regulation of video lottery terminals on Indian lands in this
17 state;

18 (4) have had an application pending at the Texas
19 Racing Commission for a racetrack or pari-mutuel license under the
20 Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes) on
21 January 1, 2007; or

22 (5) have been determined by the Texas Racing
23 Commission or its designee to be qualified to hold a racetrack or
24 pari-mutuel license under the Texas Racing Act (Article 179e,
25 Vernon's Texas Civil Statutes).

26 (b) Each officer, partner, director, key employee,
27 substantial interest holder, video lottery game operation

1 employee, and owner of video lottery game operations must be
2 eligible and maintain eligibility in accordance with this
3 subchapter to be involved in video lottery games in this state.

4 (c) The commission shall adopt rules to implement this
5 section.

6 (d) The commission shall issue a video lottery retailer or
7 manager license to an applicant who meets the criteria established
8 by the commission rules.

9 (e) The commission may not accept or consider an application
10 under this section unless the applicant files with the application
11 an estimate determined by the commission of the amount the retailer
12 or manager would be required to allocate under Sections 466.593(a)
13 through (c) in the first year of operation as a video lottery
14 retailer.

15 Sec. 466.522. VIDEO LOTTERY RETAILER OR VIDEO LOTTERY
16 MANAGER: APPLICATION FEE. (a) An applicant for a video lottery
17 retailer or video lottery manager license shall submit a
18 nonrefundable application processing fee in the amount prescribed
19 by commission rule that is sufficient and reasonable to pay the
20 costs of determining the applicant's eligibility, not to exceed
21 \$5,000.

22 (b) An application may not be processed until the applicant
23 pays the application fee. If the application fee is not received by
24 the 30th day after the date the commission notifies the applicant of
25 the amount of the fee, the application is considered withdrawn and
26 may not be considered by the commission.

27 Sec. 466.525. VIDEO LOTTERY TERMINAL ESTABLISHMENT

1 LICENSE: REQUIREMENTS; LOCATION. (a) An applicant for a video
2 lottery terminal establishment license must ensure that the
3 facility for the establishment will comply with all applicable
4 building codes and rules of the commission. The rules adopted by
5 the commission relating to facilities for video lottery
6 establishments must relate solely to this state's interest in the
7 operation of video lottery terminals.

8 (b) A video lottery terminal establishment shall provide
9 office space for the commission sufficient for at least one
10 commission employee.

11 (c) An applicant for a video lottery terminal establishment
12 license or a license holder shall provide the information required
13 by commission rule relating to the applicant's or license holder's
14 video lottery terminal establishment and update the information at
15 least annually.

16 (d) The commission may not issue a video lottery terminal
17 establishment license to a racetrack if a property line of the
18 licensed premises of the racetrack is located within one-half mile
19 of the property line of a public school. This subsection does not
20 apply to a racetrack that was located within one-half mile of a
21 public school on the first day racing operations commenced at the
22 racetrack.

23 (e) Notwithstanding Section 466.155, the commission may not
24 deny, suspend, or revoke a license under this subchapter based on
25 the fact that a video lottery terminal establishment or a proposed
26 video lottery terminal establishment is a location for which a
27 person holds a wine and beer retailer's permit, mixed beverage

1 permit, mixed beverage late hours permit, private club registration
2 permit, or private club late hours permit, issued under Chapter 25,
3 28, 29, 32, or 33, Alcoholic Beverage Code.

4 (f) A video lottery terminal establishment may be located
5 only at the premises of a licensed racetrack or on Indian lands.

6 Sec. 466.526. LICENSE HOLDER AS SALES AGENT. The holder of
7 a video lottery retailer or video lottery manager license may
8 operate as a sales agent for lottery tickets in accordance with this
9 chapter.

10 Sec. 466.527. LICENSE TERM; RENEWAL ELIGIBILITY. (a)
11 Unless suspended or revoked, a license issued under this
12 subchapter, other than a video lottery retailer license, expires on
13 the date specified in the license, which may not be later than the
14 10th anniversary of the date of issuance.

15 (b) A video lottery retailer license is valid for the same
16 term as a racetrack or pari-mutuel license and until suspended or
17 revoked. The commission may charge an annual fee not to exceed
18 \$50,000 to the holder of a video lottery retailer license.

19 (c) To be eligible for renewal of a license, an applicant
20 must satisfy all applicable licensing requirements under this
21 subchapter.

22 Sec. 466.528. RULES FOR ADDITIONAL LICENSE QUALIFICATIONS.
23 The commission by rule may establish other license qualifications
24 the commission determines are in the public interest and consistent
25 with the declared policy of this state.

26 Sec. 466.529. APPLICATION AS REQUEST FOR CHARACTER
27 DETERMINATION. An application under this subchapter to receive or

1 renew a license, registration, or approval or to be found suitable
2 constitutes a request for a determination of the applicant's
3 general character, integrity, and ability to participate or engage
4 in or be associated with the operation of video lottery terminals.

5 Sec. 466.530. IMMUNITY FOR STATEMENT MADE IN PROCEEDING OR
6 INVESTIGATION. Any written or oral statement made in the course of
7 an official commission proceeding or investigative activities
8 related to an application for commission licensing, registration,
9 or other approval under this subchapter, by any member or agent or
10 any witness testifying under oath that is relevant to the purpose of
11 the proceeding is absolutely privileged and does not impose
12 liability for defamation or constitute a ground for recovery in any
13 civil action.

14 Sec. 466.531. SUITABILITY FINDING. To promote the
15 integrity and security of the lottery, the commission in its
16 discretion may require a suitability finding for any person doing
17 business with or in relation to the operation of video lottery
18 terminals who is not otherwise required to obtain a license,
19 registration, or approval from the commission for the person's
20 video lottery-related operations.

21 Sec. 466.532. SUMMARY SUSPENSION OF VIDEO LOTTERY RETAILER
22 OR VIDEO LOTTERY MANAGER LICENSE; TERMINAL DISABLED. (a) The
23 commission may summarily suspend the license of a video lottery
24 retailer or video lottery manager without notice or hearing if the
25 commission finds the action is necessary to maintain the integrity,
26 security, honesty, or fairness of the operation or administration
27 of the lottery or to prevent financial loss to this state and:

1 (1) the license holder fails to deposit money received
2 from video lottery terminal operations as required by this
3 subchapter or commission rule;

4 (2) an event occurs that would render the license
5 holder ineligible for a license under this subchapter;

6 (3) the license holder refuses to allow the
7 commission, the commission's agents, or the state auditor, or their
8 designees, to examine the license holder's books, records, papers,
9 or other objects under Section 466.017; or

10 (4) the executive director learns the license holder
11 failed to disclose information that would, if disclosed, render the
12 video lottery retailer or video lottery manager ineligible for a
13 license under this subchapter.

14 (b) A summary suspension under this section must comply with
15 the notice and procedure requirements provided by Section 466.160.

16 (c) The commission may disable a video lottery terminal
17 operated by a license holder under this subchapter at the time:

18 (1) a proceeding to summarily suspend the license is
19 initiated;

20 (2) the commission discovers the license holder failed
21 to deposit money received from video lottery terminal operations as
22 required if the license is being summarily suspended under this
23 section; or

24 (3) an act or omission occurs that, under commission
25 rules, justifies the termination of video lottery terminal
26 operations to:

27 (A) protect the integrity of the lottery or the

1 public health, welfare, or safety; or

2 (B) prevent financial loss to this state.

3 (d) The commission shall immediately disable a video
4 lottery terminal if necessary to protect the public health,
5 welfare, or safety.

6 Sec. 466.533. LICENSING, REGISTRATION, SUITABILITY, AND
7 REGULATORY APPROVAL AS REVOCABLE PERSONAL PRIVILEGES. (a) The
8 purchaser or successor of a person who holds a license,
9 registration, suitability, or other affirmative regulatory
10 approval under this subchapter must independently qualify for a
11 license, registration, suitability, or approval required by this
12 subchapter.

13 (b) The following acts void the license, registration,
14 suitability, or other regulatory approval of the holder unless
15 approved in advance by the commission:

16 (1) the transfer, sale, or other disposition of an
17 interest in the holder that results in a change in the identity of a
18 substantial interest holder; or

19 (2) the sale of the assets of the holder, other than
20 assets bought and sold in the ordinary course of business, or any
21 interest in the assets, to any person not already determined to have
22 met the applicable qualifications of this subchapter.

23 Sec. 466.535. CAPITAL INVESTMENTS AND IMPROVEMENT
24 REQUIREMENTS FOR VIDEO LOTTERY TERMINAL ESTABLISHMENT. A video
25 lottery retailer or video lottery manager shall provide all
26 necessary capital investments and required improvements at a video
27 lottery terminal establishment operated by the retailer or manager.

1 Sec. 466.536. VIDEO LOTTERY TERMINAL. The commission shall
2 provide all video lottery retailers or video lottery managers with
3 a list of registered video lottery terminal providers, video
4 lottery games, and video lottery terminals authorized for operation
5 under this subchapter.

6 Sec. 466.537. VIDEO LOTTERY TERMINAL: DISTRIBUTION AND
7 COMMISSION APPROVAL. (a) A video lottery terminal provider may not
8 distribute a video lottery terminal or other video lottery
9 equipment for placement at a video lottery terminal establishment
10 in this state unless the video lottery terminal has been approved by
11 the commission.

12 (b) Only a video lottery terminal provider registered with
13 or approved by the commission may apply for approval of a video
14 lottery terminal or other video lottery equipment.

15 (c) Not later than the 10th day before the date of shipment
16 to a location in this state, a video lottery terminal provider shall
17 file a report with the commission itemizing all video lottery
18 terminals and other video lottery equipment to be provided to a
19 video lottery retailer or video lottery manager in the shipment.

20 Sec. 466.538. VIDEO LOTTERY TERMINAL: TESTING; REPORT. (a)
21 A video lottery terminal provider shall submit two copies of
22 terminal illustrations, schematics, block diagrams, circuit
23 analysis, technical and operation manuals, and any other
24 information requested by the commission for the purpose of
25 analyzing and testing the video lottery terminal or other video
26 lottery equipment.

27 (b) The commission may require a working model of a video

1 lottery terminal to be provided to the commission unless the video
2 lottery terminal provider provides a certification from an
3 independent, commission-approved testing laboratory that the video
4 lottery terminal is compatible with the state's video lottery
5 system and functions as required by the commission.

6 Sec. 466.539. VIDEO LOTTERY TERMINAL: INSTALLATION;
7 MODIFICATION REQUEST. (a) A video lottery terminal provider is
8 responsible for the assembly and installation of all video lottery
9 terminals and related video lottery equipment.

10 (b) A video lottery terminal provider or a video lottery
11 retailer or video lottery manager may not change the assembly or
12 operational functions of a video lottery terminal authorized by the
13 commission for placement in this state unless a request for
14 modification of an existing video lottery terminal prototype is
15 approved by the commission. The request must contain:

16 (1) a detailed description of the type of change;

17 (2) a detailed description of the reasons for the
18 change; and

19 (3) technical documentation of the change.

20 (c) A video lottery terminal approved by the commission for
21 placement at a video lottery terminal establishment must conform to
22 the specifications of the video lottery terminal prototype tested
23 or approved by the commission.

24 Sec. 466.540. VIDEO LOTTERY TERMINAL REMOVAL. (a) If any
25 video lottery terminal that has not been approved by the commission
26 is distributed by a video lottery terminal provider or operated by a
27 video lottery retailer or video lottery manager or if an approved

1 video lottery terminal malfunctions, the commission shall require
2 the terminal to be removed from use and play.

3 (b) The commission may order that an unapproved terminal be
4 seized and destroyed.

5 (c) The commission may suspend or revoke the license of a
6 video lottery retailer or video lottery manager or the registration
7 of a video lottery terminal provider for the distribution,
8 possession, or operation of an unauthorized video lottery terminal.

9 (d) A video lottery retailer or video lottery manager may
10 retain on the premises of a video lottery establishment a number of
11 machines that the retailer or manager determines is necessary for
12 spare parts or repair purposes or as replacements. The retailer or
13 manager must provide to the commission each month a list of the
14 terminals retained under this subsection.

15 Sec. 466.541. VIDEO LOTTERY TERMINAL SPECIFICATIONS. (a)
16 The commission shall adopt rules for approval of video lottery
17 terminals, including requirements for video lottery game tickets,
18 maximum and minimum payout, and maximum wagers.

19 (b) A commission-approved video lottery terminal must meet
20 the following minimum specifications:

21 (1) the terminal must:

22 (A) operate through a player's insertion of a
23 coin, currency, voucher, or token into the video lottery terminal
24 that causes the video lottery terminal to display credits that
25 entitle the player to select one or more symbols or numbers or cause
26 the video lottery terminal to randomly select symbols or numbers;

27 (B) allow the player to win additional game play

1 credits, coins, or tokens based on game rules that establish the
2 random selection of winning combinations of symbols or numbers and
3 the number of free play credits, coins, or tokens to be awarded for
4 each winning combination; and

5 (C) allow the player at any time to clear all game
6 play credits and receive a video lottery ticket or other
7 representation of credits entitling the player to receive the cash
8 value of those credits;

9 (2) a surge protector must be installed on the
10 electrical power supply line to each video lottery terminal, a
11 battery or equivalent power backup for the electronic meters must
12 be capable of maintaining the accuracy of all accounting records
13 and video lottery terminal status reports for a period of 180 days
14 after power is disconnected from the video lottery terminal, and
15 the power backup device must be in the compartment specified in
16 Subdivision (4);

17 (3) the operation of each video lottery terminal may
18 not be adversely affected by any static discharge or other
19 electromagnetic interference;

20 (4) the main logic boards of all electronic storage
21 mediums must be located in a separate compartment in or from the
22 video lottery terminal that is locked and sealed by the commission;

23 (5) the instructions for play of each game must be
24 displayed on the video lottery terminal face or screen, including a
25 display detailing the credits awarded for the occurrence of each
26 possible winning combination of numbers or symbols;

27 (6) communication equipment and devices must be

1 installed to enable each video lottery terminal to communicate with
2 the video lottery central system through the use of a
3 communications protocol provided by the commission to each
4 registered video lottery terminal provider, which must include
5 information retrieval and programs to activate and disable the
6 terminal; and

7 (7) a video lottery terminal may be operated only if
8 connected to the video lottery central system, and play on the
9 terminal may not be conducted unless the terminal is connected to
10 the video lottery central system.

11 Sec. 466.542. VIDEO LOTTERY TERMINALS: HOURS OF OPERATION;
12 COMMUNICATION; LOCATION. (a) Except as otherwise provided by the
13 commission, the hours of operation for video lottery terminals are
14 subject to restrictions only as provided by commission rules.

15 (b) The commission by rule may prescribe restrictions on the
16 hours of video lottery terminal operations for purposes of
17 accounting for and collecting revenue generated by video lottery
18 terminal operations and performing other operational services on
19 the video lottery system.

20 (c) Communication between the video lottery central system
21 and each video lottery terminal must be continuous and on a
22 real-time basis as prescribed by the commission.

23 (d) Except as provided by a gaming agreement or commission
24 rule, placement or movement of video lottery terminals in a video
25 lottery terminal establishment must be consistent with a video
26 lottery terminal establishment floor plan filed with the
27 commission.

1 Sec. 466.543. VIDEO LOTTERY TERMINAL: TRANSPORT;
2 DISPOSITION OF OBSOLETE TERMINAL. (a) The transportation and
3 movement of video lottery terminals into or within this state is
4 prohibited, except as permitted by this subchapter and approved by
5 the commission.

6 (b) An obsolete video lottery terminal or a video lottery
7 terminal that is no longer in operation must be promptly reported to
8 the commission.

9 Sec. 466.5455. TRAVEL AND INVESTIGATION COSTS. The
10 commission shall pay the travel and investigative expenses incurred
11 under this subchapter from money appropriated to the commission.

12 Sec. 466.546. CONSENT TO COMMISSION DETERMINATION. (a) An
13 application for a license, registration, finding of suitability, or
14 other approval under this subchapter constitutes a request to the
15 commission for a decision on the applicant's general suitability,
16 character, integrity, and ability to participate or engage in or be
17 associated with the lottery in the manner or position sought.

18 (b) By filing an application with the commission, the
19 applicant specifically consents to the commission's decision at the
20 commission's election when the application, after filing, becomes
21 moot for any reason other than death.

22 Sec. 466.547. ABSOLUTE AUTHORITY OF COMMISSION. To protect
23 the integrity of the lottery or the public health, welfare, or
24 safety, or to prevent financial loss to this state, the commission
25 has full and absolute power and authority, subject to Chapter 2001,
26 Government Code, to:

27 (1) deny any application or limit, condition,

1 restrict, revoke, or suspend any license, registration, or finding
2 of suitability or approval; and

3 (2) fine any person licensed, registered, found
4 suitable, or approved for cause.

5 Sec. 466.548. INSTITUTIONAL INVESTOR. The commission shall
6 adopt rules regarding a finding of suitability for an institutional
7 investor in a person licensed under this subchapter.

8 Sec. 466.551. EFFECT OF DENIAL OF LICENSE OR REGISTRATION.

9 (a) A person whose application for a license or registration has
10 been denied may not have any interest in or association with a video
11 lottery retailer or video lottery manager or any other business
12 conducted in connection with video lottery without prior approval
13 of the commission.

14 (b) Any contract between a person holding a license or
15 registration and a person denied a license or registration must be
16 terminated immediately on receipt of notice from the commission.
17 If the person denied a license or registration has previously been
18 granted a temporary license or registration, the temporary license
19 or registration expires immediately on denial of the permanent
20 license or registration.

21 (c) Except as otherwise authorized by the commission, a
22 person denied a license or registration may not reapply for any
23 license or registration before the second anniversary of the date
24 of the denial.

25 Sec. 466.553. PRACTICE BY VIDEO LOTTERY RETAILER OR VIDEO
26 LOTTERY MANAGER. A video lottery retailer or video lottery manager
27 must:

1 (1) be aware of patron conditions and prohibit play by
2 visibly intoxicated patrons;

3 (2) comply with state alcoholic beverage control laws;

4 (3) at all times maintain sufficient change and cash
5 in denominations accepted by video lottery terminals;

6 (4) promptly report all video lottery terminal
7 malfunctions and down-time;

8 (5) install, post, and display prominently any
9 material required by the commission;

10 (6) prohibit illegal gambling and any related
11 paraphernalia;

12 (7) except as otherwise provided by this subchapter,
13 at all times prohibit money lending or other extensions of credit at
14 the video lottery terminal establishment;

15 (8) supervise employees and activities to ensure
16 compliance with all commission rules and this subchapter;

17 (9) maintain continuous camera coverage of all aspects
18 of video lottery game operations, including video lottery
19 terminals; and

20 (10) maintain an entry log for each video lottery
21 terminal on the premises of the video lottery terminal
22 establishment and maintain and submit complete records on receipt
23 of each video lottery terminal on the premises as determined by the
24 commission.

25 Sec. 466.554. RACETRACK REQUIREMENTS. (a) A video lottery
26 retailer at all times must hold a valid racetrack or pari-mutuel
27 wagering license issued by the Texas Racing Commission.

1 (b) A video lottery retailer that meets the qualifications
2 of Section 466.521(a)(1) or (5) is considered to meet the
3 requirements of this section.

4 Sec. 466.556. PRIZE RULES. The commission shall adopt
5 rules governing:

6 (1) the range of amounts a player may be charged to
7 play each video lottery game; and

8 (2) the range of prizes and credits that may be awarded
9 to the player of a video lottery game.

10 Sec. 466.557. VIDEO LOTTERY CENTRAL SYSTEM: COMMUNICATION
11 TECHNOLOGY. The video lottery central system provider shall pay
12 for the installation and operation of commission-approved
13 communication technology to provide communication between each
14 video lottery terminal and the video lottery central system.

15 Sec. 466.558. RESPONSIBILITY FOR VIDEO LOTTERY GAME
16 OPERATIONS. (a) A video lottery retailer or a video lottery
17 manager, if applicable, is responsible for the management of video
18 lottery game operations, including:

19 (1) the validation and payment of prizes,
20 determination of game themes, prizes, bonuses, progressives,
21 number and placement of video lottery terminals, and individual pay
22 out percentage settings; and

23 (2) the management of cashiers, food and beverage
24 workers, floor workers, security personnel, the security system,
25 building completion, janitorial services, landscaping design, and
26 maintenance.

27 (b) Nothing in Subsection (a) limits the authority of the

1 commission, the Department of Public Safety, or another law
2 enforcement agency to administer and enforce this chapter as
3 related to video lottery.

4 (c) In addition to other requirements under this chapter
5 relating to video lottery, a video lottery retailer or a video
6 lottery manager at all times shall:

7 (1) operate only video lottery terminals that are
8 distributed by a registered video lottery terminal provider and
9 provide a secure location for the placement, operation, and play of
10 the video lottery terminals;

11 (2) prevent any person from tampering with or
12 interfering with the operation of a video lottery terminal;

13 (3) ensure that communication technology from the
14 video lottery central system to the video lottery terminals is
15 connected at all times and prevent any person from tampering or
16 interfering with the operation of the connection;

17 (4) ensure that video lottery terminals are in the
18 sight and control of designated employees of the video lottery
19 retailer or video lottery manager and in the sight of video cameras
20 as required under this subchapter;

21 (5) ensure that video lottery terminals are placed and
22 remain placed in the locations in the video lottery terminal
23 establishment that are consistent with the retailer's or manager's
24 floor plan;

25 (6) monitor video lottery terminals to prevent access
26 to or play by persons who are under 21 years of age or who are
27 visibly intoxicated;

1 (7) pay all credits won by a player on presentment of a
2 valid winning video lottery game ticket;

3 (8) install, post, and display prominently at the
4 licensed location redemption information and other informational
5 or promotional materials as required by the commission;

6 (9) maintain general liability insurance coverage for
7 the video lottery terminal establishment and all video lottery
8 terminals in the amounts required by the commission;

9 (10) assume liability for money lost or stolen from
10 any video lottery terminal; and

11 (11) annually submit an audited financial statement to
12 the commission in accordance with generally accepted accounting
13 principles.

14 Sec. 466.560. TECHNICAL STANDARDS FOR VIDEO LOTTERY
15 EQUIPMENT. The commission by rule shall establish minimum
16 technical standards for video lottery equipment that may be
17 operated in this state.

18 Sec. 466.561. INCIDENT REPORTS. (a) A video lottery
19 retailer or video lottery manager shall record all unusual
20 occurrences related to gaming activity in a video lottery terminal
21 establishment operated by the retailer or manager.

22 (b) A video lottery retailer or video lottery manager shall
23 assign each material incident, without regard to materiality, a
24 sequential number and, at a minimum, provide the following
25 information in a permanent record prepared in accordance with
26 commission rules to ensure the integrity of the record:

27 (1) the number assigned to the incident;

- 1 (2) the date and time of the incident;
2 (3) the nature of the incident;
3 (4) each person involved in the incident; and
4 (5) the name of the employee or other agent of the
5 video lottery retailer or video lottery manager who investigated
6 the incident.

7 Sec. 466.562. EXCLUSION OF PERSONS. (a) The commission
8 shall compile a list of persons that a video lottery retailer or
9 video lottery manager must bar from a video lottery terminal
10 establishment based on a person's criminal history or association
11 with criminal offenders or because the person poses a threat to the
12 integrity of the lottery.

13 (b) A video lottery retailer or video lottery manager shall
14 employ the retailer's or manager's best efforts to exclude such
15 persons from entry into the establishment.

16 (c) A video lottery retailer or video lottery manager may
17 exclude a person for any reason not related to the person's race,
18 sex, national origin, physical disability, or religion.

19 (d) A person who believes the person may be playing video
20 lottery games on a compulsive basis may request that the person's
21 name be placed on the list compiled by the commission under
22 Subsection (a).

23 (e) All video lottery game employees shall receive training
24 in identifying players with a compulsive playing problem. Signs
25 and other materials shall be readily available to direct compulsive
26 players to agencies that offer appropriate counseling.

27 Sec. 466.563. REPORT ON LITIGATION. (a) A video lottery

1 retailer or video lottery manager shall report to the commission
2 any litigation relating to the retailer's or manager's video
3 lottery terminal establishment, including a criminal proceeding, a
4 proceeding involving an issue related to racing activities that
5 impact video lottery operations, or a matter related to character
6 or reputation relevant to a person's suitability under this
7 subchapter.

8 (b) The report required under Subsection (a) must be filed
9 not later than the fifth day after acquiring knowledge of the
10 litigation.

11 Sec. 466.564. COMMISSION APPROVAL REQUIRED FOR PROCEDURES
12 AND ACCOUNTING CONTROLS. (a) The commission's approval is
13 required for all internal procedures and accounting controls of a
14 video lottery retailer or video lottery manager.

15 (b) The commission by rule shall establish general
16 accounting and auditing requirements and internal control
17 standards for video lottery retailers and video lottery managers.

18 Sec. 466.566. VIDEO LOTTERY TERMINAL EVENTS. A video
19 lottery retailer or video lottery manager shall keep a record of
20 video lottery terminal events. The commission by rule shall
21 determine what constitutes a video lottery terminal event for
22 purposes of this section.

23 Sec. 466.567. EMPLOYEE REPORTING. (a) On or before the
24 15th day of each month, a video lottery retailer or video lottery
25 manager shall submit to the commission an employee report for the
26 video lottery terminal establishment operated by the retailer or
27 manager. For each employee of the retailer or manager, the report

1 must provide the employee's name, job title, date of birth, and
2 social security number.

3 (b) The employee report is confidential and may not be
4 disclosed except under commission order or in accordance with
5 Section 466.022(d).

6 (c) The commission may conduct criminal history
7 investigations for employees of video lottery retailers and video
8 lottery managers.

9 (d) The commission may prohibit an employee from performing
10 any act relating to video lottery terminals if the commission finds
11 that an employee has:

12 (1) committed, attempted, or conspired to commit any
13 act prohibited by this chapter;

14 (2) concealed or refused to disclose any material fact
15 in any commission investigation;

16 (3) committed, attempted, or conspired to commit
17 larceny or embezzlement;

18 (4) been convicted in any jurisdiction of an offense
19 involving or relating to gambling;

20 (5) accepted employment in a position for which
21 commission approval is required after commission approval was
22 denied for a reason involving personal unsuitability or after
23 failing to apply for a license or approval on commission request;

24 (6) been prohibited under color of governmental
25 authority from being present on the premises of any gaming
26 establishment or any establishment where pari-mutuel wagering is
27 conducted for any reason relating to improper gambling activity or

1 for any illegal act;

2 (7) wilfully defied any legislative investigative
3 committee or other officially constituted body acting on behalf of
4 the United States or any state, county, or municipality that sought
5 to investigate alleged or potential crimes relating to gaming,
6 corruption of public officials, or any organized criminal
7 activities; or

8 (8) been convicted of any felony or any crime
9 involving moral turpitude.

10 (e) The commission may prohibit an employee from performing
11 any act relating to video lottery terminals based on a revocation or
12 suspension of any gaming or wagering license, permit, or approval
13 or for any other reason the commission finds appropriate, including
14 a refusal by a regulatory authority to issue a license, permit, or
15 other approval for the employee to engage in or be involved with the
16 lottery or with regulated gaming or pari-mutuel wagering in any
17 jurisdiction.

18 (f) In this section, "employee" includes any person
19 connected directly with or compensated by an applicant or license
20 holder as an agent, personal representative, consultant, or
21 independent contractor for activities directly related to video
22 lottery operations in this state.

23 Sec. 466.568. REPORT OF VIOLATIONS. A person who holds a
24 license or registration under this subchapter shall immediately
25 report a violation or suspected violation of this chapter or a rule
26 adopted under this chapter by any license or registration holder,
27 by an employee of a license or registration holder, or by any person

1 on the premises of a video lottery terminal establishment, whether
2 or not associated with the license or registration holder.

3 Sec. 466.569. SECURITY. (a) In addition to the security
4 provisions applicable under Section 466.020, a video lottery
5 retailer or video lottery manager shall comply with the following
6 security procedures:

7 (1) all video lottery terminals must be continuously
8 monitored through the use of a closed-circuit television system
9 that records activity for a continuous 24-hour period and all video
10 tapes or other media used to store video images shall be retained
11 for at least 30 days and made available to the commission on
12 request;

13 (2) access to video lottery terminal areas shall be
14 restricted to persons who are at least 21 years of age;

15 (3) the video lottery retailer or video lottery
16 manager must provide to the commission a security plan for the
17 retailer or manager's video lottery operations that includes a
18 floor plan of the area where video lottery terminals are to be
19 operated showing video lottery terminal locations and security
20 camera mount locations; and

21 (4) each license holder shall employ at least the
22 minimum number of private security personnel the commission
23 determines is necessary to provide for safe and approved operation
24 of the video lottery terminal establishment and the safety and
25 well-being of the players.

26 (b) Private security personnel must be present during all
27 hours of operation at each video lottery terminal establishment.

1 (c) An agent or employee of the commission or the Department
2 of Public Safety or other law enforcement personnel may be present
3 at a video lottery terminal establishment at any time.

4 (d) The commission may adopt rules to impose additional
5 surveillance and security requirements related to video lottery
6 terminal establishments and the operation of video lottery
7 terminals.

8 Sec. 466.570. VIDEO LOTTERY TERMINAL ESTABLISHMENT:
9 COMMISSION RIGHT TO ENTER. The commission, the commission's
10 representative, the Texas Racing Commission, or a representative of
11 the Texas Racing Commission, after displaying appropriate
12 identification and credentials, has the free and unrestricted right
13 to enter the premises of a video lottery terminal establishment and
14 to enter any other locations involved in operation or support of
15 video lottery at all times to examine the systems and to inspect and
16 copy the records of a video lottery retailer or video lottery
17 manager pertaining to the operation of video lottery.

18 Sec. 466.587. INDEMNIFICATION REQUIREMENTS. A license or
19 registration holder shall indemnify and hold harmless this state,
20 the commission, and all officers and employees of this state and the
21 commission from any and all claims which may be asserted against a
22 license or registration holder, the commission, this state, and the
23 members, officers, employees, and authorized agents of this state
24 or the commission arising from the license or registration holder's
25 participation in the video lottery system authorized under this
26 subchapter.

27 Sec. 466.588. LIABILITY FOR CREDIT AWARDED OR DENIED;

1 PLAYER DISPUTE. (a) This state and the commission are not liable
2 for any video lottery terminal malfunction or error by a video
3 lottery retailer, video lottery manager, or video lottery terminal
4 provider that causes credit to be wrongfully awarded or denied to
5 players.

6 (b) Any dispute arising between a player and a video lottery
7 retailer or video lottery manager shall be resolved by the
8 commission as follows:

9 (1) if the fair market value of the prize is less than
10 \$1,000, the dispute shall be resolved in accordance with the
11 commission-approved written policies of the video lottery retailer
12 or video lottery manager and without any relief available from the
13 commission or this state; or

14 (2) if the fair market value of the prize is \$1,000 or
15 more, the dispute shall be resolved by the commission in the
16 commission's sole discretion in accordance with commission rules.

17 (c) A court of this state does not have jurisdiction to
18 review the decision of the commission resolving a dispute between a
19 player and a video lottery retailer, video lottery manager, or
20 video lottery terminal provider.

21 Sec. 466.589. STATE VIDEO LOTTERY ACCOUNT. (a) The
22 commission shall deposit funds received under this subchapter to
23 the state video lottery account. The state video lottery account is
24 a special account in the general revenue fund. The account consists
25 of all revenue received by this state from the operation of video
26 lottery terminals.

27 (a-1) Except as provided by Subsection (b), all revenue

1 received by this state from the operation of the video lottery
2 system shall be distributed solely to reimburse the commission
3 until the \$5 million authorized under this subsection is repaid to
4 the state lottery account. From funds previously appropriated to
5 the commission for the state fiscal biennium ending August 31,
6 2009, and notwithstanding Section 466.355(b), the commission is
7 authorized to expend an amount not to exceed \$5 million from the
8 state lottery account during that biennium to establish the video
9 lottery system in accordance with this chapter. From revenue
10 deposited in the state video lottery account during that biennium,
11 the commission is hereby appropriated the amount necessary to
12 reimburse the state lottery account for the total amount of funds
13 expended to establish the video lottery system from the
14 appropriation to the state lottery account, and the commission
15 shall deposit that amount to the state lottery account. This
16 subsection expires January 1, 2011.

17 (b) An amount not to exceed two percent of the net terminal
18 income received by this state under Section 466.590 shall be
19 allocated to the commission to defray expenses incurred in
20 administering this chapter related to video lottery, including
21 expenses incurred to operate the video lottery central system. All
22 money allocated to the commission under this subsection may be
23 retained by the commission to defray expenses of administering this
24 chapter related to video lottery and shall be deposited in the state
25 video lottery account.

26 Sec. 466.590. ALLOCATION OF NET TERMINAL INCOME; TRANSFER
27 OF MONEY. (a) Net terminal income derived from the operation of

1 video lottery games in this state is allocated as follows:

2 (1) a portion of the net terminal income generated in
3 each calendar year shall be remitted to this state by the video
4 lottery retailer or video lottery manager in an amount equal to 35
5 percent of the net terminal income for that year; and

6 (2) the remainder shall be retained by the video
7 lottery retailer or video lottery manager.

8 (b) Net terminal income derived from the operation of video
9 lottery terminals on Indian lands under a gaming agreement
10 authorized under this subchapter shall be distributed as set forth
11 in the gaming agreement, provided that the agreement must provide
12 that this state shall receive no more than 10 percent of the net
13 terminal income.

14 (c) Ten million dollars of the net terminal income received
15 by this state under Subsections (a) and (b) shall annually in equal
16 monthly installments be transferred to the Texas Racing Commission
17 to be expended solely for the treatment of compulsive gamblers and
18 the promotion of responsible gaming.

19 (d) One-quarter of one percent of the net terminal income
20 received by this state under Subsections (a) and (b) shall be
21 transferred to the Equine Research Program at the College of
22 Veterinary Medicine at Texas A&M University for use in equine
23 research under Subchapter F, Chapter 88, Education Code.

24 (d-1) Ten million dollars of the net terminal income
25 received by this state under Subsections (a) and (b) shall annually
26 in equal monthly installments be transferred to the criminal
27 justice planning fund for use by the criminal justice division of

1 the governor's office to be used to prosecute offenses under
2 Chapter 47, Penal Code.

3 (d-2) Two percent of the net terminal income received by
4 this state under Subsections (a) and (b) shall be used to fund the
5 performance horse development fund, administered by the Texas
6 Racing Commission to fund a broad spectrum of the horse industry
7 outside the racing industry and to develop the agriculture industry
8 in this state. Money from the fund is allocated annually as
9 follows:

10 (1) 40 percent of the fund to American Quarter Horse
11 Association sanctioned events;

12 (2) 20 percent to National Cutting Horse Association
13 sanctioned events;

14 (3) 20 percent to American Paint Horse sanctioned
15 events; and

16 (4) 20 percent to the Department of Agriculture to
17 promote the agricultural industry in this state.

18 (d-3) The Texas Racing Commission may adopt rules to
19 administer this section.

20 (e) The commission shall require a video lottery retailer or
21 video lottery manager to establish a separate electronic funds
22 transfer account for depositing money from video lottery terminal
23 operations, making payments to the commission or its designee, and
24 receiving payments from the commission or its designee.

25 (f) A video lottery retailer or video lottery manager may
26 not make payments to the commission in cash. As authorized by the
27 commission, a video lottery retailer or video lottery manager may

1 make payments to the commission by cashier's check.

2 (g) The commission at least weekly shall transfer this
3 state's share of net terminal income of a video lottery retailer or
4 video lottery manager to the commission through the electronic
5 transfer of the money.

6 (h) The commission by rule shall establish the procedures
7 for:

8 (1) depositing money from video lottery terminal
9 operations into electronic funds transfer accounts; and

10 (2) handling money from video lottery terminal
11 operations.

12 (i) Unless otherwise directed by the commission, a video
13 lottery retailer or a video lottery manager shall maintain in its
14 account this state's share of the net terminal income from the
15 operation of video lottery terminals, to be electronically
16 transferred by the commission on dates established by the
17 commission. On a license holder's failure to maintain this
18 balance, the commission may disable all of a license holder's video
19 lottery terminals until full payment of all amounts due is made.
20 Interest shall accrue on any unpaid balance at a rate consistent
21 with the amount charged under Section 111.060, Tax Code. The
22 interest shall begin to accrue on the date payment is due to the
23 commission.

24 (j) In the commission's sole discretion, rather than
25 disable a license holder's video lottery terminals under Subsection
26 (i), the commission may elect to impose a fine on a license holder
27 in an amount determined by the commission not to exceed \$250,000 for

1 each violation. If the license holder fails to remedy the
2 violation, including payment of any amounts assessed by or due to
3 this state, within 30 days, the commission may disable the license
4 holder's video lottery terminals or use any other means for
5 collection as provided by the penalty chart established by the
6 commission.

7 (k) A video lottery retailer or video lottery manager is
8 solely responsible for resolving any income discrepancies between
9 actual money collected and the net terminal income reported by the
10 video lottery central system. Unless an accounting discrepancy is
11 resolved in favor of the video lottery retailer or video lottery
12 manager, the commission may not make any credit adjustments. Any
13 accounting discrepancies which cannot otherwise be resolved shall
14 be resolved in favor of the commission.

15 (l) A video lottery retailer and video lottery manager shall
16 remit payment as directed by the commission if the electronic
17 transfer of money is not operational or the commission notifies the
18 license holder that other remittance is required. The license
19 holder shall report this state's share of net terminal income, and
20 remit the amount generated from the terminals during the reporting
21 period.

22 Sec. 466.591. COMMISSION EXAMINATION OF FINANCIAL RECORDS.
23 The commission may examine all accounts, bank accounts, financial
24 statements, and records in the possession or control of a person
25 licensed under this subchapter or in which the license holder has an
26 interest. The license holder must authorize and direct all third
27 parties in possession or in control of the accounts or records to

1 allow examination of any of those accounts or records by the
2 commission.

3 Sec. 466.592. FINANCIAL INFORMATION REQUIRED. (a) A video
4 lottery retailer or video lottery manager shall furnish to the
5 commission all information and bank authorizations required to
6 facilitate the timely transfer of money to the commission.

7 (b) A video lottery retailer or video lottery manager must
8 provide the commission advance notice of any proposed account
9 changes in information and bank authorizations to assure the
10 uninterrupted electronic transfer of money.

11 (c) The commission is not responsible for any interruption
12 or delays in the transfer of money. The video lottery retailer or
13 video lottery manager is responsible for any interruption or delay
14 in the transfer of money.

15 Sec. 466.593. DEDUCTIONS FROM VIDEO LOTTERY PROCEEDS AT
16 RACETRACKS. (a) The pari-mutuel license holder that owns or
17 operates a racetrack at which video lottery games are conducted
18 under this subchapter and the officially recognized horsemen's
19 organization representing the horsemen at the racetrack or the
20 state breed registry representing the greyhound breeders at the
21 racetrack shall enter into a written agreement to allocate a
22 percentage of net terminal income retained by the license holder to
23 be used for purses, accredited Texas Bred Incentive programs, and
24 administrative costs.

25 (b) Unless otherwise agreed to under Subsection (a) by the
26 pari-mutuel license holder that owns or operates a horse racetrack
27 at which video lottery games are conducted under this subchapter

1 and the officially recognized horsemen's organization representing
2 the horsemen at the racetrack, the license holder shall allocate a
3 percentage determined by the Texas Racing Commission of the net
4 terminal income generated from the operation of video lottery
5 terminals at the racetrack to purses. The percentage must be
6 sufficient to ensure the purses at the racetrack are nationally
7 competitive and may not be less than 6.5 percent of the net terminal
8 income generated from the operation of terminals at the racetrack.

9 (c) Unless otherwise agreed to under Subsection (a) by the
10 pari-mutuel license holder that owns or operates a greyhound
11 racetrack at which video lottery games are conducted under this
12 subchapter and the state breed registry representing the greyhound
13 breeders at the racetrack, the license holder shall allocate a
14 percentage determined by the Texas Racing Commission of the net
15 terminal income generated from the operation of video lottery
16 terminals at the racetrack to purses. The percentage must be
17 sufficient to ensure the purses at the racetrack are nationally
18 competitive and may not be less than 6.5 percent of the net terminal
19 income generated from the operation of terminals at the racetrack.

20 (d) The Texas Racing Commission shall adopt rules to
21 administer this section. A matter considered by the commission
22 under this section is a contested case under Chapter 2001,
23 Government Code, and requires a public hearing.

24 (e) The state breed registry may allocate up to 50 percent
25 of the amount received under Subsection (c) for Texas breeder
26 awards.

27 Sec. 466.595. LIABILITY OF VIDEO LOTTERY RETAILER AND VIDEO

1 LOTTERY MANAGER. (a) A video lottery retailer, video lottery
2 manager, or both, are jointly and severally liable to the
3 commission for the state's share of net terminal income.

4 (b) Net terminal income received by the video lottery
5 retailer or video lottery manager is held in trust for the benefit
6 of this state before delivery of the state's share to the commission
7 or electronic transfer to the state treasury, and the video lottery
8 retailer or video lottery manager, or both, are jointly and
9 severally liable to the commission for the full amount of the money
10 held in trust.

11 (c) If the video lottery retailer or video lottery manager
12 is not an individual, each officer, director, or owner of the video
13 lottery retailer or video lottery manager is personally liable to
14 the commission for the full amount of the money held in trust,
15 except that shareholders of a publicly held corporation shall be
16 liable in an amount not to exceed the value of their equity
17 investment.

18 Sec. 466.596. PRIZE PAYMENT AND REDEMPTION. (a) Payment of
19 prizes is the sole and exclusive responsibility of the video
20 lottery retailer or video lottery manager. A prize may not be paid
21 by the commission or this state except as otherwise authorized.

22 (b) Nothing in this subchapter limits the ability of a video
23 lottery retailer or video lottery manager to provide promotional
24 prizes in addition to prize payouts regulated by the commission.

25 (c) A video lottery ticket must be redeemed not later than
26 the 180th day following the date of issuance. If a claim is not made
27 for prize money on or before the 180th day after the date on which

1 the video lottery ticket was issued, the prize money becomes the
2 property of the video lottery terminal establishment.

3 (d) The commission shall enact rules consistent with this
4 section governing the use and redemption of prizes and credits
5 recorded on electronic player account records, such as players'
6 club cards and smart cards.

7 Sec. 466.597. REVOCATION OF LICENSE, REGISTRATION, OR OTHER
8 REGULATORY APPROVAL. (a) The commission shall revoke or suspend a
9 license, registration, or other regulatory approval issued under
10 this subchapter if the holder of the license, registration, or
11 approval at any time fails to meet the eligibility requirements set
12 forth in this subchapter.

13 (b) Failure to timely remit revenue generated by video
14 lottery terminals to the commission or any tax or other fee owed to
15 this state as demonstrated by report from the applicable taxing
16 authority or to timely file any report or information required
17 under this subchapter as a condition of any license, registration,
18 or other approval issued under this subchapter may be grounds for
19 suspension or revocation, or both, of a license, registration, or
20 other approval issued under this subchapter.

21 Sec. 466.598. HEARING FOR REVOCATION OR SUSPENSION OF
22 REGISTRATION OR LICENSE. (a) Before the commission revokes or
23 suspends a video lottery terminal provider's registration or video
24 lottery retailer's or video lottery manager's license, or imposes
25 monetary penalties for a violation of this subchapter, the
26 commission shall provide written notification to the license or
27 registration holder of the revocation, the period of suspension, or

1 the monetary penalty. The notice shall include:

2 (1) the effective date of the revocation or the period
3 of suspension or the amount of the monetary penalty, as applicable;

4 (2) each reason for the revocation, suspension, or
5 penalty;

6 (3) an explanation of the evidence supporting the
7 reasons;

8 (4) an opportunity to present the license or
9 registration holder's position in response on or before the 15th
10 day after the effective date of the revocation; and

11 (5) a statement explaining the person's right to an
12 administrative hearing to determine whether the revocation,
13 suspension, or penalty is warranted.

14 (b) The commission shall adopt rules to implement this
15 section.

16 Sec. 466.601. LIMITED WAIVER OF SOVEREIGN IMMUNITY; NO
17 LIABILITY OF STATE FOR ENFORCEMENT. (a) This state does not waive
18 its sovereign immunity by negotiating gaming agreements with Indian
19 tribes or other persons for the operation of video lottery
20 terminals or other lottery games under this chapter. An actor or
21 agent on behalf of this state does not have any authority to waive
22 the state's sovereign immunity absent an express legislative grant
23 of the authority. The only waiver of sovereign immunity relative to
24 video lottery terminal operations is that expressly provided for in
25 this section.

26 (b) With regard to video lottery terminal operations on
27 Indian lands, this state consents to the jurisdiction of the

1 District Court of the United States with jurisdiction in the county
2 where the Indian lands are located, or if the federal court lacks
3 jurisdiction, to the jurisdiction of a district court in Travis
4 County, solely for the purpose of resolving disputes arising from a
5 gaming agreement authorized under this subchapter for declaratory
6 or injunctive relief or contract damages of \$100,000 or more. Any
7 disputes relating to damages or other awards valued at less than
8 \$100,000 shall be arbitrated under the rules of the American
9 Arbitration Association, provided, however, that application of
10 the rules may not be construed as a waiver of sovereign immunity.

11 (c) All financial obligations of the commission are payable
12 solely out of the income, revenues, and receipts of the commission
13 and are subject to statutory restrictions and appropriations.

14 (d) This state and the commission are not liable if
15 performance by the commission is compromised or terminated by acts
16 or omissions of the legislature or the state or federal judiciary.

17 (e) This state and the commission are not liable related to
18 any enforcement of this chapter.

19 Sec. 466.602. ABSOLUTE PRIVILEGE OF REQUIRED
20 COMMUNICATIONS AND DOCUMENTS. (a) Any communication, document, or
21 record of a video lottery central system provider, video lottery
22 terminal provider, video lottery retailer, or video lottery
23 manager, an applicant, or a license or registration holder or
24 holder of a regulatory approval that is made or transmitted to the
25 commission or any of its employees to comply with any law, including
26 a rule of the commission, to comply with a subpoena issued by the
27 commission, or to assist the commission or its designee in the

1 performance of their respective duties is absolutely privileged,
2 does not impose liability for defamation, and is not a ground for
3 recovery in any civil action.

4 (b) If a communication, document, or record provided under
5 Subsection (a) contains any information that is privileged under
6 state law, that privilege is not waived or lost because the
7 communication, document, or record is disclosed to the commission
8 or any of the commission's employees.

9 (c) The commission shall maintain all privileged
10 information, communications, documents, and records in a secure
11 place as determined in the commission's sole discretion that is
12 accessible only to members of the commission and authorized
13 commission employees.

14 Sec. 466.603. INTELLECTUAL PROPERTY RIGHTS OF COMMISSION.
15 The legislature finds and declares that the commission has the
16 right to establish ownership of intellectual property rights for
17 all lottery products, including video lottery terminals and related
18 video lottery equipment.

19 Sec. 466.604. MODEL GAMING AGREEMENT. (a) The governor
20 shall execute, on behalf of this state, a gaming agreement with the
21 Ysleta del Sur Pueblo Indian tribe, the Alabama-Coushatta Indian
22 tribe, or the Kickapoo Traditional Tribe of Texas containing the
23 terms set forth in Subsection (b), as a ministerial act, without
24 preconditions, not later than the 30th day after the date the
25 governor receives a request from the tribe, accompanied by or in the
26 form of a duly enacted resolution of the tribe's governing body, to
27 enter into the gaming agreement.

1 (b) A gaming agreement executed under Subsection (a) must be
2 in the form and contain the provisions as follows:

3 GAMING AGREEMENT GOVERNING
4 VIDEO LOTTERY TERMINAL OPERATIONS

5 Between the [Name of Tribe]
6 and the STATE OF TEXAS

7 This agreement is made and entered into by and between the
8 [Name of Tribe], a federally recognized Indian Tribe ("Tribe"), and
9 the State of Texas ("State"), with respect to the operation of video
10 lottery terminals (as defined by Section 466.002, Texas Government
11 Code) on the Tribe's Indian lands (as defined by Chapter 466, Texas
12 Government Code).

13 SECTION 1.0. TITLE.

14 Sec. 1.1. This document shall be referred to as "The [Name
15 of Tribe] and State of Texas gaming agreement."

16 SECTION 2.0. PURPOSES AND OBJECTIVES.

17 Sec. 2.1. The terms of this agreement are designed and
18 intended to:

19 (a) evidence the good will and cooperation of the Tribe and
20 State in fostering a mutually respectful government-to-government
21 relationship that will serve the mutual interests of the parties;

22 (b) develop and implement a means of regulating limited
23 Class III gaming on the Tribe's Indian lands to ensure fair and
24 honest operation in accordance with the applicable federal and
25 state law, and, through that regulated limited Class III gaming,
26 enable the Tribe to develop self-sufficiency, promote tribal
27 economic development, and generate jobs and revenues to support the

1 Tribe's government and governmental services and programs; and

2 (c) ensure fair operation of video lottery games and
3 minimize the possibilities of corruption and infiltration by
4 criminal influences; promote ethical practices in conjunction with
5 that gaming, through the licensing and control of persons employed
6 in, or providing goods and services to, the Tribe's video lottery
7 operation and protecting against the presence or participation of
8 persons whose criminal backgrounds, reputations, character, or
9 associations make the persons unsuitable for participation in
10 gaming, thereby maintaining a high level of integrity in government
11 gaming.

12 SECTION 3.0. DEFINITIONS.

13 As used in this agreement, all terms have the meaning
14 assigned by Section 466.002, Texas Government Code, unless
15 otherwise specified:

16 Sec. 3.1. "Class III gaming" means the forms of Class III
17 gaming defined in 25 U.S.C. Section 2703(8) and by regulations of
18 the National Indian Gaming Commission.

19 Sec. 3.2. "Financial source" means any person providing
20 financing, directly or indirectly, to the Tribe's video lottery
21 terminal establishment or operation of video lottery terminals
22 authorized under this gaming agreement.

23 Sec. 3.3. "Gaming activities" means the limited Class III
24 gaming activities authorized under this gaming agreement.

25 Sec. 3.4. "Gaming employee" means any person who:

26 (a) operates, maintains, repairs, or assists in any gaming
27 activities, or is in any way responsible for supervising the gaming

1 activities or persons who conduct, operate, account for, or
2 supervise the gaming activities;

3 (b) is in a category under applicable federal or tribal
4 gaming law requiring licensing;

5 (c) is an employee of the Tribal Compliance Agency with
6 access to confidential information; or

7 (d) is a person whose employment duties require or authorize
8 access to areas of the video lottery terminal establishment that
9 are not open to the public.

10 Sec. 3.5. "Gaming ordinance" means a tribal ordinance or
11 resolution authorizing the conduct of Class III Gaming Activities
12 on the Tribe's Indian lands and approved under IGRA or other
13 applicable federal law.

14 Sec. 3.6. "IGRA" means the Indian Gaming Regulatory Act of
15 1988 (18 U.S.C. Sec. 1166 et seq. and 25 U.S.C. Sec. 2701 et seq.),
16 any amendments to the act, and all regulations promulgated under
17 the act.

18 Sec. 3.7. "Key employee" means any person employed by the
19 Tribe as chief operating or executive officer, chief financial
20 officer, chief of security, or manager of a video lottery terminal
21 establishment or operations of video lottery terminals, or any
22 other person who may directly influence the management of a video
23 lottery terminal establishment or the operation of video lottery
24 terminals.

25 Sec. 3.8. "NIGC" means the National Indian Gaming
26 Commission.

27 Sec. 3.9. "Patron" means any person who is on the premises

1 of a video lottery terminal establishment, for the purpose of
2 playing a video lottery game authorized by this gaming agreement.

3 Sec. 3.10. "Principal" means, with respect to any entity,
4 the entity's sole proprietor or any partner, trustee, beneficiary,
5 or shareholder holding 10 percent or more of the entity's
6 beneficial or controlling ownership, either directly or
7 indirectly, or more than 10 percent of the voting stock of a
8 publicly traded corporation, or any officer, director, principal
9 management employee, or key employee of the entity.

10 Sec. 3.11. "Restoration Act" means the Ysleta del Sur
11 Pueblo and Alabama and Coushatta Indian Tribes of Texas Restoration
12 Act (25 U.S.C. Section 731 et seq. and 25 U.S.C. Section 1300g et
13 seq.).

14 Sec. 3.12. "State" means the State of Texas or an authorized
15 official or agency of the state.

16 Sec. 3.13. "Texas regulatory commission" means the state
17 agency that regulates video lottery games in Texas under Chapter
18 466, Texas Government Code.

19 Sec. 3.14. "Transfer agreement" means a written agreement
20 authorizing the transfer of video lottery terminal operating rights
21 between the Tribe and another Indian tribe.

22 Sec. 3.15. "Transfer notice" means a written notice that
23 the Tribe must provide to the Texas regulatory commission of the
24 Tribe's intent to acquire or transfer video lottery terminal
25 operating rights pursuant to a transfer agreement.

26 Sec. 3.16. "Tribal chairperson" means the person duly
27 elected or selected under the Tribe's organic documents, customs,

1 or traditions to serve as the primary spokesperson for the Tribe.

2 Sec. 3.17. "Tribal Compliance Agency" ("TCA") means the
3 Tribal governmental agency that has the authority to carry out the
4 Tribe's regulatory and oversight responsibilities under this
5 gaming agreement. Unless and until otherwise designated by the
6 Tribe, the TCA shall be the [Name of Tribe] Gaming Commission. A
7 gaming employee may not be a member or employee of the TCA. The
8 Tribe has the ultimate responsibility for ensuring that the TCA
9 fulfills its responsibilities under this gaming agreement. The
10 members of the TCA are subject to background investigations and
11 shall be licensed to the extent required by any applicable Tribal or
12 federal law and in accordance with this gaming agreement. The Tribe
13 shall ensure that all TCA officers and agents are qualified for the
14 position and receive ongoing training to obtain and maintain skills
15 sufficient to carry out their responsibilities in accordance with
16 industry standards.

17 Sec. 3.18. "Tribal law enforcement agency" means a police
18 or security force established and maintained by the Tribe under the
19 Tribe's powers of self-government to carry out law enforcement
20 duties at or in connection with a video lottery terminal
21 establishment.

22 Sec. 3.19. "Tribal gaming license" means any license issued
23 by the TCA as required by and in compliance with this agreement.

24 Sec. 3.20. "Tribe" means [Name of Tribe], a federally
25 recognized Indian tribe.

26 Sec. 3.21. "Video lottery terminal establishment" means any
27 premises at which the operation of video lottery terminals is

1 authorized under this gaming agreement.

2 SECTION 4.0. RECITALS.

3 Sec. 4.1. This agreement governs all operations of video
4 lottery terminals as defined by Section 466.002, Texas Government
5 Code, on the Tribe's Indian lands.

6 Sec. 4.2. A principal goal of Federal Indian policy is to
7 promote tribal economic development and tribal self-sufficiency.
8 The State and the Tribe find the goal to be consistent with
9 applicable federal law, state public policy, and the public health,
10 safety, and welfare to regulate video lottery terminals on Indian
11 lands in accordance with this gaming agreement.

12 Sec. 4.3. The Tribe is a federally recognized Indian tribe
13 possessing sovereign powers and rights of self-government. The
14 Tribe's governing body has authorized the officials of the Tribe to
15 enter into contracts and agreements of every description, including
16 this gaming agreement, with the State.

17 Sec. 4.4. The Tribe exercises governmental authority within
18 the [name of Reservation] (the "Reservation"), which for purposes
19 of this gaming agreement means those lands within the current
20 boundaries of the Reservation and any other Indian lands over which
21 the Tribe exercises governmental authority.

22 Sec. 4.5. The State of Texas is a state of the United States
23 of America possessing the sovereign powers and rights of a state.
24 The State has a legitimate sovereign interest in regulating the
25 growth of Class III gaming activities in Texas. Mindful of that
26 interest, the State of Texas, pursuant to Chapter 466, Texas
27 Government Code, authorized certain gaming agreements with Indian

1 tribal governments in the State of Texas to permit the operation of
2 video lottery terminals on Indian lands. It is the general policy
3 of the State to prohibit commercial gambling throughout the state.
4 The exceptions to this prohibition are limited under Texas law to
5 specified types of gaming and to limited locations that meet
6 specific criteria. Any gaming not expressly authorized is
7 prohibited.

8 Sec. 4.6. The parties recognize that this agreement
9 provides the Tribe substantial benefits that create a unique
10 opportunity for the Tribe to operate video lottery terminals in an
11 economic environment of limited competition from gaming on
12 non-Indian lands in Texas, with the operation of video lottery
13 games on non-Indian lands restricted to licensed racetracks in
14 existence in 2007 or racetracks for which a license application was
15 filed on or before January 1, 2007, in locations that provide the
16 Tribe with a substantial exclusive territory for its video lottery
17 terminal operations. The parties are mindful that this unique
18 environment is of economic value to the Tribe. In consideration for
19 the substantial rights enjoyed by the Tribe, and in further
20 consideration for the State's willingness to enter into this gaming
21 agreement and allow the Tribe the opportunity to operate video
22 lottery terminals connected to the State's video lottery system,
23 the Tribe has agreed to provide to the State, on a
24 sovereign-to-sovereign basis, a portion of revenue generated by
25 video lottery terminals on Indian lands and to collect and remit to
26 the comptroller State sales and use taxes and State taxes on motor
27 fuels, alcoholic beverages, cigarettes and tobacco products, and

1 hotel occupancy generated at a video lottery terminal
2 establishment. The requirement to collect and remit these State
3 taxes does not apply to an item sold to or used or consumed by a
4 Tribe member.

5 Sec. 4.7. The Tribe desires to offer the play of video
6 lottery terminals, as a means of generating revenue for the support
7 of tribal governmental programs, such as health care, housing,
8 sewer and water projects, police, corrections, fire, judicial
9 services, highway and bridge construction, general assistance for
10 tribal elders, day care for the children, economic development,
11 educational opportunities, and other typical and valuable
12 governmental services and programs for tribal members.

13 Sec. 4.8. The State recognizes that the positive effects of
14 this gaming agreement may extend beyond the Tribe's lands to the
15 Tribe's neighbors and surrounding communities and will generally
16 benefit all of Texas. These positive effects and benefits may
17 include not only those described in Section 4.7, but also may
18 include increased tourism and related economic development
19 activities that, through the Tribe's revenue sharing with the
20 State, will generate additional funds for state governmental
21 programs.

22 Sec. 4.9. The Tribe and the State jointly wish to protect
23 their citizens from any criminal involvement in the gaming
24 operations regulated under this gaming agreement.

25 Sec. 4.10. Nothing in this agreement shall supplant the
26 role or duties of the Texas Department of Public Safety under state
27 law. The Texas Racing Commission and the Texas Comptroller of

1 Public Accounts do not have any role in regulation or oversight of
2 gaming activities conducted by a Tribe.

3 Sec. 4.11. The terms of this gaming agreement strictly
4 define and limit the relationship of the parties. Nothing in this
5 gaming agreement shall be construed to create or imply a joint
6 venture, partnership, principal/agent, or any other relationship
7 between the parties.

8 SECTION 5.0. CLASS III GAMING AUTHORIZED AND PERMITTED.

9 Sec. 5.1. The Tribe is hereby authorized and permitted to
10 engage only in the Class III gaming activities expressly referred
11 to in Section 6.0 and may not engage in Class III gaming that is not
12 expressly authorized in that section. Nothing in this agreement
13 shall be construed to allow Internet gaming.

14 SECTION 6.0. AUTHORIZATION OF VIDEO LOTTERY TERMINALS.

15 Sec. 6.1. Authorized and Permitted Class III Gaming. The
16 Tribe is hereby authorized and permitted to operate the following
17 Class III gaming under the terms and conditions set forth in this
18 agreement.

19 Sec. 6.2. The Tribe and State agree that the Tribe is
20 authorized to operate video lottery terminals only in accordance
21 with this gaming agreement. However, nothing in this agreement
22 limits any right of the Kickapoo Traditional Tribe of Texas to
23 operate any game that is a Class II game under IGRA, and Class II
24 games are not subject to the exclusivity payments required under
25 this gaming agreement.

26 Sec. 6.2.1. Operation of Video Lottery Terminals. Video
27 lottery terminals must be operated in connection with the video

1 lottery system and at all times be connected through communication
2 technology or other video lottery equipment controlled by the State
3 to a State controlled and operated video lottery central system.
4 The Tribe may enter into a management gaming agreement for a third
5 party video lottery manager, or the Tribe may act as its own video
6 lottery manager.

7 (a) Third Party Video Lottery Manager. If the Tribe enters
8 into a management gaming agreement for a third party video lottery
9 manager, the manager must be licensed under Subchapter K, Chapter
10 466, Texas Government Code, and all video lottery operations shall
11 be subject to and in strict compliance with that subchapter. Any
12 video lottery manager conducting business on Indian lands shall
13 indemnify and hold harmless the State and the Texas regulatory
14 commission and all officers and employees of both from any and all
15 claims which may be asserted against a license holder, the
16 commission, the State, and the members, officers, employees, and
17 authorized agents of either, arising from the license holder's
18 participation in the video lottery system authorized under the
19 gaming agreement.

20 (b) Tribe as Video Lottery Manager. If the Tribe elects to
21 manage video lottery terminal operations, then Sections 7.0 through
22 14.0 of this agreement govern the procurement and operation of the
23 video lottery terminals on the Indian lands of the Tribe.

24 Sec. 6.3. In order to remain eligible to operate video
25 lottery terminals under this gaming agreement, the Tribe must
26 strictly comply with all requirements of the gaming agreement,
27 timely file all reports required by this gaming agreement, and

1 timely remit all payments to the State required under this gaming
2 agreement or applicable state law, including the taxes collected as
3 provided by Section 4.6.

4 Sec. 6.4. Regardless of ownership of video lottery
5 terminals, the State owns all video lottery games.

6 SECTION 7.0. PROCUREMENT OF VIDEO LOTTERY TERMINALS.

7 Sec. 7.1. All video lottery terminals shall be procured
8 only from a video lottery terminal provider registered with the
9 Texas regulatory commission under Subchapter K, Chapter 466, Texas
10 Government Code. The Tribe may not enter into, or continue to make
11 payments pursuant to, any contract or agreement for the provision
12 of video lottery equipment with any person who is not registered by
13 the commission as a video lottery terminal provider under
14 Subchapter K, Chapter 466, Texas Government Code. Any agreement
15 between the Tribe and a video lottery terminal provider shall be
16 deemed to include a provision for the agreement's termination
17 without further liability on the part of the Tribe, except for the
18 bona fide repayment of all outstanding sums, exclusive of interest,
19 owed as of, or payment for services or materials received up to, the
20 date of termination, on revocation or nonrenewal of the video
21 lottery terminal provider's registration.

22 Sec. 7.2. The Texas regulatory commission shall provide the
23 Tribe a list of registered video lottery terminal providers,
24 commission approved video lottery games, and commission approved
25 video lottery terminals. The Tribe may not operate a video lottery
26 terminal that has not been authorized by the commission.

27 Sec. 7.3. The Tribe shall file with the Texas regulatory

1 commission any order placed for video lottery terminals
2 simultaneously with the submission of the order to a
3 commission-approved video lottery terminal provider.

4 Sec. 7.4. The Tribe or the video lottery manager shall
5 provide all necessary capital investments and required
6 improvements at a video lottery terminal establishment.

7 SECTION 8.0. LICENSING.

8 Sec. 8.1. Gaming Ordinance and Regulations. All video
9 lottery operations conducted under this agreement, at a minimum,
10 shall comply with all terms and conditions of this gaming
11 agreement, a Gaming Ordinance adopted by the Tribe and approved in
12 accordance with this agreement and any applicable federal law, and
13 with all rules, regulations, procedures, specifications, and
14 standards adopted by the TCA. All licensing related to the
15 operation of video lottery terminals shall be conditioned on an
16 agreement by the license holder to indemnify and hold harmless the
17 State and the Texas regulatory commission and all officers and
18 employees of both from any and all claims which may be asserted
19 against a license holder, the commission, the State and the
20 members, officers, employees, and authorized agents of either
21 arising from the license or registration holder's participation in
22 the video lottery system authorized under this agreement.

23 Sec. 8.2. Tribal Ownership and Regulation of Gaming
24 Operation. Except as otherwise provided by this agreement, the
25 Tribe shall have the sole proprietary interest in the video lottery
26 terminal establishment and video lottery terminals. This provision
27 may not be construed to prevent the Tribe from granting security

1 interests or other financial accommodations to secured parties,
2 lenders or others, or to prevent the Tribe from entering into leases
3 or financing agreements or a gaming management agreement with a
4 video lottery manager.

5 Sec. 8.3. Government-to-Government Cooperation. The
6 parties intend that the licensing process provided for in this
7 gaming agreement shall involve joint cooperation between the TCA
8 and the Texas regulatory commission, as described in this
9 agreement.

10 Sec. 8.4. Video Lottery Terminal Establishment. (a) A
11 video lottery terminal establishment authorized by this agreement
12 shall be operated by a licensed video lottery manager or the Tribe
13 and licensed by the TCA in conformity with the requirements of this
14 gaming agreement, the Tribal Gaming Ordinance, and any applicable
15 federal law. The license shall be reviewed and renewed, if
16 appropriate, every two years. The Tribe shall promptly certify in
17 writing to the Texas regulatory commission each time the license is
18 renewed. The certification must be posted in a conspicuous and
19 public place in the video lottery terminal establishment at all
20 times.

21 (b) In order to protect the health and safety of all video
22 lottery terminal establishment patrons, guests, and employees, all
23 video lottery terminal establishments of the Tribe constructed
24 after the effective date of this gaming agreement, and all
25 expansions or modifications to a site facility for a video lottery
26 terminal establishment in existence as of the effective date of
27 this gaming agreement, shall meet or exceed the building and safety

1 codes of the Tribe. As a condition for engaging in that
2 construction, expansion, modification, or renovation, the Tribe
3 shall amend the Tribe's existing building and safety codes if
4 necessary, or enact such codes if there are none, so that the codes
5 meet the standards of the building and safety codes of any county in
6 which the video lottery terminal establishment is located,
7 including all uniform fire, plumbing, electrical, mechanical, and
8 related codes in effect on the date this agreement takes effect.
9 Nothing in this agreement shall be deemed to confer jurisdiction on
10 any county or the State with respect to any reference to such
11 building and safety codes. Any construction, expansion, or
12 modification must also comply with the federal Americans with
13 Disabilities Act of 1990 (42 U.S.C. Sec. 12101 et seq.), as amended.

14 (c) The TCA shall issue a video lottery terminal
15 establishment a certificate of occupancy prior to occupancy if it
16 was not used for any lawful gaming prior to the effective date of
17 this gaming agreement, or, if it was so used, within one year after
18 the effective date. The certificate shall be reviewed for
19 continuing compliance once every two years. Inspections by
20 qualified building and safety experts shall be conducted under the
21 direction of the TCA as the basis for issuing any certificate
22 hereunder. The TCA shall determine and certify that, as to new
23 construction or new use for gaming activities, the video lottery
24 terminal establishment meets the Tribe's building and safety code,
25 or, as to facilities or portions of facilities that were used for
26 the Tribe's gaming before this gaming agreement, that the video
27 lottery terminal establishment or portions of the establishment do

1 not endanger the health or safety of occupants or the integrity of
2 the video lottery system. The Tribe may not offer video lottery
3 gaming in a video lottery terminal establishment that is
4 constructed or maintained in a manner that endangers the health or
5 safety of occupants or the integrity of the video lottery system.

6 (d) The State shall designate an agent or agents to be given
7 reasonable notice of each inspection by the TCA's experts, and
8 State agents may participate in any such inspection. The Tribe
9 agrees to correct any video lottery terminal establishment
10 condition noted in an inspection that does not meet the standards
11 set forth in Subsections (b) and (c). The TCA and the State's
12 designated agent or agents shall exchange any reports of an
13 inspection within 10 days after completion of the report, and the
14 reports shall be separately and simultaneously forwarded by both
15 agencies to the Tribal chairperson. On certification by the TCA's
16 experts that a video lottery terminal establishment meets
17 applicable standards, the TCA shall forward the experts'
18 certification to the State within 10 days of issuance. If the
19 State's agent objects to that certification, the Tribe shall make a
20 good faith effort to address the State's concerns, but if the State
21 does not withdraw its objection, the matter will be resolved in
22 accordance with the dispute resolution provisions of this gaming
23 agreement.

24 Sec. 8.5. Suitability Standard Regarding Tribal Gaming
25 Licenses. In reviewing an application for a tribal gaming license,
26 and in addition to any standards set forth in the Tribal gaming
27 ordinance, the TCA shall consider whether issuance of the license

1 is inimical to public health, safety, or welfare, and whether
2 issuance of the license will undermine public trust that the
3 Tribe's operation of video lottery terminals, or tribal government
4 gaming generally, is free from criminal and dishonest elements and
5 would be conducted honestly. A license may not be issued unless,
6 based on all information and documents submitted, the TCA is
7 satisfied that the applicant, in addition to any other criteria in
8 any applicable federal law is all of the following:

9 (a) a person of good character, honesty, and integrity;

10 (b) a person whose prior activities, criminal record (if
11 any), reputation, habits, and associations do not pose a threat to
12 the security and integrity of the lottery or to the public interest
13 of the State or to the effective operation and control of the
14 lottery, or create or enhance the dangers of unsuitable, unfair, or
15 illegal practices, methods, or activities in the conduct of the
16 lottery, or in the carrying on of the business and financial
17 arrangements incidental to the conduct of the lottery; and

18 (c) a person who in all other respects is qualified to be
19 licensed as provided in this gaming agreement, any applicable
20 federal law, the Tribal Gaming Ordinance, and any other criteria
21 adopted by the TCA or the Tribe. An applicant may not be found
22 unsuitable solely on the ground that the applicant was an employee
23 of a tribal gaming operation in Texas that was conducted before the
24 effective date of this gaming agreement. Employment in an
25 unauthorized gaming operation in Texas subsequent to the effective
26 date of this agreement, however, shall impose a presumption of
27 unsuitability.

1 Sec. 8.6. Gaming Employees. (a) Every gaming employee
2 shall obtain, and thereafter maintain current, a valid tribal
3 gaming license, which shall be subject to biennial renewal,
4 provided that in accordance with Section 8.8.2, a person may be
5 employed on a temporary or conditional basis pending completion of
6 the licensing process.

7 (b) Without the concurrence of the Texas regulatory
8 commission, the Tribe may not employ or continue to employ any
9 person whose application to the commission for a registration,
10 license, determination of suitability, or other regulatory
11 approval, or for a renewal of a registration, license,
12 determination of suitability, or other regulatory approval, has
13 been denied or has expired without renewal.

14 Sec. 8.7. Financial Sources. Any person providing
15 financing, directly or indirectly, to the Tribe's video lottery
16 terminal establishment or operation of video lottery terminals must
17 be licensed by the TCA before receipt of that financing, provided
18 that any person who is providing financing at the time of the
19 execution of this gaming agreement must be licensed by the TCA
20 within 90 days of such execution. The TCA shall review licenses at
21 least every two years for continuing compliance. In connection
22 with the review, the TCA shall require the Financial Source to
23 update all information provided in the previous application. Any
24 agreement between the Tribe and a Financial Source is deemed to
25 include a provision for its termination without further liability
26 on the part of the Tribe, except for the bona fide repayment of all
27 outstanding sums, exclusive of interest, owed as of the date of

1 termination, on revocation or nonrenewal of the Financial Source's
2 license by the TCA based on a determination of unsuitability by the
3 Texas regulatory commission. The Tribe may not enter into, or
4 continue to make payments pursuant to any contract or agreement for
5 the provision of financing with any person whose application to the
6 commission for a determination of suitability has been denied or
7 has expired without renewal. A video lottery terminal provider who
8 provides financing exclusively in connection with the sale or lease
9 of video lottery equipment obtained from that video lottery
10 terminal provider may be registered solely in accordance with the
11 commission's registration procedures for video lottery terminal
12 providers. The TCA may, in its discretion, exclude from the
13 licensing requirements of this section, financing provided by:

14 (1) a federally regulated or state regulated bank,
15 savings and loan, or other federally regulated or state regulated
16 lending institution;

17 (2) any agency of the federal, state, or local
18 government; or

19 (3) any investor who, alone or in conjunction with
20 others, holds less than 10 percent of any outstanding indebtedness
21 evidenced by bonds issued by the Tribe.

22 Sec. 8.8. Processing License Applications. Each applicant
23 for a tribal gaming license shall submit the completed application
24 on forms prescribed by the TCA and approved by the Texas regulatory
25 commission, along with the required information and an application
26 fee, to the TCA in accordance with the rules and regulations of that
27 agency. The parties agree that for purposes of this agreement, the

1 standards set forth under federal law with regard to information
2 required for Tribal gaming operation applications shall govern.
3 Accordingly, at a minimum, the TCA shall require submission and
4 consideration of all information required under federal law,
5 including 25 C.F.R. Section 556.4, for licensing primary management
6 officials and key employees. For applicants who are business
7 entities, the licensing provisions apply to the entity and:

8 (a) each officer and director;

9 (b) each principal management employee, including any chief
10 executive officer, chief financial officer, chief operating
11 officer, and general manager;

12 (c) each owner or partner, if an unincorporated business;

13 (d) each shareholder who owns more than 10 percent of the
14 shares of the corporation, if a corporation; and

15 (e) each person or entity, other than a financial
16 institution the TCA has determined does not require a license under
17 the preceding section, that, alone or in combination with others,
18 has provided financing in connection with any video lottery
19 equipment or video lottery terminal establishment under this gaming
20 agreement, if that person or entity provided more than five percent
21 of:

22 (1) the start-up capital;

23 (2) the operating capital over a 12-month period; or

24 (3) a combination thereof.

25 For purposes of this section, if any commonality of the
26 characteristics identified in Subsections (a)-(e) exist between
27 any two or more entities, the entities may be deemed to be a single

1 entity. Nothing herein precludes the Tribe or TCA from requiring
2 more stringent licensing requirements.

3 Sec. 8.8.1. Background Investigations of Applicants. (a)

4 The TCA shall conduct or cause to be conducted all necessary
5 background investigations reasonably required to determine that
6 the applicant is qualified for a tribal gaming license under the
7 standards set forth in this gaming agreement, and to fulfill all
8 requirements for licensing under any applicable federal law, the
9 Tribal Gaming Ordinance, and this gaming agreement. The TCA may not
10 issue any license other than a temporary license until a
11 determination is made that the qualifications have been met.

12 (b) Instead of completing its own background investigation,
13 and to the extent that doing so does not conflict with or violate
14 any applicable federal law or the Tribal Gaming Ordinance, the TCA
15 may contract with the Texas regulatory commission or an independent
16 contractor approved by the commission for the conduct of background
17 investigations. An applicant for a tribal gaming license must
18 provide releases to the commission to make available to the TCA
19 background information regarding the applicant. The commission
20 shall cooperate in furnishing to the TCA that information, unless
21 doing so would violate any agreement the commission has with a
22 source of the information other than the applicant, or would impair
23 or impede a criminal investigation, or unless the TCA cannot
24 provide sufficient safeguards to assure the commission that the
25 information will remain confidential.

26 Sec. 8.8.2. Temporary Licensing of Employees.

27 Notwithstanding any contrary provision in this gaming agreement,

1 the TCA may issue a temporary license and may impose specific
2 conditions on the license pending completion of the applicant's
3 background investigation as the TCA in its sole discretion shall
4 determine, if:

5 (a) the applicant for a tribal gaming license has completed
6 a license application in a manner satisfactory to the TCA; and

7 (b) the TCA has conducted a preliminary background
8 investigation, and the investigation or other information held by
9 the TCA does not indicate:

10 (1) that the applicant has a criminal history that
11 could pose a threat to the security and integrity of the lottery or
12 to the public interest of the State or the effective operation and
13 control of the lottery, or create or enhance the dangers of
14 unsuitable, unfair, or illegal practices, methods, or activities in
15 the conduct of the lottery, or in the carrying on of the business
16 and financial arrangements incidental thereto;

17 (2) other information in the applicant's background
18 that would either disqualify the applicant from obtaining a license
19 or cause a reasonable person to investigate further before issuing
20 a license; or

21 (3) that the applicant is otherwise unsuitable for
22 licensing.

23 (c) The TCA may require special fees to issue or maintain a
24 temporary license.

25 (d) A temporary license shall remain in effect until
26 suspended or revoked, or until a final determination is made on the
27 application. At any time after issuance of a temporary license, the

1 TCA may suspend or revoke the temporary license in accordance with
2 Sections 8.9.1 or 8.9.5, and the Texas regulatory commission may
3 request suspension or revocation in accordance with Section 8.9.

4 (e) For purposes of this agreement, the parties agree that
5 the standards set forth in 25 C.F.R. Part 558 govern licensing and
6 investigations required under the provisions of this agreement.
7 Nothing in this agreement shall be construed to relieve the Tribe of
8 any obligation under this agreement to comply with the standards
9 set forth in 25 C.F.R. Part 558.

10 Sec. 8.9. Tribal Gaming License Issuance. (a) On
11 completion of the necessary background investigation, the TCA may
12 issue a tribal gaming license on a conditional or unconditional
13 basis. Nothing herein shall create a property or other right of an
14 applicant in an opportunity to be licensed, or in a license itself,
15 both of which shall be considered to be privileges granted to the
16 applicant in the sole discretion of the TCA subject to oversight by
17 the Texas regulatory commission as provided herein. Any license,
18 registration, suitability, qualification issued, or other
19 regulatory approval granted pursuant to or in compliance with this
20 gaming agreement is a revocable privilege, and a holder does not
21 acquire any vested right therein or thereunder.

22 (b) State and Tribal courts shall have no jurisdiction to
23 review decisions to deny, limit, or condition a license,
24 registration, suitability, qualification, or request for approval
25 unless the judicial review is sought on the ground that such a
26 denial, limitation, or condition is proven by clear and convincing
27 evidence to be based on a suspect classification such as race,

1 color, religion, gender, or national origin, protected under the
2 Equal Protection Clause of the United States Constitution.

3 Sec. 8.9.1. Denial, Suspension, or Revocation of Licenses.

4 (a) The TCA may deny any application for a tribal gaming license
5 and may revoke any license issued if the TCA determines the
6 application is incomplete or deficient or if the applicant is
7 determined to be unsuitable or otherwise unqualified for the gaming
8 license. Pending consideration of revocation, the TCA may
9 summarily suspend a license in accordance with Section 8.9.5. All
10 rights to notice and hearing shall be governed by tribal law. The
11 TCA shall notify the applicant in writing of the tribal law
12 provisions and of the intent to suspend or revoke the license.

13 (b) On receipt of notice that the Texas regulatory
14 commission has determined a person would be unsuitable for
15 licensure in a video lottery terminal establishment or related to
16 video lottery terminal operations subject to the jurisdiction of
17 the commission, the TCA shall promptly revoke any license issued to
18 the person.

19 Sec. 8.9.2. Renewal of Licenses; Extensions; Further
20 Investigation. The term of a tribal gaming license may not exceed
21 five years, and application for renewal of a license must be made
22 before the license's expiration. An applicant for renewal of a
23 license must provide updated material as requested, on the
24 appropriate renewal forms, but, at the discretion of the TCA, may
25 not be required to resubmit historical data previously submitted or
26 that is otherwise available to the TCA. At the discretion of the
27 TCA, an additional background investigation may be required at any

1 time if the TCA determines the need for further information
2 concerning the applicant's continuing suitability or eligibility
3 for a license. Before renewing a license, the TCA shall deliver to
4 the Texas regulatory commission copies of all information and
5 documents received in connection with the application for renewal.

6 Sec. 8.9.3. Identification Cards. The TCA shall require
7 all persons who are required to be licensed to wear, in plain view
8 at all times while in the video lottery terminal establishment,
9 identification badges issued by the TCA. Identification badges
10 must include a photograph and an identification number that is
11 adequate to enable TCA agents to readily identify the person and
12 determine the validity and date of expiration of the license.

13 Sec. 8.9.4. Fees for Tribal Gaming License. The fees for
14 all tribal gaming licenses shall be set by the TCA.

15 Sec. 8.9.5. Summary Suspension of Tribal Gaming License.
16 The TCA may summarily suspend a tribal gaming license if the TCA
17 determines that the continued licensing of the person or entity
18 could constitute a threat to the public health or safety or may
19 violate the TCA's licensing or other standards or any provision of
20 applicable federal or state law or of this agreement. Any right to
21 notice or hearing in regard to the suspension are governed by tribal
22 law provided the law is not inconsistent with any provision of this
23 agreement.

24 Sec. 8.9.6. State Certification Process. (a) On receipt of
25 a completed tribal gaming license application and a determination
26 by the TCA that it intends to issue the earlier of a temporary or
27 permanent license, the TCA shall transmit to the Texas regulatory

1 commission a notice of intent to license the applicant, together
2 with all of the following:

3 (1) a copy of all tribal license application materials
4 and information received by the TCA from the applicant;

5 (2) an original set of fingerprint cards;

6 (3) a current photograph; and

7 (4) except to the extent waived by the commission, the
8 releases of information, waivers, and other completed and executed
9 forms obtained by the TCA.

10 (b) Except for an applicant for licensing as a non-key
11 gaming employee, the TCA shall require the applicant to file an
12 application with the Texas regulatory commission, before issuance
13 of a temporary or permanent tribal gaming license, for a
14 determination of suitability for licensure under Subchapter K,
15 Chapter 466, Texas Government Code. Investigation and disposition
16 of that application is governed entirely by State law, and the
17 commission shall determine whether the applicant would be found
18 suitable for licensure in a video lottery terminal establishment or
19 in relation to video lottery terminal operations at a video lottery
20 terminal establishment subject to the commission's jurisdiction.
21 Additional information may be required by the commission to assist
22 in a background investigation, provided that the commission
23 requirement is no greater than that which may be required of
24 applicants for a video lottery retailer license in connection with
25 video lottery operations at a video lottery terminal establishment
26 under Subchapter K, Chapter 466, Texas Government Code. A
27 determination of suitability is valid for the term of the tribal

1 license held by the applicant, and the TCA shall require a license
2 holder to apply for renewal of a determination of suitability at the
3 time the license holder applies for renewal of a tribal gaming
4 license. The commission and the TCA, together with tribal gaming
5 agencies under other gaming agreements, shall cooperate in
6 developing standard licensing forms for tribal gaming license
7 applicants, on a statewide basis, that reduce or eliminate
8 duplicative or excessive paperwork, and the forms and procedures
9 must take into account the Tribe's requirements under any
10 applicable federal law and the expense thereof.

11 (c) Background Investigations of Applicants. On receipt of
12 completed license application information from the TCA, the Texas
13 regulatory commission may conduct a background investigation
14 pursuant to state law to determine whether the applicant would be
15 suitable to be licensed for association with a video lottery
16 terminal establishment or operation subject to the jurisdiction of
17 the commission. If further investigation is required to supplement
18 the investigation conducted by the TCA, the applicant will be
19 required to pay an application fee charged by the commission in an
20 amount that reimburses the commission for actual costs incurred,
21 provided that in requesting any deposit, the commission shall take
22 into consideration reports of the background investigation already
23 conducted by the TCA and the NIGC, if any. Failure to pay the
24 application fee or deposit may be grounds for denial of the
25 application by the commission. The commission and TCA shall
26 cooperate in sharing as much background information as possible to
27 maximize investigative efficiency and thoroughness and to minimize

1 investigative costs. On completion of the necessary background
2 investigation or other verification of suitability, the commission
3 shall issue a notice to the TCA certifying the State has determined
4 that the applicant would be suitable or that the applicant would be
5 unsuitable for licensure in a video lottery terminal establishment
6 subject to the jurisdiction of the commission and, if unsuitable,
7 stating the reasons for unsuitability.

8 (d) The Tribe, on a monthly basis, shall provide the Texas
9 regulatory commission with the name, badge identification number,
10 and job descriptions of all non-key gaming employees.

11 (e) The Tribe shall, at all times, have a list of key
12 employees on file with the Texas regulatory commission and shall
13 advise the commission of any change to the list not later than the
14 10th day following the date of the change.

15 (f) Before denying an application for a determination of
16 suitability, the Texas regulatory commission shall notify the TCA
17 and afford the Tribe an opportunity to be heard. The courts of the
18 State and the Tribe shall have no jurisdiction to review decisions
19 to deny, limit, or condition a license, registration, suitability,
20 qualification, or request for approval unless the denial,
21 limitation, or condition is proven by clear and convincing evidence
22 to be based on a suspect classification such as race, color,
23 religion, sex, or national origin, protected under the Equal
24 Protection Clause of the United States Constitution. Under these
25 circumstances, any requirement for tribal court exhaustion is
26 hereby waived by the Tribe.

27 Sec. 8.9.7. State Assessment for Costs of Oversight. (a)

1 The State shall make annually an assessment sufficient to
2 compensate the State for actual costs of oversight of the operation
3 of video lottery terminals pursuant to this gaming agreement.

4 (b) Annually, on or before August 1 beginning with the first
5 such date following the implementation of video lottery operations
6 under this gaming agreement, the State shall render to the TCA a
7 statement of the total cost of oversight and any law enforcement for
8 the preceding fiscal year ending July 31 together with proposed
9 assessments for the forthcoming fiscal year based on the preceding
10 fiscal year cost. In the first year of the effective date of this
11 gaming agreement, however, the assessment must be prospective and
12 based on a pro rata allocation of costs if this gaming agreement
13 becomes operative in the course of a fiscal year and must be
14 established following consultation with the TCA. On September 1,
15 annually, the State, after receiving any objections to the proposed
16 assessments and making such changes or adjustments as may be
17 indicated, shall provide a written notice that assesses the Tribe
18 for the costs of the oversight and any necessary law enforcement.
19 Annually, the Tribe shall pay one-third of the assessment within 20
20 days of the receipt of the written notice and shall pay the
21 remaining two-thirds of the assessment in two equal payments on
22 January 1 and April 1. The payments must be deposited with the
23 Texas regulatory commission in a video lottery account established
24 solely for funds related to video lottery terminals operated by the
25 Tribe.

26 (c) In the event that the total assessment paid by the Tribe
27 during any fiscal year of the State exceeds the actual costs of the

1 oversight and any necessary law enforcement during that fiscal
2 year, the State shall adjust the assessment for the succeeding
3 fiscal year in the amount necessary to offset such excess
4 assessment. If the Tribe is aggrieved because of any failure by the
5 State to make such an adjustment, any claim for such an adjustment
6 must be presented in the appeal of the assessment as provided in
7 Section 8.9.8.

8 Sec. 8.9.8. Procedure for Appeal of Assessments or Payments
9 Made to the State. If the Tribe is aggrieved because of any
10 assessment levied or payment made to the State as required by this
11 gaming agreement, the Tribe, not later than the 30th day following
12 the date provided for the payment, may appeal an assessment or
13 payment to the Texas regulatory commission. If the Tribe is
14 aggrieved by the commission's decision, it may invoke the dispute
15 resolution provisions of this agreement provided that the Tribe
16 must prove by clear and convincing evidence that any collection or
17 assessment of payment to the State was inappropriate.

18 Sec. 8.9.9. Collection and Distribution of Revenue. (a)
19 The Tribe shall establish separate electronic funds transfer
20 accounts for the purposes of depositing money from video lottery
21 terminal operations, making payments to the Texas regulatory
22 commission, and receiving payments from the commission.

23 (b) The State's share of net terminal income of the Tribe's
24 video lottery terminal operations shall be transferred to the Texas
25 regulatory commission through the electronic transfer of funds
26 daily by the commission. The commission shall establish the
27 procedures for depositing money from video lottery terminal

1 operations into electronic funds transfer accounts and the
2 procedures for the handling of money from video lottery terminal
3 operations. The State's share of net terminal income from video
4 lottery terminal operations shall be held in trust for the State.

5 (c) Unless directed otherwise by the Texas regulatory
6 commission, the Tribe shall maintain in its account the State's
7 share of the net terminal income from the operation of video lottery
8 terminals, to be electronically transferred by the commission. On
9 the Tribe's failure to maintain this balance, the commission may
10 disable all of the Tribe's video lottery terminals until full
11 payment of all amounts due is made. Interest shall accrue on any
12 unpaid balance at a rate consistent with the amount charged under
13 Section 111.060, Texas Tax Code. The interest shall begin to accrue
14 on the date payment is due to the commission. In the commission's
15 sole discretion, rather than disable the Tribe's video lottery
16 terminals, the commission may elect to impose contract penalties in
17 an amount to be determined by the commission not to exceed \$250,000
18 for each violation. If the Tribe fails to remedy the violation,
19 including payment of any amounts due to the State, within 10 days,
20 the commission may disable the Tribe's video lottery terminals or
21 use any other means for collection agreed to by the Tribe instead of
22 disabling the Tribe's video lottery terminals.

23 (d) The Tribe is solely responsible for resolving any income
24 discrepancies between actual money collected and the net terminal
25 income reported by the video lottery central system. Unless an
26 accounting discrepancy is resolved in favor of the Tribe, the Texas
27 regulatory commission may not make any credit adjustments. Any

1 accounting discrepancies which cannot be resolved shall be resolved
2 in favor of the commission.

3 (e) Tribes shall remit payment as directed by the Texas
4 regulatory commission if the electronic transfer of funds is not
5 operational or the commission notifies the Tribe that remittance by
6 this method is required. The Tribe shall report the State's share
7 of net terminal income, and remit the amount as generated from its
8 terminals during the reporting period.

9 (f) The Tribe agrees to furnish to the Texas regulatory
10 commission all information and bank authorizations required to
11 facilitate the timely transfer of money to the commission. The
12 Tribe agrees to provide the commission 30 days' advance notice of
13 any proposed account changes in order to assure the uninterrupted
14 electronic transfer of funds. However, in no event shall the
15 commission be responsible for any interruption or delays in
16 transferring of funds. Rather, the Tribe shall be responsible for
17 any interruption or delay in transferring of funds.

18 SECTION 9.0. RULES AND REGULATIONS; MINIMUM REQUIREMENTS
19 FOR OPERATIONS.

20 Sec. 9.1. Regulations. The Tribe shall promulgate any
21 rules and regulations necessary to implement this gaming agreement,
22 which at a minimum shall expressly include or incorporate by
23 reference all requirements of this gaming agreement. Nothing in
24 this gaming agreement shall be construed to affect the Tribe's
25 right to amend its rules and regulations, provided that any such
26 amendment shall be in conformity with this gaming agreement. The
27 Texas regulatory commission may propose additional rules and

1 regulations related to implementation of this gaming agreement to
2 the TCA at any time, and the TCA shall give good faith consideration
3 to such suggestions and shall notify the commission of its response
4 or action with respect thereto.

5 Sec. 9.2. Compliance; Internal Control Standards. All
6 video lottery operations shall comply with, and all video lottery
7 games approved under the procedures set forth in this gaming
8 agreement shall be operated in accordance with the requirements set
9 forth in this gaming agreement and applicable state law. The
10 parties agree that for purposes of this agreement, the standards
11 set forth in 25 C.F.R. Part 542 shall govern minimum requirements
12 for tribal internal control standards. Accordingly, the Tribe
13 agrees that all tribal video lottery operations shall comply with
14 tribal internal control standards that provide a level of control
15 equal to or exceeding that provided by the standards set forth in 25
16 C.F.R. Part 542.

17 Sec. 9.3. Records. (a) In addition to other records
18 required to be maintained herein, the Tribe shall maintain in
19 permanent written or electronic form the following records related
20 to implementation of this gaming agreement:

21 (1) a log recording all surveillance activities of the
22 video lottery terminal establishment, including surveillance
23 records kept in the normal course of operations and in accordance
24 with industry standards; provided, notwithstanding anything to the
25 contrary herein, surveillance records may, at the discretion of the
26 Tribe, be destroyed if no incident has been reported within one year
27 following the date the records were made;

1 (2) payout from the conduct of all video lottery
2 games;

3 (3) maintenance logs for all video lottery gaming
4 equipment used by the video lottery terminal establishment;

5 (4) security logs as kept in the normal course of
6 conducting and maintaining security at the video lottery terminal
7 establishment, which at a minimum must conform to industry
8 practices for such reports;

9 (5) books and records on video lottery terminals, as
10 described more particularly in Section 9.4, which shall be
11 maintained in accordance with generally accepted accounting
12 principles (GAAP) and the standards set forth in Section 9.4; and

13 (6) all documents generated in accordance with this
14 gaming agreement.

15 (b) The Tribe shall make the records maintained under
16 Subsection (a) of this section available for inspection by the
17 Texas regulatory commission for not less than four years from the
18 date the records are generated.

19 (c) The security logs required under Subsection (a) of this
20 section must document any unusual or nonstandard activities,
21 occurrences, or events at or related to the video lottery terminal
22 establishment or in connection with the video lottery terminal
23 operations. Each incident, without regard to materiality, shall be
24 assigned a sequential number for each such report. At a minimum,
25 the security logs shall consist of the following information, which
26 shall be recorded in a reasonable fashion noting:

27 (1) the assigned number of the incident;

1 (2) the date of the incident;

2 (3) the time of the incident;

3 (4) the location of the incident;

4 (5) the nature of the incident;

5 (6) the identity, including identification
6 information, of any persons involved in the incident and any known
7 witnesses to the incident; and

8 (7) the Tribal compliance officer making the report
9 and any other persons contributing to its preparation.

10 Sec. 9.4. ACCOUNTING.

11 Sec. 9.4.1. Accounting Records Required. The Tribe agrees
12 with regard to any video lottery terminal operations, to keep
13 accurate, complete, legible, and permanent records of all
14 transactions pertaining to revenue for six years. If the Tribe
15 keeps permanent records in a computerized or microfiche fashion, it
16 shall provide the Texas regulatory commission, on request, with a
17 detailed index to the microfiche or computer records that is
18 indexed by date.

19 Sec. 9.4.2. Accounting Systems. The Tribe agrees with
20 regard to all video lottery terminal operations, to keep general
21 accounting records on a double entry system of accounting,
22 maintaining detailed, supporting, and subsidiary records,
23 including:

24 (a) detailed records that identify the revenues, expenses,
25 assets, liabilities, and equity of the video lottery terminal
26 establishment and operations;

27 (b) records required by the Tribe's Minimum Internal

1 Control System;

2 (c) journal entries prepared by the Tribe and its
3 independent accountant; and

4 (d) any other records that the TCA may require.

5 Sec. 9.4.3. Net Terminal Income and Expenses. The Tribe
6 agrees with regard to all video lottery terminal operations, to
7 create and maintain records sufficiently accurate to reflect the
8 net terminal income and expenses of the video lottery terminal
9 establishment and operation of video lottery terminals.

10 Sec. 9.4.4. Financial Statements. (a) The Tribe agrees to
11 prepare financial statements covering all financial activities of
12 the video lottery terminal establishment and operation of video
13 lottery terminals for a business year. The statements required by
14 this subsection must be presented on a comparative basis.

15 (b) If the Tribe changes its business year, it must prepare
16 and submit audited or reviewed financial statements to the Texas
17 regulatory commission covering the "stub" period from the end of
18 the previous business year to the beginning of the new business year
19 not later than 120 days after the end of the stub period or
20 incorporate the financial results of the stub period in the
21 statements for the new business year.

22 Sec. 9.5. Audits. The parties agree that for purposes of
23 this agreement, the standards set forth in 25 C.F.R. Section 571.12
24 govern audits required under this agreement. The TCA shall ensure
25 that an annual independent financial audit of the Tribe's conduct
26 of video lottery games subject to this gaming agreement and of the
27 video lottery terminal establishment is secured. The audit shall,

1 at a minimum, examine revenues and expenses in connection with the
2 operation of video lottery terminals in accordance with generally
3 accepted auditing standards and shall include those matters
4 necessary to verify the determination of net terminal income and
5 the basis of the payments made to the State pursuant to this gaming
6 agreement.

7 (a) The auditor selected by the TCA shall be a firm of known
8 and demonstrable experience, expertise, and stature in conducting
9 audits of this kind and scope and shall be approved by the Texas
10 regulatory commission.

11 (b) The audit shall be concluded within five months
12 following the close of each calendar year, provided that extensions
13 may be requested by the Tribe and may not be refused by the State if
14 the circumstances justifying the extension request are beyond the
15 Tribe's control. An extension, however, may not extend the
16 conclusion of an audit required by this gaming agreement to more
17 than 12 months following the close of the relevant calendar year.

18 (c) The audit of the operation of video lottery terminals
19 may be conducted as part of or in conjunction with the audit of the
20 video lottery terminal establishment, but if so conducted shall be
21 separately stated for the reporting purposes required herein.

22 (d) The audit shall conform to generally accepted auditing
23 standards. As part of the audit report, the auditor shall certify
24 to the TCA that, in the course of the audit, the auditor did not
25 discover any matters within the scope of the audit which were
26 determined or believed to be in violation of any provision of this
27 gaming agreement. If the auditor discovers matters determined or

1 believed to be in violation of any provision of this gaming
2 agreement, the auditor shall immediately notify the Texas
3 regulatory commission of the alleged violation and the basis for
4 the auditor's conclusion.

5 (e) The Tribe shall assume all costs in connection with the
6 audit.

7 (f) The audit report for the conduct of video lottery games
8 shall be submitted to the Texas regulatory commission within 30
9 days of completion. The auditor's work papers concerning video
10 lottery games shall be made available to the commission on request.

11 (g) Representatives of the Texas regulatory commission may,
12 on request, meet with the auditors to discuss the work papers, the
13 audit, or any matters in connection therewith; provided such
14 discussions are limited to video lottery information and pursue
15 legitimate state video lottery interests.

16 Sec. 9.6. Security. (a) All video lottery terminals shall
17 be continuously monitored through the use of a closed circuit
18 television system that records all activity for a continuous
19 24-hour period. All videotapes or other media used to store video
20 images shall be retained for a period of at least 30 days.

21 (b) Access to video lottery terminal locations shall be
22 restricted to persons legally entitled by age under State law to
23 play video lottery games.

24 (c) The Tribe must submit for approval by the Texas
25 regulatory commission a security plan and a floor plan of the area
26 or areas where video lottery terminals are to be operated showing
27 video lottery terminal locations and security camera mount

1 locations. This commission approved security plan shall be subject
2 to review by the commission which may require revision of the plan
3 on a biennial basis.

4 (d) Security personnel shall be present during all hours of
5 operation at each video lottery terminal establishment. The Tribe
6 shall employ at least the number of security personnel the Texas
7 regulatory commission determines is necessary to provide for safe
8 and approved operation of the video lottery terminal establishment
9 and the safety and well-being of the players.

10 (e) The communication technology used in connection with
11 video lottery operations must meet accepted industry standards for
12 security sufficient to minimize the possibility of any third party
13 intercepting any data transmitted to or from the video lottery
14 terminals.

15 Sec. 9.7. Exclusion of Persons. The Tribe's rules and
16 regulations shall require at a minimum the exclusion of persons
17 based on their prior conduct at the video lottery terminal
18 establishment or who, because of their criminal history or
19 association with criminal offenders, pose a threat to the integrity
20 of the conduct of video lottery games or may be playing video
21 lottery games compulsively.

22 (a) The TCA shall establish a list of the persons to be
23 excluded from any video lottery terminal establishment under this
24 provision.

25 (b) The Tribe shall employ its best efforts to exclude
26 persons on such list from entry into its video lottery terminal
27 establishment.

1 (c) Patrons who believe they may be playing video lottery
2 games on a compulsive basis may request that their names be placed
3 on the list. All gaming employees shall receive training on
4 identifying players who have a problem with compulsive playing and
5 shall be instructed to ask them to leave. Signs and other materials
6 shall be readily available to direct such compulsive players to
7 agencies where they may receive counseling. Notwithstanding any
8 other provision of this agreement, the TCA's list of self-excluded
9 persons shall not be open to public inspection.

10 (d) The Tribe or video lottery manager also may exclude any
11 other person for any reason not related to that person's race, sex,
12 national origin, physical disability, or religion.

13 Sec. 9.8. Sale of Alcoholic Beverages. The sale and service
14 of alcoholic beverages in a video lottery terminal establishment
15 shall be in compliance with state, federal, and tribal law in regard
16 to the licensing and sale of such beverages.

17 Sec. 9.9. Age Restrictions. (a) No person under the age of
18 21 may be allowed to play video lottery games or be allowed to
19 operate, or obtain a prize from or in connection with the operation
20 of, any video lottery game, directly or indirectly. If during the
21 term of this agreement, the State amends its law to allow play of
22 video lottery terminals by persons under the age of 21, the Tribe
23 may amend tribal law to reduce the lawful gaming age under this
24 agreement to correspond to the lawful gaming age under state law.

25 (b) No person under the age of 21 may be employed as a gaming
26 employee unless the employment would be allowed under state law.

27 (c) No person under the age of 21 may be employed in the

1 service of alcoholic beverages at any video lottery terminal
2 establishment, unless such employment would be allowed under state
3 law.

4 Sec. 9.10. Destruction of Records. Books, records, and
5 other materials documenting the operation of video lottery
6 terminals may be destroyed only in accordance with rules and
7 regulations adopted by the TCA, which at a minimum shall provide as
8 follows:

9 (a) material that might be utilized in connection with a
10 prize claim, including incident reports, surveillance records,
11 statements, and the like, shall be maintained at least 180 days
12 beyond the time which a claim can be made under this gaming
13 agreement or, if a prize claim is made, beyond the final disposition
14 of such claim; and

15 (b) except as otherwise provided in Section 9.3(a)(1), all
16 books and records with respect to the operation of video lottery
17 terminals or the operation of the video lottery terminal
18 establishment, including all interim and final financial and audit
19 reports and materials related thereto which have been generated in
20 the ordinary course of business, shall be maintained for the
21 minimum period of four years.

22 Sec. 9.11. Location. The Tribe may establish facilities
23 for and operate video lottery terminals only on its Indian lands.
24 The Tribe shall notify the Texas regulatory commission of any
25 potential new video lottery terminal establishment following the
26 effective date of this gaming agreement. Nothing herein shall be
27 construed as expanding or otherwise altering the term "Indian

1 lands," as that term is defined by Chapter 466, Texas Government
2 Code.

3 Sec. 9.12. Placement and Movement of Video Lottery
4 Terminals. Placement and movement of video lottery terminals
5 within a video lottery terminal establishment must be consistent
6 with a video lottery terminal floor plan approved by the Texas
7 regulatory commission.

8 Sec. 9.13. Monitoring of Operation of Video Lottery
9 Terminals. All terminals connected to the video lottery system
10 will be continuously monitored by the Texas regulatory commission
11 and disabled, when, in the commission's discretion, a problem
12 arises threatening the public health, safety or welfare, or
13 financial loss to the State, or jeopardizing the integrity of the
14 video lottery. Circumstances justifying termination include
15 malfunction of a video lottery terminal or any game displayed on a
16 video lottery terminal, misuse of any video lottery terminal or
17 video lottery game, or a material breach by the Tribe in the
18 operating requirements or a material provision of this agreement.

19 Sec. 9.14. Wager Limitations. The TCA shall set the maximum
20 wager authorized for any single play of a video lottery terminal
21 consistent with any maximum wager set by rule of the Texas
22 regulatory commission. During the term of this agreement, the
23 wager limitation set forth in this section shall be automatically
24 increased without the need to amend this agreement on each two-year
25 anniversary of the effective date to an amount equal to the wager
26 limitation multiplied by the CPI adjustment rate, rounded up to the
27 next whole dollar.

1 Sec. 9.15. Prizes. (a) Payment of prizes shall be the sole
2 and exclusive responsibility of the Tribe or video lottery manager.
3 No prizes shall be paid by the Texas regulatory commission or the
4 State except as otherwise authorized. Video lottery tickets shall
5 be redeemable only for a period of 180 days following the date of
6 issuance. If a claim is not made for prize money on or before the
7 180th day after the date on which the video lottery ticket was
8 issued, the prize money shall be treated as net terminal income.
9 The Tribe agrees to enact rules consistent with this provision and
10 authorized by the commission, governing use and redemption of
11 prizes and credits recorded on electronic player account records,
12 such as players' club cards and smart cards.

13 (b) Nothing herein shall limit the ability of the Tribe or
14 video lottery manager to provide promotional prizes, including wide
15 area progressive networks, in addition to prize payouts regulated
16 by the commission.

17 Sec. 9.16. Patron Disputes. (a) The State and the Texas
18 regulatory commission shall not be liable for any video lottery
19 terminal malfunction or error by the Tribe or video lottery manager
20 that causes credit to be wrongfully awarded or denied to players.
21 Any disputes arising between players and the Tribe or video lottery
22 manager shall be resolved:

23 (1) if the fair market value of the prize is less than
24 \$1,000, in accordance with commission approved written policies of
25 the TCA with no relief available from the commission or the State;
26 or

27 (2) if the fair market value of the prize is \$1,000 or

1 more, by the commission in its sole discretion pursuant to rules
2 established by the commission.

3 (b) No court of this state or of the Tribe shall have
4 jurisdiction to review the decision of the commission resolving a
5 dispute between players and the Tribe or a video lottery manager.

6 Sec. 9.17. Transfer of Gaming Device Operating Rights.
7 During the term of this agreement, the Tribe may enter into a
8 transfer agreement with one or more federally recognized Indian
9 tribes with Indian lands in this state to acquire or transfer video
10 lottery terminal operating rights on Indian lands. The Tribe's
11 acquisition or transfer of video lottery terminal operating rights
12 is subject to the following conditions:

13 (a) Gaming Agreement. Each Indian tribe that is a party to a
14 transfer agreement must have a valid and effective gaming agreement
15 with the State that contains a provision substantially similar to
16 the provision herein permitting transfers of the Indian tribe's
17 video lottery terminal operating rights.

18 (b) Forbearance Agreement. If the Tribe enters into a
19 transfer agreement to transfer some or all of its video lottery
20 terminal operating rights, the Tribe also shall execute a
21 forbearance agreement with the State. The forbearance agreement
22 shall include a waiver of all rights of the Tribe to put into play or
23 operate the number of video lottery terminal operating rights
24 transferred during the term of the transfer agreement.

25 (c) The Tribe must be operating video lottery terminals at
26 least equal to its current video lottery terminal allocation
27 before, or simultaneously with, the Tribe acquiring the right to

1 operate additional video lottery terminals by a transfer agreement.
2 The Tribe is not required to utilize any video lottery terminal
3 operating rights it acquires, or to utilize them before acquiring
4 additional video lottery terminal operating rights.

5 (d) The Tribe shall not at any time simultaneously acquire
6 video lottery terminal operating rights and transfer video lottery
7 terminal operating rights pursuant to transfer agreements.

8 Sec. 9.17.1. Transfer Agreements. The transfer of video
9 lottery terminal operating rights may be made pursuant to a
10 transfer agreement between two Indian tribes. A transfer agreement
11 must include the following provisions:

12 (a) the number of video lottery terminal operating rights
13 transferred and acquired;

14 (b) the duration of the transfer agreement;

15 (c) the consideration to be paid by the Indian tribe
16 acquiring the video lottery terminal operating rights to the Indian
17 tribe transferring the video lottery terminal operating rights and
18 the method of payment;

19 (d) the dispute resolution and enforcement procedures,
20 including a provision for the State to receive notice of any such
21 proceedings; and

22 (e) a procedure to provide quarterly notice to the Texas
23 regulatory commission of payments made and received, and to provide
24 timely notice to the commission of disputes, revocation, amendment,
25 and termination.

26 Sec. 9.17.2. Transfer Notice. At least 30 days before the
27 execution of a transfer agreement the Tribe shall send to the Texas

1 regulatory commission a transfer notice of intent to acquire or
2 transfer video lottery terminal operating rights. The transfer
3 notice shall include a copy of the proposed transfer agreement, the
4 proposed forbearance agreement, and a copy of the tribal resolution
5 authorizing the acquisition or transfer.

6 Sec. 9.17.3. Texas Regulatory Commission Denial of
7 Transfer. (a) The Texas regulatory commission may deny a transfer
8 as set forth in a transfer notice only if:

9 (1) the proposed transfer violates the conditions set
10 forth in this agreement; or

11 (2) the proposed transfer agreement does not contain
12 the minimum requirements listed in this agreement.

13 (b) The commission's denial of a proposed transfer must be
14 in writing, must include the specific reasons for the denial
15 (including copies of all documentation relied upon by the
16 commission to the extent allowed by state law), and must be received
17 by the Tribe within 60 days of the commission's receipt of the
18 transfer notice. If the Tribe disputes the commission's denial of a
19 proposed transfer, the Tribe shall have the right to have the
20 dispute resolved pursuant to the dispute resolution process
21 provided in Section 15.0 herein.

22 Sec. 9.17.4. Effective Date of Transfer. If the Tribe does
23 not receive a notice of denial of the transfer from the Texas
24 regulatory commission within the period specified in Section
25 9.17.3, the proposed transfer agreement shall become effective on
26 the later of the 61st day following the commission's receipt of the
27 transfer notice or the date set forth in the transfer agreement.

1 Sec. 9.17.5. Use of Brokers. The Tribe shall not contract
2 with any person to act as a broker in connection with a transfer
3 agreement. No person shall be paid a percentage fee or a commission
4 as a result of a transfer agreement, nor shall any person receive a
5 share of any financial interest in the transfer agreement or the
6 proceeds generated by the transfer agreement. Any person acting as
7 a broker in connection with a transfer agreement is providing
8 gaming services.

9 Sec. 9.17.6. Revenue from Transfer Agreements. The Tribe
10 agrees that all proceeds received by the Tribe as a transferor under
11 a transfer agreement shall be used for the governmental purposes
12 permitted under this agreement for revenue generated by video
13 lottery terminal operations. The Tribe shall include the proceeds
14 in an annual audit and shall make available to the State that
15 portion of the audit addressing proceeds from transfer agreements.

16 Sec. 9.17.7. Agreed Upon Procedures Report. The Tribe
17 agrees to provide to the Texas regulatory commission, either
18 separately or with the other party to the transfer agreement, an
19 agreed upon procedures report from an independent certified public
20 accountant. The procedures to be examined and reported upon are
21 whether payments made under the transfer agreement were made in the
22 proper amount, made at the proper time, and deposited in an account
23 of the Indian tribe transferring the video lottery terminal
24 operating rights.

25 Sec. 9.17.8. State Payment. Proceeds received by the Tribe
26 as a transferor under a transfer agreement from the transfer of
27 video lottery terminal operating rights are not subject to any

1 payment to the State under this agreement or otherwise.

2 Sec. 9.17.9. Access to Records Regarding Transfer
3 Agreements. The Texas regulatory commission shall have access to
4 all records of the Tribe directly relating to transfer agreements
5 and forbearance agreements.

6 Sec. 9.18. Supervision of Patrons. The Tribe agrees to
7 ensure that gaming employees, at all times, monitor video lottery
8 terminals to prevent access to or play by persons who are under the
9 age of 21 years or who are visibly intoxicated.

10 Sec. 9.19. Hours of Operation. The Tribe may establish by
11 ordinance or regulation the permissible hours and days of operation
12 of video lottery terminal operations; provided, however, that with
13 respect to the sale of liquor, the Tribe agrees to adopt and comply
14 with standards at least as restrictive as any applicable state
15 liquor laws at all video lottery terminal establishments.

16 Sec. 9.20. Automatic Teller Machines. The Tribe agrees to
17 adopt and comply with a Tribal ordinance establishing responsible
18 restrictions on the provision of financial services at video
19 lottery terminal establishments. At a minimum, the ordinance shall
20 prohibit:

21 (a) locating an automatic teller machine ("ATM") adjacent
22 to, or in proximity to, any video lottery terminal, however, an ATM
23 may be installed in a video lottery terminal establishment,
24 provided that the Tribe adopts and complies with an ordinance
25 establishing standards no less restrictive than any state and
26 federal law governing installation of ATMs within a gaming
27 facility;

1 (b) locating in a video lottery terminal establishment an
2 ATM that accepts electronic benefit transfer cards issued pursuant
3 to a state or federal program that is intended to provide for needy
4 families or individuals; and

5 (c) accepting checks or other noncash items issued pursuant
6 to a state or federal program that is intended to provide for needy
7 families or individuals.

8 Sec. 9.21. Advertising. Advertisements or promotions must
9 comply with guidelines established by the TCA that are consistent
10 with criteria established by the Texas regulatory commission.

11 Sec. 9.22. Remedies and Penalties for Unlawful Gaming.
12 Operation or possession of any gaming devices not expressly
13 authorized under this gaming agreement or Texas law (excluding any
14 Class II gaming authorized under applicable federal law) shall be
15 considered a material breach of the gaming agreement and justify
16 termination of the agreement. Under those circumstances, the State
17 may bring an action in state court and shall be entitled to an
18 injunction prohibiting the continued operation of any unlawful
19 gaming activity upon a showing by a preponderance of evidence that
20 the breach has occurred. In any such proceeding, it is the finding
21 of the legislature that irreparable injury and inadequate remedy at
22 law shall be presumed once the State has demonstrated the violation
23 has occurred. If the State does not seek an injunction for such a
24 material breach of the gaming agreement, the Tribe agrees to pay a
25 contract penalty of \$10,000 per day for every day the violation or
26 breach continues. If the breach or violation is not cured within 30
27 days, the State shall bring an action to enjoin the unlawful conduct

1 and may disable all video lottery terminals operated by the Tribe or
2 operated by a video lottery manager on the Indian lands of the
3 Tribe.

4 SECTION 10.0. ENFORCEMENT OF GAMING AGREEMENT PROVISIONS.

5 Sec. 10.1. The Tribe and TCA shall be responsible for
6 regulating activities pursuant to this gaming agreement. As part
7 of its responsibilities, the Tribe shall:

8 (a) take reasonable measures to assure the physical safety
9 of video lottery terminal establishment patrons and personnel,
10 prevent illegal activity at the video lottery terminal
11 establishment, and protect any rights of patrons under the Indian
12 Civil Rights Act of 1968 (25 U.S.C. Sections 1301-1303);

13 (b) promptly notify appropriate law enforcement authorities
14 of persons who may be involved in illegal acts in accordance with
15 applicable tribal, federal, and state law;

16 (c) assure that the construction and maintenance of the
17 video lottery terminal establishment meets or exceeds federal and
18 Tribal standards for comparable buildings and minimum standards
19 under this gaming agreement; and

20 (d) prepare adequate emergency access and preparedness
21 plans to ensure the health and safety of all video lottery terminal
22 establishment patrons. On finalization of the emergency access and
23 preparedness plans, the TCA or the Tribe shall forward copies of the
24 plans to the Texas regulatory commission.

25 Sec. 10.2. Members and employees of the TCA shall be
26 licensed in accordance with the provisions of this agreement. All
27 licenses for members and employees of the TCA shall be issued

1 according to the same standards and terms applicable to video
2 lottery terminal establishment employees. The TCA shall employ
3 qualified compliance officers under the authority of the TCA. The
4 compliance officers shall be independent of the video lottery
5 terminal establishment, and shall be supervised by and accountable
6 only to the TCA. A TCA compliance officer shall be available to the
7 video lottery terminal establishment during all hours of operation
8 on reasonable notice, and shall have immediate access to any and all
9 areas of the video lottery terminal establishment for the purpose
10 of ensuring compliance with the provisions of this gaming
11 agreement. The TCA shall investigate any suspected or reported
12 violation of this gaming agreement and shall require the correction
13 of the violation. The TCA shall prepare and retain in its files a
14 timely written report of each investigation and any action taken in
15 response to the investigation, and shall forward copies of the
16 report to the Texas regulatory commission within 15 days of the date
17 of the filing. Any such violations shall be reported immediately to
18 the TCA, and the TCA shall immediately forward the same to the
19 commission. In addition, the TCA shall promptly report to the
20 commission any such violations that it independently discovers.

21 Sec. 10.3. In order to develop and foster a positive and
22 effective relationship in the enforcement of the provisions of this
23 gaming agreement, representatives of the TCA and the Texas
24 regulatory commission shall meet at least annually to review past
25 practices and examine methods to improve the regulatory scheme
26 created by this gaming agreement. The meetings shall take place at
27 a location mutually agreed to by the TCA and the commission. The

1 commission, before or during such meetings, shall disclose to the
2 TCA any concerns, suspected activities, or pending matters
3 reasonably believed to possibly constitute violations of this
4 gaming agreement by any person, organization, or entity, if such
5 disclosure will not compromise the interest sought to be protected.

6 Sec. 10.4. Financial Obligations of the Texas Regulatory
7 Commission. Any financial obligation of the Texas regulatory
8 commission or of the State, under this gaming agreement or arising
9 from the operation of the video lottery on the Tribe's Indian lands,
10 shall be payable solely out of the income, revenues, and receipts of
11 the commission resulting from the operation of video lottery
12 terminals on Indian lands of the Tribe.

13 Sec. 10.5. Penalties and Remedies for Noncompliance. (a)
14 Failure to timely remit revenue generated by video lottery
15 terminals to the Texas regulatory commission or any sales tax or
16 other fee owed to the State or to timely file any report or
17 information required under this gaming agreement or by applicable
18 federal or state law shall constitute a material breach of this
19 gaming agreement. After receiving at least 24 hours written notice
20 from the commission and an additional 48 hours for the opportunity
21 to remedy the breach or otherwise correct the violation, the Tribe
22 shall be subject to contract penalties in the amount of \$10,000 per
23 day for the breach. If the breach is not cured within 30 days, the
24 commission shall disable all video lottery terminals operated by
25 the Tribe.

26 (b) If the Tribe is in material breach of this agreement and
27 the Texas regulatory commission exercises its right to disable all

1 video lottery terminals operated by the Tribe, the commission shall
2 have the right to enter the premises of any video lottery terminal
3 establishment on the Tribe's Indian lands and remove any video
4 lottery games or other video lottery equipment owned by the State.

5 Sec. 10.6. No Liability of the State Related to
6 Enforcement. The State and the Texas regulatory commission are not
7 liable for any enforcement of the provisions of this gaming
8 agreement.

9 SECTION 11.0. STATE MONITORING OF GAMING AGREEMENT.

10 Sec. 11.1. (a) The Texas regulatory commission shall,
11 pursuant to the provisions of this gaming agreement, have the
12 authority to monitor the conduct of video lottery games to ensure
13 video lottery games are conducted in compliance with the provisions
14 of this gaming agreement. In order to properly monitor the conduct
15 of video lottery games, in addition to the State's operation and
16 control of the central system and video lottery system, agents of
17 the commission shall have reasonable access to all areas of the
18 video lottery terminal establishment related to the conduct of
19 video lottery games as provided herein:

20 (1) the commission shall have access to the video
21 lottery terminal establishment only during the video lottery
22 terminal establishment's normal operating hours; provided that to
23 the extent such inspections are limited to areas of the video
24 lottery terminal establishment where the public is normally
25 allowed, commission agents may inspect the video lottery terminal
26 establishment without giving prior notice to the Tribe;

27 (2) any suspected or claimed violations of this gaming

1 agreement or of law shall be directed in writing to the TCA;
2 commission agents may not interfere with the functioning of the
3 video lottery terminal establishment unless the public safety,
4 welfare, or financial loss to the State, or integrity of the state
5 lottery so requires; and

6 (3) before entering any nonpublic area of the video
7 lottery terminal establishment, commission agents must provide
8 proper photographic identification to the TCA.

9 (b) A TCA agent shall accompany a commission agent in
10 nonpublic areas of the video lottery terminal establishment. A
11 one-hour notice by the commission to the TCA may be required to
12 assure that a TCA officer is available to accompany commission
13 agents at all times.

14 Sec. 11.2. Subject to the provisions herein, agents of the
15 Texas regulatory commission shall have the right to review and copy
16 documents or other records related to the operation of video
17 lottery terminals. The review and copying of those records shall be
18 during normal business hours or hours otherwise at the Tribe's
19 discretion. However, the commission may not copy those portions of
20 any records related to the Tribe's operation of video lottery
21 terminals that contain business or marketing strategies or other
22 proprietary and confidential information, including customer
23 lists, business plans, marketing studies, and customer
24 demographics or profiles. No records of the Tribe related to its
25 conduct of video lottery games or copies thereof shall be released
26 to the public by the State. All such records shall be deemed
27 confidential records owned by the Tribe and are not subject to

1 public disclosure by the State.

2 Sec. 11.3. At the completion of any commission inspection
3 or investigation, the Texas regulatory commission shall forward a
4 written report thereof to the TCA. The TCA shall be apprised on a
5 timely basis of all pertinent, nonconfidential information
6 regarding any violation of federal, or state laws, rules or
7 regulations, or this gaming agreement. Nothing herein prevents the
8 commission from contacting Tribal or federal law enforcement
9 authorities concerning suspected criminal wrongdoing involving the
10 TCA. The TCA may interview commission agents and inspectors upon
11 reasonable notice and examine work papers in the same fashion that
12 commission agents and inspectors may examine auditors' notes and
13 make auditor inquiry unless providing such information to the TCA
14 will compromise the interests sought to be protected.

15 Sec. 11.4. Nothing in this gaming agreement shall be deemed
16 to authorize the State to regulate the Tribe's government,
17 including the TCA, or to interfere in any way with the Tribe's
18 selection of its governmental officers, including members of the
19 TCA. The Texas regulatory commission and the Tribe, however, on
20 request of the Tribe, shall jointly employ, at the Tribe's expense,
21 an independent firm to perform on behalf of the commission the
22 duties set forth in Sections 11.2 and 11.3.

23 SECTION 12.0. JURISDICTION.

24 Sec. 12.1. Except as expressly provided herein, this gaming
25 agreement shall not alter tribal, federal, or state civil
26 adjudicatory or criminal jurisdiction.

27 Sec. 12.2. The Tribe expressly consents to the State's

1 jurisdiction to enforce the terms of this gaming agreement
2 including any request for judicial injunctive relief to prohibit
3 unlawful gaming activities.

4 SECTION 13.0. PUBLIC AND WORKPLACE HEALTH, SAFETY, AND
5 LIABILITY.

6 Sec. 13.1. The Tribe will not conduct any gaming activity in
7 a manner that endangers the public health, safety, or welfare.

8 Sec. 13.2. For the purposes of this gaming agreement, the
9 Tribe agrees to:

10 (a) adopt and comply with standards at least as stringent as
11 state public health standards for food and beverage handling at any
12 video lottery terminal establishment. The Tribe will allow
13 inspection of food and beverage services at any video lottery
14 terminal establishment by state or county health inspectors, during
15 normal hours of operation, to assess compliance with these
16 standards, unless inspections are routinely made by an agency of
17 the United States government to ensure compliance with equivalent
18 standards of the United States Public Health Service. Nothing
19 herein shall be construed as submission of the Tribe to the
20 jurisdiction of those state or county health inspectors, but any
21 alleged violations of the standards shall be treated as alleged
22 violations of the gaming agreement;

23 (b) adopt and comply with standards at least as stringent as
24 federal water quality and safe drinking water standards applicable
25 in Texas at any video lottery terminal establishment. The Tribe
26 will allow for inspection and testing of water quality at any video
27 lottery terminal establishment by state or county health

1 inspectors, as applicable, during normal hours of operation, to
2 assess compliance with these standards, unless inspections and
3 testing are made by an agency of the United States pursuant to, or
4 by the Tribe under express authorization of, federal law, to ensure
5 compliance with federal water quality and safe drinking water
6 standards. Nothing herein shall be construed as submission of the
7 Tribe to the jurisdiction of those state or county health
8 inspectors, but any alleged violations of the standards shall be
9 treated as alleged violations of this gaming agreement;

10 (c) comply with the building and safety standards set forth
11 in Section 8.4 of this agreement;

12 (d) carry not less than \$1 million in public liability
13 insurance for patron claims. The Tribe herein provides reasonable
14 assurance that such claims will be promptly and fairly adjudicated,
15 and that legitimate claims will be paid; provided that nothing
16 herein requires the Tribe to agree to liability for punitive
17 damages or attorneys' fees. On or before the effective date of this
18 gaming agreement or not less than 30 days before the commencement of
19 operation of video lottery terminals under this gaming agreement,
20 whichever is later, the Tribe shall adopt and make available to
21 patrons a tort liability ordinance setting forth the terms and
22 conditions, if any, under which the Tribe waives immunity to suit
23 for money damages resulting from intentional or negligent injuries
24 to person or property at the video lottery terminal establishment
25 or in connection with the Tribe's operation of video lottery
26 terminals. The tort liability ordinance shall include procedures
27 for processing any claims for such money damages. Nothing in this

1 section shall require the Tribe to waive its immunity to suit except
2 to the extent of the policy limits set out in this subsection. Any
3 insurance policy provided in compliance with the terms of this
4 subsection shall provide that the policy provider shall not raise
5 the Tribe's sovereign immunity as a defense or otherwise to avoid
6 payment of a claim under this subsection;

7 (e) adopt and comply with standards at least as stringent as
8 federal workplace and occupational health and safety standards at
9 any video lottery terminal establishment. The Tribe will allow for
10 inspection of video lottery terminal establishment workplaces by
11 state inspectors, during normal hours of operation, to assess
12 compliance with these standards, unless inspections are regularly
13 made by an agency of the United States government to ensure
14 compliance with federal workplace and occupational health and
15 safety standards. Nothing herein shall be construed as submission
16 of the Tribe to the jurisdiction of those state inspectors, but any
17 alleged violations of the standards shall be treated as alleged
18 violations of this gaming agreement;

19 (f) comply with tribal codes and any applicable federal law
20 regarding public health and safety;

21 (g) adopt and comply with standards at least as stringent as
22 federal laws and state laws forbidding employers generally from
23 discriminating in the employment of persons to work for the Tribe in
24 relation to its operation of video lottery terminals or in the video
25 lottery terminal establishment on the basis of race, color,
26 religion, national origin, gender, sexual orientation, age, or
27 disability. However, nothing herein shall preclude the Tribe from

1 giving a preference in employment to Indians, pursuant to a duly
2 adopted tribal ordinance;

3 (h) adopt and comply with standards that are at least as
4 stringent as state laws prohibiting a video lottery manager or any
5 employee thereof from cashing any check drawn against a federal,
6 state, county, or city fund, including social security,
7 unemployment insurance, disability payments, or public assistance
8 payments;

9 (i) adopt and comply with standards that are at least as
10 stringent as state laws governing the extension of credit to, the
11 cashing of checks for, and other financial transactions with
12 patrons calculated to protect players from problem and pathological
13 gambling; and

14 (j) adopt and comply with the provisions of the Bank Secrecy
15 Act (31 U.S.C. Sections 5311-5314), as amended, and all reporting
16 requirements of the Internal Revenue Service, insofar as such
17 provisions and reporting requirements are applicable to gaming
18 facilities.

19 Sec. 13.2.1. The Tribe agrees to adopt and, not later than
20 30 days after the effective date of this gaming agreement, make
21 available on request the standards described in Sections
22 13.2(a)-(c) and (e)-(j) to which the Tribe is held with regard to
23 operation of video lottery terminals. In the absence of a
24 promulgated tribal standard in respect to a matter identified in
25 those subsections, or the express adoption of an applicable federal
26 statute or regulation instead of a tribal standard in respect to any
27 such matter, an applicable state statute or regulation shall be

1 deemed to have been adopted by the Tribe as the applicable standard.

2 Sec. 13.3. Participation in State Statutory Programs
3 Related to Employment. (a) Instead of allowing the Tribe to
4 participate in the state statutory workers' compensation system for
5 employees of a video lottery terminal establishment or otherwise
6 engaged in the operation of video lottery terminals, the Tribe may
7 create and maintain a system that provides redress for employee
8 work-related injuries through requiring insurance or
9 self-insurance. The system must include a scope of coverage,
10 availability of an independent medical examination, right to
11 notice, hearings before an independent tribunal, a means of
12 enforcement against the employer, and benefits comparable to those
13 mandated for comparable employees under state law. Not later than
14 the effective date of this gaming agreement, or 60 days before the
15 commencement of video lottery terminal operations under this gaming
16 agreement, the Tribe will advise the State of its election to
17 participate in the statutory workers' compensation system or,
18 alternatively, will forward to the State all relevant ordinances
19 that have been adopted and all other documents establishing the
20 system and demonstrating that the system is fully operational and
21 compliant with the comparability standard set forth in this
22 subsection. The parties agree that independent contractors doing
23 business with the Tribe must comply with all state workers'
24 compensation laws and obligations.

25 (b) The Tribe agrees to participate in the State's program
26 for providing unemployment compensation benefits and unemployment
27 compensation disability benefits with respect to employees of the

1 video lottery terminal establishment, and the Tribe consents to the
2 jurisdiction of the state agencies charged with the enforcement of
3 that code and of the courts of the State for purposes of
4 enforcement.

5 (c) As a matter of comity, with respect to persons employed
6 at the video lottery terminal establishment in capacities otherwise
7 related to the operation of video lottery terminals, other than
8 members of the Tribe, the Tribe shall withhold all taxes due to the
9 State as provided by Texas law, and shall forward the amounts as
10 provided by State law.

11 Sec. 13.4. Emergency Service Accessibility. The Tribe
12 shall make reasonable provisions for adequate emergency fire,
13 medical, and related relief and disaster services for patrons and
14 employees of the video lottery terminal establishment.

15 Sec. 13.5. The Tribe agrees to prohibit the intentional,
16 knowing, or reckless possession of a firearm, illegal knife, club,
17 explosive weapon, machine gun, firearm silencer, knuckles,
18 armor-piercing ammunition, a chemical dispensing device, or a zip
19 gun, as those terms are defined in Section 46.01, Texas Penal Code,
20 at all times in the video lottery terminal establishment. The
21 defenses that apply to the prohibition of possession of those
22 weapons on the premises of a racetrack under Section 46.03, Texas
23 Penal Code, shall also apply to the prohibition of possession of the
24 weapons in video lottery terminal establishments. In addition,
25 Tribal security or Tribal law enforcement personnel, shall be
26 allowed to possess firearms and clubs at a video lottery terminal
27 establishment as authorized by Tribal law.

1 Sec. 13.6. Tribal Law Enforcement Plan. The Tribe agrees to
2 implement a written tribal law enforcement services plan that
3 provides a comprehensive and effective means to address criminal
4 and undesirable activity at the video lottery terminal
5 establishment. The plan shall provide that sufficient tribal law
6 enforcement resources are available 24 hours a day, seven days a
7 week to protect the public health, safety, and welfare at the video
8 lottery terminal establishment. To accommodate investigations and
9 intelligence sharing, the Tribe will provide that a police officer
10 holding a current Texas police officer standards and training
11 certification is employed by the Tribe and assigned to handle video
12 lottery terminal related matters when they arise. Intelligence
13 liaisons will be established at the tribal police department or TCA
14 and also at the Texas regulatory commission. There will be federal,
15 tribal, and state cooperation in task force investigations. The
16 commission's intelligence unit will gather, coordinate,
17 centralize, and disseminate accurate and current intelligence
18 information pertaining to criminal and undesirable activity that
19 may threaten patrons, employees, and assets of a video lottery
20 terminal establishment or the video lottery system. The State and
21 the Tribe will coordinate the use of resources, authority, and
22 personnel of the State and the Tribe for the shared goal of
23 preventing and prosecuting criminal or undesirable activity by
24 players, employees, or businesses in connection with tribal video
25 lottery terminal operations.

26 Sec. 13.7. Annual Statement of Compliance Regarding Use of
27 Revenue. The Tribe agrees to submit to the Texas regulatory

1 commission an annual statement of compliance regarding the use of
2 its share of revenue generated from video lottery terminal
3 operations and a copy of a current tribal ordinance requiring that
4 revenue generated from video lottery terminal operations be used
5 exclusively for the establishment and improvement of governmental
6 services and programs.

7 SECTION 14.0. EXCLUSIVITY AND FEES.

8 Sec. 14.1. The parties acknowledge and recognize that this
9 gaming agreement provides the Tribe territorial exclusivity
10 through the permitted operation of video lottery terminals without
11 requiring construction or operation of a racetrack for live horse
12 or dog racing. This territorial exclusivity and the additional
13 benefits to the Tribe are of substantial benefit to the Tribe and,
14 consistent with Federal Indian policy, provide special
15 opportunities for tribal economic opportunity through gaming
16 within the external boundaries of Texas. In consideration thereof,
17 as long as the State does not after the effective date of this
18 gaming agreement authorize a person to operate video lottery
19 terminals or any additional form of gaming that would be considered
20 a lottery or gift enterprise under Section 47(a), Article III,
21 Texas Constitution, without the Tribe's written consent within the
22 exclusive territory designated by this gaming agreement for the
23 operation of video lottery games by the Tribe, the Tribe agrees to
24 pay the fees described in this section.

25 (a) The Tribe covenants and agrees to pay to the State a fee
26 derived from net terminal income calculated as set forth in
27 Subsection (b). The fee shall be deducted from the daily deposit of

1 funds into the State's account from the video lottery terminal
2 operations prior to the State's transfer of funds back to the Tribe
3 for such operations.

4 (b) The fee shall be 10 percent of all net terminal income
5 received by the Tribe in a calendar year.

6 Sec. 14.2. Start-Up Assessment. On the effective date of
7 this gaming agreement, the Tribe shall deposit with the Texas
8 regulatory commission a Start-Up Assessment in the sum of \$10,000.
9 The purpose of the Start-Up Assessment shall be to assist the State
10 in initiating its administrative and oversight responsibilities
11 hereunder, and shall be a one-time payment to the State for such
12 purposes.

13 Sec. 14.3. Nothing in this gaming agreement shall be deemed
14 to authorize the State to impose any tax, fee, charge, or assessment
15 on the Tribe or the video lottery terminal establishment except as
16 expressly authorized pursuant to this gaming agreement under
17 Sections 4.6 and 13.3(c). To the extent that the Tribe is required
18 under federal law to report prizes awarded, the Tribe agrees to copy
19 such reports to the Texas regulatory commission. Any state sales
20 tax on the sale of goods and services to non-Indians at video
21 lottery terminal establishments shall be conclusively presumed to
22 be a direct tax on the retail consumer, pre-collected for the
23 purpose of convenience and facility.

24 Sec. 14.4. In consideration for the covenants and
25 agreements contained herein, the State agrees that it will not,
26 during the term of this gaming agreement, allow the nontribal
27 operation of any video lottery games or other gaming that would be

1 considered a lottery or gift enterprise under Section 47(a),
2 Article III, Texas Constitution, without the Tribe's written
3 consent within _____ [limitation on state video lottery or other
4 new lottery gaming in exclusive Indian video lottery territory].
5 The state recognizes the importance of this provision to the Tribe
6 and agrees, in the event of a breach of this provision by the State,
7 to require any nontribal entity that operates any such games within
8 the prohibited territory to remit to the State not less than 50
9 percent of any revenue from those games. The State further agrees
10 to remit that revenue at least quarterly to Eligible Tribes, as
11 liquidated damages. For purposes of this part, "Eligible Tribes"
12 shall mean those tribes that have entered into a gaming agreement
13 with the State under Section 466.604, Texas Government Code, and
14 are operating gaming pursuant to the gaming agreement within _____
15 [description of exclusive territory for tribal video lottery].
16 Such liquidated damages shall be allocated pro rata to the Eligible
17 Tribes based on the number of video lottery terminals operated by
18 each Eligible Tribe in the period when those revenues were
19 generated.

20 SECTION 15.0. DISPUTE RESOLUTION.

21 Sec. 15.1. Voluntary Resolution; Reference to Other Means
22 of Resolution. In recognition of the government-to-government
23 relationship of the Tribe and the State, the parties shall make
24 their best efforts to resolve disputes that occur under this gaming
25 agreement by good faith negotiations whenever possible. Therefore,
26 without prejudice to the right of either party to seek injunctive
27 relief or specific relief provided in this agreement against the

1 other when circumstances are deemed to require immediate relief,
2 the parties hereby establish a threshold requirement that disputes
3 between the Tribe and the State first be subjected to a process of
4 meeting and conferring in good faith in order to foster a spirit of
5 cooperation and efficiency in the administration and monitoring of
6 performance and compliance by each other with the terms,
7 provisions, and conditions of this gaming agreement, as follows:

8 (a) either party shall give the other, as soon as possible
9 after the event giving rise to the concern, a written notice setting
10 forth, with specificity, the issues to be resolved;

11 (b) the parties shall meet and confer in a good faith
12 attempt to resolve the dispute through negotiation not later than
13 10 days after receipt of the notice, unless both parties agree in
14 writing to an extension of time;

15 (c) if the dispute is not resolved to the satisfaction of
16 the parties within 30 days after the first meeting, then either
17 party may seek to have the dispute resolved by an arbitrator in
18 accordance with this section; and

19 (d) disagreements that are not otherwise resolved by
20 arbitration or other mutually acceptable means as provided herein
21 may be resolved in the United States District Court with
22 jurisdiction over the location or planned location of the Tribe's
23 video lottery terminal establishment or, if the federal courts lack
24 jurisdiction, in a state district court in Travis County. The
25 disputes to be submitted to court action are limited to claims of
26 breach or violation of this gaming agreement or failure to
27 negotiate in good faith as required by the terms of this gaming

1 agreement. The parties agree that, except in the case of imminent
2 threat to the public health, safety, or welfare or the integrity of
3 the lottery, reasonable efforts will be made to explore alternative
4 dispute resolution avenues prior to resorting to judicial process.

5 Sec. 15.2. Arbitration Rules. Arbitration shall be
6 conducted in accordance with the policies and procedures of the
7 Commercial Arbitration Rules of the American Arbitration
8 Association, provided that application of these rules shall not be
9 construed to waive the State's sovereign immunity to an extent
10 greater than otherwise authorized herein. Arbitration shall be
11 held at such location as the parties may agree. Each side shall
12 bear its own costs, attorneys' fees, and one-half the costs and
13 expenses of the American Arbitration Association and the
14 arbitrator, unless the arbitrator rules otherwise. Only one
15 neutral arbitrator may be named, unless the Tribe or the State
16 objects, in which case a panel of three arbitrators (one of whom is
17 selected by each party) will be named. The decision of the
18 arbitrator or arbitrators shall be in writing, shall give reasons
19 for the decision, and shall be binding. Judgment on the award may be
20 entered in any federal or state court having jurisdiction thereof.

21 Sec. 15.3. Limited Waiver of Sovereign Immunity. (a) In
22 the event that a dispute is to be resolved in federal court or a
23 state court of competent jurisdiction as provided in this section,
24 the State and the Tribe expressly consent to be sued therein and
25 wave any immunity therefrom that they may have provided that:

26 (1) the dispute is limited solely to issues arising
27 under this gaming agreement;

1 (2) neither side makes any claim for monetary damages
2 (that is, only injunctive, specific performance, including
3 enforcement of a provision of this gaming agreement requiring
4 payment of money to one or another of the parties, or declaratory
5 relief is sought); and

6 (3) no person or entity other than the Tribe and the
7 State is party to the action, unless failure to join a third party
8 would deprive the court of jurisdiction, provided that nothing
9 herein shall be construed to constitute a waiver of the sovereign
10 immunity of either the Tribe or the State in respect to any such
11 third party.

12 (b) In the event of intervention by any additional party
13 into any such action without the consent of the Tribe and the State,
14 the waivers of either the Tribe or the State provided for herein may
15 be revoked, unless joinder is required to preserve the court's
16 jurisdiction, provided that nothing herein shall be construed to
17 constitute a waiver of the sovereign immunity of either the Tribe or
18 the State in respect to any such third party.

19 (c) The waivers and consents provided for under this section
20 shall extend to civil actions authorized by this gaming agreement,
21 such as actions to compel arbitration, any arbitration proceeding
22 herein, any action to confirm or enforce any judgment or
23 arbitration award as provided herein, and any appellate proceedings
24 emanating from a matter in which an immunity waiver has been
25 granted. Except as stated herein or elsewhere in this gaming
26 agreement, no other waivers or consents to be sued, either express
27 or implied, are granted by either party.

1 (d) The State only waives sovereign immunity to the extent
2 authorized by Section 466.601, Texas Government Code.

3 SECTION 16.0. CONSTRUCTION OF GAMING AGREEMENT; FEDERAL
4 APPROVAL.

5 Sec. 16.1. Each provision, section, and subsection of this
6 gaming agreement shall stand separate and independent of every
7 other provision, section, or subsection. In the event that a
8 federal district court or a state court of competent jurisdiction
9 as provided in this agreement shall find any provision, section, or
10 subsection of this gaming agreement to be invalid, the remaining
11 provisions, sections, and subsections of this gaming agreement
12 shall remain in full force and effect, unless the invalidated
13 provision, section, or subsection is material. It is a material
14 provision of this gaming agreement that Class III gaming be limited
15 to that expressly authorized under this gaming agreement, and
16 Subchapter K, Chapter 466, Texas Government Code. If any final and
17 nonappealable judicial determination authorizes or requires the
18 State to authorize that any Class III gaming be operated by the
19 Tribe other than video lottery terminals connected to the video
20 lottery system or to a government operated video lottery system
21 structured identically to that expressly authorized under
22 Subchapter K, Chapter 466, Texas Government Code, if so required by
23 federal law, then this gaming agreement shall be null and void for
24 all purposes.

25 Sec. 16.2. Each party hereto agrees to defend the validity
26 of this gaming agreement and the legislation in which it is
27 embodied.

1 Sec. 16.3. The parties shall cooperate in seeking approval
2 of this gaming agreement from an appropriate federal agency if so
3 required by federal law.

4 SECTION 17.0. NOTICES.

5 All notices required under this gaming agreement shall be
6 given by certified mail, return receipt requested, commercial
7 overnight courier service, or personal delivery, to the following
8 persons:

9 Governor

10 Chair, State-Tribal Relations Committee

11 Attorney General

12 [Principal Chief, Governor or Chair]

13 [Name of Tribe]

14 [Address]

15 With copies to: _____

16 SECTION 18.0. DURATION, NEGOTIATION, AND TERMINATION.

17 Sec. 18.1. This gaming agreement shall become effective on
18 the last date of the satisfaction of the following requirements:

19 (a) due execution on behalf of the Tribe, including
20 obtaining all tribal resolutions and completing other tribal
21 procedures as may be necessary to render the Tribe's execution
22 effective including a final and nonappealable decision of a tribal
23 court of competent jurisdiction that the Tribe's execution of this
24 gaming agreement is effective and that all parts and provisions of
25 the gaming agreement are enforceable by and against the Tribe as set
26 forth herein;

27 (b) any federal regulatory approval required under federal

1 law and, if so required, publication in the Federal Register or
2 satisfaction of any other requirement of federal law; and

3 (c) payment of the Start-up Assessment provided for in
4 Section 14.2 of this gaming agreement.

5 Sec. 18.2. This gaming agreement shall have an initial term
6 of 10 years from the effective date, renewable for an additional 10
7 years; provided that the Tribe and the State, acting through its
8 Governor, may renegotiate the terms of this gaming agreement after
9 the initial term. The Tribe's noncompliance with any operational,
10 reporting, or other requirements under this gaming agreement shall
11 justify termination of operation of video lottery terminals on the
12 Tribe's Indian lands. The Tribe shall be entitled to notice and a
13 hearing on the compliance issue as set forth under Chapter 466,
14 Texas Government Code, and accompanying rules of the Texas
15 regulatory commission. If the Tribe does not remedy the
16 noncompliance issue within 180 days of the termination or 60 days
17 after a final decision of the commission that the Tribe is out of
18 compliance, then this gaming agreement shall terminate without
19 penalty against the commission or the State.

20 Sec. 18.3. This gaming agreement shall remain in full force
21 and effect until the sooner of expiration of the term, termination
22 as provided herein, or termination by mutual consent of the
23 parties. In addition to the remedies set forth above, either party
24 may bring an action in federal court, after providing a 60-day
25 written notice of an opportunity to cure any alleged breach of this
26 gaming agreement, for a declaration that the other party has
27 materially breached this gaming agreement. On issuance of such a

1 declaration, the complaining party may unilaterally terminate this
2 gaming agreement on service of written notice on the other party.
3 In the event a federal court determines that it lacks jurisdiction
4 over such an action, the action may be brought in the district court
5 for the county in which the Tribe's video lottery terminal
6 establishment is located. The parties expressly waive their
7 immunity to suit for purposes of an action under this subsection,
8 subject to the qualifications stated herein. Nothing in this
9 provision shall be construed to limit other remedies available to
10 and contract penalties enforceable by the Texas regulatory
11 commission, as expressly provided herein, in the event of the
12 Tribe's material breach. The Tribe and the State recognize and
13 agree that the narrow and enumerated provisions for such immediate
14 remedies and enforcement by the State are necessary to protect the
15 public health, safety, and welfare and the integrity of the video
16 lottery.

17 SECTION 19.0. AMENDMENTS; RENEGOTIATIONS.

18 Sec. 19.1. The terms and conditions of this gaming
19 agreement may be amended at any time by the mutual and written
20 agreement of both parties.

21 Sec. 19.2. This gaming agreement is subject to
22 renegotiation in the event the Tribe wishes to engage in forms of
23 Class III gaming other than those games authorized herein and
24 requests renegotiation for that purpose, provided that no such
25 renegotiation may be sought for 24 months following the effective
26 date of this gaming agreement.

27 SECTION 20.0. AUTHORITY TO EXECUTE.

1 This gaming agreement, as an enactment of the State
2 Legislature, is deemed approved by the State. On valid execution by
3 the Tribe and the Governor of the State, no further action by the
4 State or any state official is necessary for this gaming agreement
5 to take effect on any necessary approval by any federal agency as
6 required by applicable federal law, including publication in the
7 Federal Register, if required. The undersigned tribal official or
8 officials represent that the official or officials are duly
9 authorized and have the authority to execute this gaming agreement
10 on behalf of the Tribe for whom the official or officials are
11 signing.

12 APPROVED:

13 [Name of Tribe]

14 _____ Date:_____

15 [CHIEF EXECUTIVE OFFICER]

16 State of Texas

17 _____ Date:_____

18 Governor of Texas

19 Sec. 466.605. NEGOTIATION FOR DIFFERENT GAMING AGREEMENT
20 TERMS. (a) Nothing in this subchapter may be construed to limit
21 the ability of a federally recognized Indian tribe to request that a
22 gaming agreement be negotiated with this state on terms that are
23 different from those set forth in the gaming agreement under
24 Section 466.604, or the ability of this state to engage in
25 negotiations and to reach agreement under any applicable federal
26 law.

27 (b) In offering to enter into a gaming agreement with Indian

1 tribes in this state under Section 466.604(b), and, except for
2 assessments by this state as provided in that section of the amounts
3 necessary to defray state costs of regulating activities as
4 provided under the gaming agreement, nothing in this chapter may be
5 construed to mean that:

6 (1) this state is imposing any tax, fee, charge, or
7 other assessment on an Indian tribe or on any other person or entity
8 authorized by an Indian tribe as a condition to engaging in a Class
9 III activity; or

10 (2) this state is refusing to enter into gaming
11 agreement negotiations based on the lack of authority of this state
12 or a political subdivision of this state to impose the tax, fee,
13 charge, or other assessment.

14 (c) If any federally recognized tribe with jurisdiction
15 over Indian lands in this state requests that the governor enter
16 into negotiations for a gaming agreement under federal law
17 applicable to the tribe, including the Indian Gaming Regulatory Act
18 (18 U.S.C. Section 1166 and 25 U.S.C. Section 2701 et seq.), on
19 terms different than those prescribed in the gaming agreement in
20 Section 466.604(b), the governor shall enter into those
21 negotiations under the federal law applicable to the tribe and
22 without preconditions and is authorized to reach agreement and
23 execute the agreement on behalf of this state, provided that the
24 gaming agreement does not expand the scope of gaming expressly
25 authorized under this chapter and entitles the tribe only to
26 operate video lottery terminals in strict compliance with state
27 law, unless otherwise required by applicable federal law, and

1 provided that the gaming agreement includes the following
2 provisions:

3 (1) a provision prescribing that the tribe is
4 authorized and allowed to engage only in the Class III gaming
5 activities expressly referred to in the gaming agreement or
6 authorized under Texas law and may not engage in Class III gaming
7 that is not expressly authorized in the gaming agreement or under
8 Texas law;

9 (2) a provision prescribing that any operation or
10 possession by the tribe of any gaming devices not expressly
11 authorized under the gaming agreement or other Texas law, excluding
12 any Class II gaming authorized under applicable federal law, shall
13 be considered a material breach of the gaming agreement and justify
14 termination of the agreement and this state may bring an action in
15 federal court or, in the event the federal court declines
16 jurisdiction, in state court and shall be entitled to an injunction
17 prohibiting the continued operation of any unlawful gaming activity
18 on the tribal lands on a showing by a preponderance of evidence that
19 the breach has occurred;

20 (3) a provision waiving state and tribal sovereign
21 immunity for purposes of operation of video lottery terminals and
22 enforcement of the gaming agreement, provided that this state may
23 not waive sovereign immunity except to the extent expressly
24 permitted under Section 466.601;

25 (4) a provision establishing minimum internal control
26 standards at least as restrictive as those provided under this
27 subchapter and any standards set forth under applicable federal

1 law;

2 (5) a provision requiring any video lottery manager
3 doing business on Indian lands to indemnify and hold harmless the
4 commission, this state, and the members, officers, employees, and
5 authorized agents of the commission and this state from any and all
6 claims which may be asserted against a license or certificate
7 holder, the commission, this state, or the employees arising from
8 the license or certificate holder's participation in the video
9 lottery system authorized under the gaming agreement;

10 (6) a provision requiring the tribe to pay all
11 regulatory costs incurred by this state in relation to the
12 operation of video lottery terminals on the Indian lands of the
13 tribe to assure compliance with all federal and state law and all
14 provisions of the agreement;

15 (7) a provision recognizing the substantial benefit of
16 the exclusivity or other substantial benefits afforded to the tribe
17 under the agreement and providing for the sharing of net terminal
18 revenue between the tribe and this state as payment for the
19 exclusivity or other substantial benefit;

20 (8) a provision establishing investigative and
21 licensing standards at least as restrictive as those provided under
22 this subchapter and under any applicable federal law;

23 (9) a provision requiring video lottery terminals and
24 facilities operating the video lottery terminals authorized under
25 the gaming agreement to be owned by the tribe;

26 (10) a provision requiring the video lottery games
27 authorized by the gaming agreement to be licensed by the tribe in

1 conformity with the requirements of the agreement, the Tribal
2 Gaming Ordinance, and any applicable federal law every five years
3 and the tribe shall review and renew the license, if appropriate,
4 and provide to the commission verification that this requirement
5 has been satisfied;

6 (11) a provision requiring the licensing of all video
7 lottery employees and any person extending financing, directly or
8 indirectly, to the tribe's video lottery operation before extending
9 that financing, provided that any person who is extending financing
10 at the time of the execution of the agreement must be licensed by
11 the tribe not later than the 90th day after the date of execution,
12 and the provision may allow the tribe, in its discretion, to exclude
13 from the licensing requirements of this section financing provided
14 by:

15 (A) a federally regulated or state-regulated
16 bank, savings and loan, or other federally or state-regulated
17 lending institution;

18 (B) any federal, state, or local government
19 agency; or

20 (C) any investor who, alone or in conjunction
21 with others, holds less than 10 percent of any outstanding
22 indebtedness evidenced by bonds issued by the tribe;

23 (12) a provision allowing the commission, under the
24 provisions of the gaming agreement, to monitor the conduct of video
25 lottery games to ensure that the video lottery games are conducted
26 in compliance with the provisions of the agreement, and granting
27 the Department of Public Safety and agents of the commission

1 reasonable access to all areas of the facility related to the
2 conduct of video lottery games in order to properly monitor the
3 conduct of video lottery games;

4 (13) a provision specifying jurisdiction of tribal,
5 state, and federal courts with regard to matters arising from the
6 gaming agreement or the operation of video lottery terminals, or
7 both, as authorized by the agreement and consistent with Section
8 466.601;

9 (14) a provision requiring the tribe to adopt and
10 comply with standards at least as stringent as state public health
11 standards for food and beverage handling at any facilities where
12 video lottery terminals are operated;

13 (15) a provision requiring the tribe to adopt and
14 comply with standards at least as stringent as federal water
15 quality and safe drinking water standards applicable in this state
16 at any facilities where video lottery terminals are operated, and
17 requiring the tribe to allow for inspection and testing of water
18 quality by state or county health inspectors, as applicable, during
19 normal hours of operation, to assess compliance with these
20 standards, unless inspections and testing are made by an agency of
21 the United States pursuant to or by the tribe under express
22 authorization of federal law to ensure compliance with federal
23 water quality and safe drinking water standards;

24 (16) a provision requiring the tribe to carry at least
25 \$5 million in public liability insurance for patron claims and
26 providing reasonable assurance that the claims will be promptly and
27 fairly adjudicated and that legitimate claims will be paid;

1 (17) a provision requiring the tribe to adopt and
2 comply with standards at least as stringent as federal workplace
3 and occupational health and safety standards for any facilities
4 where video lottery terminals are operated, and requiring the tribe
5 to allow for inspection of the workplaces by state inspectors
6 during normal hours of operation to assess compliance with these
7 standards, unless inspections are regularly made by an agency of
8 the United States government to ensure compliance with federal
9 workplace and occupational health and safety standards;

10 (18) a provision requiring the tribe to adopt and
11 comply with standards at least as stringent as federal laws and
12 state laws forbidding employers generally from discriminating in
13 the employment of persons to work for the facility operating video
14 lottery terminals on the basis of race, color, religion, national
15 origin, gender, sexual orientation, age, or disability, provided
16 that nothing in the provision precludes the tribe from giving a
17 preference in employment to tribe members, pursuant to a duly
18 adopted tribal ordinance;

19 (19) a provision requiring the tribe to adopt and
20 comply with standards that are at least as stringent as state laws
21 prohibiting the use of proceeds of a check issued as a payment under
22 the financial assistance program under Chapter 31, Human Resources
23 Code, or a food stamp coupon issued under the food stamp program
24 administered under Chapter 33, Human Resources Code, for gaming or
25 other wagering;

26 (20) a provision requiring the tribe to adopt and
27 comply with standards at least as stringent as state laws governing

1 the extension of credit to, the cashing of checks for, and other
2 financial transactions with patrons calculated to protect players
3 from problem and compulsive gambling;

4 (21) a provision requiring the tribe to participate in
5 state statutory programs related to employment in video lottery
6 terminal operations or instead of participation in this state
7 workers' compensation system, allowing the tribe to create and
8 maintain a system that provides redress for employee work-related
9 injuries through requiring insurance or self-insurance that
10 includes a scope of coverage, availability of an independent
11 medical examination, right to notice, hearings before an
12 independent tribunal, a means of enforcement against the employer,
13 and benefits comparable to those mandated for comparable employees
14 under state law;

15 (22) a provision requiring the tribe to make
16 reasonable provisions for adequate emergency fire, medical, and
17 related relief and disaster services for patrons and employees of
18 the video lottery terminal operations;

19 (23) a provision:

20 (A) requiring the tribe to prohibit the
21 intentional, knowing, or reckless possession of a firearm, illegal
22 knife, club, explosive weapon, machine gun, firearm silencer,
23 knuckles, armor-piercing ammunition, a chemical dispensing device,
24 or a zip gun, as those terms are defined in Section 46.01, Penal
25 Code, at all times in the video lottery terminal establishment;

26 (B) requiring the defenses that apply to the
27 possession of weapons on the premises of a racetrack under Section

1 46.03, Penal Code, to apply to possession of the weapons in a video
2 lottery terminal establishment; and

3 (C) requiring tribal security or tribal law
4 enforcement personnel to be allowed to possess firearms and clubs
5 at a video lottery terminal establishment as authorized by tribal
6 law;

7 (24) a provision requiring the tribe to agree that on
8 or before the effective date of the agreement, or not less than 90
9 days before the commencement of any project constructed to serve as
10 the site of video lottery terminals, the tribe shall adopt an
11 ordinance providing for the preparation, circulation, and
12 consideration by the tribe of environmental impact reports
13 concerning potential off-reservation environmental impacts of the
14 construction to be commenced on or after the effective date of the
15 agreement;

16 (25) a provision requiring the tribe to agree to
17 establish separate electronic funds transfer accounts for the
18 purposes of depositing money from video lottery terminal
19 operations, making payments to the commission, and receiving
20 payments from the commission, which must prohibit the tribe from
21 making payments to the commission in cash, but as authorized by the
22 commission may allow a tribe to make payments to the commission by
23 cashier's check;

24 (26) a provision requiring the tribe to adopt and
25 comply with the Bank Secrecy Act (31 U.S.C. Sections 5311-5314), as
26 amended, and all reporting requirements of the Internal Revenue
27 Service, insofar as the provisions and reporting requirements are

1 applicable to gaming facilities; and

2 (27) a provision requiring the tribe to collect and
3 remit to the comptroller state sales and use taxes and state taxes
4 on motor fuels, alcoholic beverages, cigarettes and tobacco
5 products, and hotel occupancy generated at a video lottery terminal
6 establishment, other than on an item sold to or used or consumed by
7 a tribe member.

8 (d) The legislature finds that, in any proceeding described
9 by Subsection (c)(2), irreparable injury and inadequate remedy at
10 law shall be presumed once this state has demonstrated that the
11 violation has occurred. If this state does not seek an injunction
12 for such a material breach of the gaming agreement, the tribe agrees
13 to pay a contract penalty of \$10,000 per day for every day the
14 violation or breach continues. If the violation or breach is not
15 cured within 10 days, this state may bring an action to enjoin the
16 unlawful conduct.

17 Sec. 466.606. IMPLEMENTATION OF GAMING AGREEMENT. The
18 governor shall execute any documents necessary to implement a
19 gaming agreement authorized under this subchapter.

20 Sec. 466.607. INCORPORATION INTO STATE LAW. The model
21 gaming agreement set out in Section 466.604(b) is hereby
22 incorporated into state law, and the operation of video lottery
23 terminals authorized under the agreement is expressly authorized as
24 a matter of state law for any Indian tribe entering into the gaming
25 agreement in accordance with this subchapter.

26 Sec. 466.608. REGULATORY MONEY RECEIVED UNDER GAMING
27 AGREEMENT. All money received by the commission under a gaming

1 agreement for regulatory costs incurred relative to tribal
2 operations of video lottery terminals shall be deposited to the
3 credit of the state video lottery account to defray expenses of the
4 commission incurred in the oversight, compliance with, and
5 enforcement of video lottery terminal operations conducted
6 pursuant to a gaming agreement.

7 SECTION 29. Section 467.001, Government Code, is amended by
8 amending Subdivision (9) and adding Subdivision (12) to read as
9 follows:

10 (9) "Person that has a significant financial interest
11 in the lottery" means:

12 (A) a person or a board member, officer, trustee,
13 or general partner of a person that manufactures, distributes,
14 sells, or produces lottery equipment, video lottery equipment,
15 video lottery games, video lottery central systems, supplies,
16 services, or advertising;

17 (B) an employee of a video lottery terminal
18 provider, video lottery central system provider, or person that
19 manufactures, distributes, sells, or produces lottery equipment,
20 supplies, services, or advertising or video lottery equipment or
21 games and that employee is directly involved in the manufacturing,
22 distribution, selling, or production of lottery equipment,
23 supplies, services, or advertising or video lottery equipment or
24 games;

25 (C) a person or a board member, officer, trustee,
26 or general partner of a person that has made a bid to operate the
27 lottery in the preceding two years or that intends to make a bid to

1 operate the lottery or an employee of the person if the employee is
2 directly involved in making the bid; or

3 (D) a sales agent, video lottery retailer, video
4 lottery manager, video lottery terminal provider, or video lottery
5 central system provider.

6 (12) "Video lottery central system," "video lottery
7 equipment," "video lottery game," "video lottery manager," "video
8 lottery retailer," and "video lottery terminal provider" have the
9 meanings assigned by Section 466.002.

10 SECTION 30. Section 467.031, Government Code, is amended to
11 read as follows:

12 Sec. 467.031. DIVISIONS; DIRECTOR; CONTRACT. The
13 commission shall establish separate divisions to oversee bingo and
14 the state lottery. The commission shall employ a director to
15 oversee video lottery and shall enter into an intra-agency
16 agreement with the Texas Racing Commission for the Texas Racing
17 Commission to be responsible for performing the inspections and
18 regulatory functions specified in the agreement at racetracks on
19 behalf of the Texas Lottery Commission.

20 SECTION 31. Section 467.035(a), Government Code, is amended
21 to read as follows:

22 (a) The commission may not employ or continue to employ a
23 person who owns a financial interest in:

24 (1) a bingo commercial lessor, bingo distributor, or
25 bingo manufacturer; or

26 (2) a lottery sales agency, ~~or~~ a lottery operator, a
27 video lottery retailer, a video lottery manager, a video lottery

1 terminal provider, a video lottery central system provider, or a
2 manufacturer of video lottery games.

3 SECTION 32. Section 467.108, Government Code, is amended to
4 read as follows:

5 Sec. 467.108. REPRESENTATION BY FORMER OFFICER OR
6 EMPLOYEE. (a) A former commission member, former executive
7 director, or former director may not:

8 (1) [~~for compensation,~~] represent a person, either
9 with or without compensation, [~~that has made or intends to make a~~
10 ~~bid to operate the lottery~~] before the commission before the fifth
11 [~~second~~] anniversary of the date that the person's service in
12 office or employment with the commission ceases;

13 (2) represent any person or receive compensation for
14 services rendered on behalf of any person regarding a particular
15 matter in which the former officer or employee participated during
16 the period of service or employment with the commission, either
17 through personal involvement or because the matter was within the
18 scope of the officer's or employee's official responsibility; or

19 (3) [~~for compensation~~] communicate on behalf of any
20 person, whether compensated or not compensated, directly with a
21 member of the legislative branch to influence legislation on behalf
22 of a person that has any [~~a significant financial~~] interest in the
23 lottery, before the fifth [~~second~~] anniversary of the date that the
24 person's service in office or employment with the commission
25 ceases.

26 (b) A person commits an offense if the person violates this
27 section. An offense under this section is a felony of the third

1 degree [~~Class A misdemeanor~~].

2 SECTION 33. Section 411.108, Government Code, is amended by
3 adding Subsection (d) to read as follows:

4 (d) The Texas Lottery Commission may obtain from the
5 department, subject to an interagency agreement entered into under
6 Section 466.020(d) or 466.206, criminal history record information
7 maintained by the department that relates to any natural person,
8 corporation, association, trust, partnership, limited partnership,
9 joint venture, government, subsidiary, or other entity, regardless
10 of its form, structure, or nature that the commission has the
11 authority to investigate under Chapter 466 as related to the
12 commission's operation and oversight of video lottery. Criminal
13 history record information obtained by the commission under this
14 subsection may be released or disclosed only as provided in
15 Sections 466.022(d) and 466.206.

16 SECTION 34. Section 47.01(4), Penal Code, is amended to
17 read as follows:

18 (4) "Gambling device" means any electronic,
19 electromechanical, or mechanical contrivance not excluded under
20 Paragraph (B) that for a consideration affords the player an
21 opportunity to obtain anything of value, the award of which is
22 determined solely or partially by chance, even though accompanied
23 by some skill, whether or not the prize is automatically paid by the
24 contrivance. The term:

25 (A) includes, but is not limited to, gambling
26 device versions of bingo, keno, blackjack, lottery, roulette, video
27 poker, slot machines, or similar electronic, electromechanical, or

1 mechanical games, or facsimiles thereof, that operate by chance or
2 partially so, that as a result of the play or operation of the game
3 award credits or free games, and that record the number of free
4 games or credits so awarded and the cancellation or removal of the
5 free games or credits; and

6 (B) does not include any electronic,
7 electromechanical, or mechanical contrivance designed, made, and
8 adapted solely for bona fide amusement purposes if:

9 (i) the contrivance rewards the player
10 exclusively with noncash merchandise prizes, toys, or novelties, or
11 a representation of value redeemable for those items, that have a
12 wholesale value available from a single play of the game or device
13 of not more than 10 times the amount charged to play the game or
14 device once or \$5, whichever is less;

15 (ii) any merchandise or a representation of
16 value received by a player may be exchanged only at the same
17 business and business location at which the contrivance operated by
18 the player is located and may not be exchanged for a gift
19 certificate or similar conveyance that is redeemable at another
20 business or business location; and

21 (iii) the contrivance or device does not
22 resemble a slot machine or any other casino game.

23 SECTION 35. Section 47.06(e), Penal Code, is amended to
24 read as follows:

25 (e) An offense under this section is a felony of the third
26 degree [~~Class A misdemeanor~~].

27 SECTION 36. Section 47.09, Penal Code, is amended by adding

1 Subsection (c) to read as follows:

2 (c) Subsection (a)(3) applies to a person manufacturing,
3 distributing, possessing, or operating a gambling device with the
4 authorization of the Texas Lottery Commission under Subchapter K,
5 Chapter 466, Government Code.

6 SECTION 37. Chapter 47, Penal Code, is amended by adding
7 Section 47.095 to read as follows:

8 Sec. 47.095. INTERSTATE OR FOREIGN COMMERCE DEFENSE. It is
9 a defense to prosecution under this chapter that a person sells,
10 leases, transports, possesses, stores, or manufactures a gambling
11 device with the authorization of the Texas Lottery Commission under
12 Subchapter K, Chapter 466, Government Code, for transportation in
13 interstate or foreign commerce.

14 SECTION 38. (a) As soon as practicable after the
15 constitutional amendment to authorize video lottery games by
16 licensed racetrack operators and certain Indian tribes proposed by
17 the 80th Legislature, Regular Session, 2007, is approved by the
18 voters and becomes effective, the Texas Lottery Commission and the
19 Texas Racing Commission shall adopt the rules necessary to
20 implement video lottery in accordance with Subchapter K, Chapter
21 466, Government Code, as added by this Act.

22 (b) Before the proposed constitutional amendment is
23 submitted to the voters, the Texas Lottery Commission may expend
24 money from the commission's appropriation for the 2008-2009 state
25 fiscal biennium for purposes of conducting pre-implementation
26 activities to establish the state video lottery system in
27 accordance with Subchapter K, Chapter 466, Government Code, as

1 added by this Act. Notwithstanding Section 466.355, Government
2 Code, the money authorized to be expended under this section may be
3 withdrawn from the state lottery account and considered a part of
4 the transfer of funds from the state lottery account authorized
5 under Section 466.589, Government Code, as added by this Act, to
6 fund the establishment of the state video lottery system.

7 SECTION 39. The change in law made by this Act applies only
8 to an offense committed on or after the effective date of this Act.
9 An offense committed before the effective date of this Act is
10 covered by the law in effect when the offense was committed, and the
11 former law is continued in effect for that purpose. For purposes of
12 this section, an offense was committed before the effective date of
13 this Act if any element of the offense was committed before that
14 date.

15 SECTION 40. Sections 1 through 37 and 39 of this Act take
16 effect on the date the amendment to Section 47, Article III, Texas
17 Constitution, authorizing the operation of video lottery games by
18 licensed racetrack operators and certain Indian tribes proposed by
19 the 80th Legislature, Regular Session, 2007, becomes effective.
20 Section 38 of this Act and this section take effect immediately if
21 this Act receives a vote of two-thirds of all the members elected to
22 each house, as provided by Section 39, Article III, Texas
23 Constitution. If this Act does not receive the vote necessary for
24 immediate effect, Section 38 of this Act and this section take
25 effect September 1, 2007.