



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

AUG - 7 1996

Honorable Mark Mercier
Chairman, The Confederated Tribes
of the Grand Ronde Community of Oregon
9615 Grand Ronde Road
Grand Ronde, Oregon 97347

Dear Chairman Mercier:

On June 24, 1996, we received Amendment III to the Gaming Compact (Amendment) Between the Confederated Tribes of the Grand Ronde Community of Oregon (Tribe) and the State of Oregon (State), dated June 17, 1996. We have completed our review of the Amendment and conclude that it does not violate the Indian Gaming Regulatory Act (IGRA), Federal law, or our trust responsibility. Therefore, pursuant to Section 11(d)(8)(A) of the IGRA, 25 U.S.C. § 2710(d)(8)(A) and delegated authority in 209 DM 8.1, we approve the Amendment. The Amendment shall take effect when notice of our approval, pursuant to Section 11(d)(3)(B) of the IGRA, 25 U.S.C. § 2710(d)(3)(B), is published in the FEDERAL REGISTER.

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

Sincerely,

Ada E. Deer
Assistant Secretary - Indian Affairs

Enclosure

Identical Letter Sent to: Honorable John Kitzhaber
Governor of Oregon
254 State Capitol
Salem, Oregon 97310

**TRIBAL-STATE COMPACT FOR REGULATION OF
CLASS III GAMING BETWEEN THE CONFEDERATED TRIBES OF
THE GRAND RONDE COMMUNITY OF OREGON AND
THE STATE OF OREGON**

AMENDMENT III

This amendment is made to the Class III Gaming Compact between the Confederated Tribes of the Grand Ronde Community of Oregon and the State of Oregon executed on August 21, 1993, and approved by the Secretary of the Interior on June 17, 1994. The terms of this amendment are in addition to and, except as specifically provided herein, do not supersede any of the provisions of the original Compact, or Amendments I or II thereto.

WHEREAS, the Tribe wishes to extend the terms of Amendment II to the Compact which provides for regulation of house banked blackjack at the gaming facility, and

WHEREAS, the State is presently engaged in a review of its public policy concerning gaming, including the creation of the Governor's Task Force on Gaming, and the State has asked that the extension of house banked blackjack be of a limited duration to allow the task force and the Governor to complete that review, and the Tribe has agreed, and

WHEREAS, the State agrees that the circumstances, and in particular, the Tribe's cooperation in the conduct of a comprehensive compact compliance review by the Oregon State Police, and the Tribe's continuing cooperation with the State in assuring the honesty, integrity and security of the gaming operation and the Tribe's commitment to a close working relationship with the Oregon State Police justify this Amendment,

NOW THEREFORE, the Tribe and the State hereby approve the following amendments to the Compact:

- I. Paragraph VIII of Amendment II to the Compact, is amended as follows:
 - VIII. ~~[Paragraph VI of this amendment expires on June 30, 1996]~~ The provisions of subsection E of Section 4 of this Compact, as amended by this Amendment III, expire on December 30, 1997. Unless an extension of ~~[this amendment or a permanent amendment]~~ the operation

of subsection E of Section 4 of this Compact or a permanent provision governing the operation of house banked blackjack has been negotiated and executed before the expiration of ~~[this amendment]~~ subsection E of Section 4 of this Compact, the Tribe agrees to terminate blackjack games at the gaming facility until a new agreement has been negotiated and executed. In the event that a compact amendment is under negotiation the Tribe may replace blackjack tables with video lottery terminals at the ratio of eight terminals per blackjack table.

II. Paragraph 3 of Subsection E of Section 4 of the Compact (added by Amendment II) is amended to read:

3. The Tribe shall establish an initial wager limit of ~~[\$50]~~ \$100 per hand except that the Tribe may offer a maximum ~~[\$100]~~ \$500 wager limit on ~~[two]~~ six tables. After a period of ninety days of operation of house banked blackjack in full compliance with the requirements of this subsection, the Tribe may request that additional tables at the maximum wager of ~~[\$100]~~ \$500 be authorized. After any period of six months of operation of house banked blackjack in full compliance with the requirements of this subsection, the Tribe may request a change in the initial wager limit. The State may refuse to agree to an increase in the initial wager limit if there have been any significant problems with the conduct of house banked blackjack due to noncompliance with the internal controls, the rules of operation of the game or with the terms of this subsection. The amount of any increase in the wager limit must be agreed to by both the State and the Tribe.

III. Paragraph 4 of Subsection E of Section 4 of the Compact (added by Amendment II) is amended to read:

4. The Tribe may operate a maximum of ~~[twenty]~~ thirty-five tables of house banked blackjack at the gaming facility during the term of this agreement. The Tribe also agrees that during the term of this amendment, and so long as the Tribe is operating thirty-five blackjack tables, the Tribe will not increase the number of video lottery terminals beyond ~~[the 700 currently authorized for use at the gaming facility]~~ 905. The Tribe may increase the number of video lottery terminals by decreasing the number of blackjack tables on the gaming floor and vice versa, up to the maximum number of tables specified in

this paragraph. An increase of eight video lottery terminals is permitted for each decrease of one blackjack table.

IV. The Tribe and the State have agreed that the State shall conduct a comprehensive compact compliance review of the tribal gaming operation to be completed no later than October 1, 1996. **The comprehensive compliance review called for in this paragraph was completed on May 31, 1996.**

V. The following new paragraph 7 is added to subsection E of Section 4 of the Compact :

7. Principles Governing Gaming Operations Decisions

- a. The Tribe and the State agree that maintaining the honesty, integrity, fairness and security of the Tribe's gaming operation is essential both to the success of the enterprise, and to satisfy the interests of the State and of the Tribe. The Tribe and the State agree that both of them have the responsibility to protect the citizens of this State who patronize the Tribe's gaming facility from any breach of security of the gaming operation. Accordingly, all decisions by the Tribe, the Tribal Gaming Commission and the management of the gaming operation, concerning regulation and operation of the Gaming Facility, including those decisions expressly placed within the Tribe's discretion under the terms of this Compact, shall be consistent with each of the following principles:
- (1) Any and all decisions concerning regulation and operation of the Tribal gaming enterprise, whether made by the Tribe, the Tribal Gaming Commission or the management of the gaming operation, shall reflect the particularly sensitive nature of a gaming operation.
 - (2) In order to maintain the honesty, integrity, fairness and security of the Tribe's gaming operation, the Tribe, the Tribal Gaming Commission and the management of the gaming operation shall work diligently and take all reasonably necessary affirmative steps to prevent cheating and theft, and to protect the gaming operations from the influence or control by any form of criminal activity or organization.

- (3) The honesty, integrity, fairness and security of the Tribe's gaming operation shall be of paramount consideration in awarding contracts, licensing and hiring employees, and in making other business decisions concerning the operation of the gaming enterprise. The Tribe, the Tribal Gaming Commission and the management of the gaming operation shall make no decisions that compromise the honesty, integrity, fairness or security of the gaming operation.
 - (4) Regulation and operation of the Tribe's gaming activities shall be, at a minimum, consistent with generally accepted industry standards and practices, in order to maintain the honesty, integrity, fairness and security of the Tribe's gaming operation.
- b. Procedure for Resolving Disputes Concerning Operational Decisions.
- (1) If the State, in good faith, believes that any decision by the Tribe relating to the employment or licensing of any employee, awarding of any contract or operation of the gaming enterprise is inconsistent with the principles set forth in subsection A of this section, or any other requirement of this section, the State may give written notice to the Tribe. The written notice shall describe the factual basis for the State's concern.
 - (2) The parties shall meet and confer within 15 days after the Tribe receive the notice.
 - (3)
 - (a) If the State's concern is not resolved informally, either party may initiate non-binding arbitration within 45 days after the service of the written notice.
 - (b) An arbitrator shall be selected in the following manner:
 - (i) The parties shall obtain a list of qualified arbitrators from U.S. Arbitration and Mediation of Oregon, or any other arbitration panel agreed to by the parties.

- (ii) Each party, in turn, shall strike one name from the list, until one name remains. The parties shall draw lots to determine which party makes the first strike.
 - (c) Upon agreement by both parties, the arbitration proceeding shall be binding.
 - (d) The parties shall divide the cost of the arbitration proceeding equally between them.
- (4) Upon conclusion of the arbitration proceeding, if the parties have not elected to be bound by that result, either party may initiate an action in the United States District Court for the District of Oregon as provided in section 16 of this Compact.
- (5) Expedited Procedure.
- (a) If the State, in good faith, believes that there is an immediate threat to the honesty, integrity, fairness and security of the Tribal gaming operations, and believes that substantial harm will result during the time that would pass if the procedure established in paragraphs 1 to 3 of this subsection is followed, the State may give written notice to the Tribal Gaming Commission. The written notice shall describe the factual basis for the State's concern. The written notice shall describe the specific action the State believes is necessary to prevent substantial harm from occurring. The Tribe agrees that the Tribal Gaming Commission shall act according to the State's recommendation, unless the commission determines that acting according to the State's recommendation would adversely affect the honesty, integrity, fairness and security of the Tribal gaming operation. Nothing in this subparagraph shall preclude the Tribe from invoking the dispute resolution procedures provided in this Compact after the commission implements the State's recommendation.

- (b) The parties shall confer within 5 days after the Tribe receives the notice.
- (c) If the State's concern is not resolved informally within ten days after the Tribe receives the notice, the state may initiate an action in the United States District Court for the District of Oregon as provided in section 15 of this Compact.
- (d) An immediate threat to the honesty, integrity, fairness and security of the Tribal gaming operations includes but is not limited to the following examples:
 - (i) A criminal indictment is filed against any contractor, or owner or key employee of a contractor, or against any key employee of the Tribal gaming operation;
 - (ii) A criminal organization or members of a criminal organization have obtained an ownership interest in a contractor, or a member of a criminal organization has become a key employee of a contractor;
 - (iii) A malfunction of gaming equipment hardware or software causes patrons of the Gaming Facility to lose money, and that loss is directly related to the equipment malfunction;
 - (iv) The security of gaming equipment has been impaired by loss, theft, or tampering;
 - (v) The physical safety or security of patrons is seriously at risk;
 - (vi) A continuing pattern of failure by the Tribe, the Tribal Gaming Commission or management of the gaming operation to enforce compliance with the provisions of this Compact, or the regulations and

internal controls governing the gaming operation.

- c. The provisions of this paragraph, shall provide the exclusive method for resolving disputes as to the Tribe's decisions concerning hiring or contracting under section 6 of this Compact, or concerning operation of the Gaming Facility.

VI. Paragraph 1 of Subsection B of Section 8 of the Compact is amended to read:

1. Monitoring. The State is authorized hereby to monitor the Tribal gaming operation as the State considers necessary to ensure that the operation is conducted in compliance with the provisions of this Compact. The State shall have free and unrestricted access to all areas of the Gaming Facility during normal operating hours without giving prior notice to the Tribal gaming operation. The Tribe agrees that the State monitoring function includes at a minimum the activities identified in the Compact, the amendments and the memorandum of understanding entered into pursuant to this Compact, and that the actual, reasonable and necessary cost of monitoring activities shall be assessed to the Tribe as provided in the memorandum of understanding entered into pursuant to this Compact. In addition to the State's regular monitoring functions, the Tribe agrees that the State may conduct the following activities, which shall also be assessed to the Tribe:

- 1) An annual comprehensive compact compliance review, which shall be planned and conducted jointly with the tribal gaming commission, of the gaming operation to verify compliance with the requirements of this Compact and with the regulations and internal controls adopted by the tribal gaming commission, including at a minimum, review in the following areas: administrative controls (gaming management internal controls), gaming operations controls, drop boxes, station inventories, surveillance department controls, cashier cage controls, count room controls (security and surveillance), accounting department controls (security), general controls (Compact regulatory requirements), blackjack controls, VLT controls, accounts payable, employee

identification, gaming chip inventory for gaming floor and cage, physical examination of all class III gaming cards, chips, e-proms, paper stock, printers, keno balls, fill slips, video gaming devices, keno controls, off-track betting and security department controls;

- 2) Periodic review of any part of the gaming operation in order to verify compliance with the requirements of this Compact and with the regulations and internal controls;
- 3) Investigation of possible violations of this Compact or other gaming regulatory matters, whether discovered during the action, review, or inspection by the State during its monitoring activities, or otherwise;
- 4) Investigation of possible criminal law violations that involve the conduct of the gaming operation whether discovered during the action, review, or inspection by the State during its monitoring activities, or otherwise.

VII. Section 4.D. of the Compact is amended to read:

- D. Number of video terminals. The number of Class III video lottery games of chance authorized by this Compact shall not exceed the number of such games that would occupy 15 percent (15%) of the total square footage of the gaming area and related portions of the Gaming Facility under customary industry spacing. The parties acknowledge that the Gaming Facility is a mixed use facility. The parties agree that the size of the Gaming Facility to be devoted to Class III video lottery games of chance is determined by the area of those parts of the facility that are appropriately related to the gaming activities conducted therein (the "gaming area"). The parties also agree that, in combination, the gaming area of the facility and the spacing of video lottery terminals customary in the industry limit the number of video lottery terminals on the gaming floor to no more than ~~[860]~~ 1,185. Subject to other terms of this agreement, the Tribe may determine in its discretion the location and spacing of video lottery terminals within the Gaming Facility.

VIII. Section 7.F. of the Compact is amended to read:

F. ~~[Prohibition of alcohol. No alcohol shall be served in the Gaming Facility.]~~ **Service of Alcohol. No alcohol shall be served in the Gaming Facility unless authorized by the Tribe as permitted by federal law. Currently, the Confederated Tribes of the Grand Ronde Community do not legally permit the sale of alcohol on its Indian lands. If the sale of alcohol is authorized by the Tribe at the Gaming Facility, the Tribe shall notify the State. The Tribe and the State shall enter into a Memorandum of Understanding that will establish which State laws and Oregon Liquor Control Commission licensing regulations shall be applied to the sale or service of alcoholic beverages at the Gaming Facility. Nothing in this subsection shall permit the State to impose taxes on the sale of alcoholic beverages by the Tribe. If alcohol is served in the Gaming Facility, no alcoholic beverages may be served free or at a reduced price to any patron of the Gaming Facility as an inducement to participate in any gaming. No alcohol may be served on the gaming floor while gaming is taking place.**

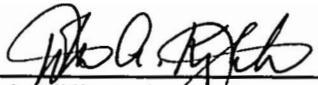
IX. The provisions of paragraphs I, IV, VI, VII and VIII of this Amendment shall take effect at the time and in the manner prescribed in paragraph XI of this Amendment, and shall remain effective as long as the Tribal State Compact remains in effect.

X. The Tribe and the State agree to amend the Memorandum of Understanding executed August 2, 1995, as set forth in Exhibit I to this Amendment.

XI. This amendment is effective as an extension under Paragraph VIII of Amendment II to the Compact upon execution by the State and the Tribe, and submission to the Secretary of the Interior. It is the intent of both the State and the Tribe that this Amendment be fully enforceable as between the parties to it from and after the date it is executed and submitted to the Secretary of the Interior, both as to the Tribe's ability to offer house banked blackjack and the State's and the Tribe's responsibility to implement the regulatory amendments contained herein.

EXECUTED as of the date and year below.

STATE OF OREGON



John Kitzhaber, Governor

Date: 17 June 1996

CONFEDERATED TRIBES OF THE
GRAND RONDE COMMUNITY OF OREGON



Mark A. Mercier, Chair

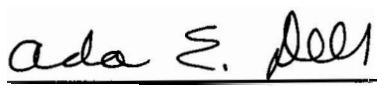
Date: 06-14-96

APPROVED BY THE SECRETARY OF THE INTERIOR

By:

Date:

Consistent with 25 U.S.C.A. Sec. 2710 (d)(8), Amendment III to the Tribal-State Compact for Regulation of Class III Gaming Between the Confederated Tribes of the Grand Ronde Community of Oregon and the State of Oregon is hereby approved on the 7th day of August, 1996, by the Assistant Secretary - Indian Affairs, United States Department of the Interior.



Ada E. Deer
Assistant Secretary - Indian Affairs

**EXHIBIT I
MEMORANDUM OF UNDERSTANDING
PURSUANT TO
THE TRIBAL-STATE COMPACT FOR REGULATION OF
CLASS III GAMING BETWEEN**

THE Confederated Tribes of the Grand Ronde Community of Oregon and the State of Oregon.

1. Subparagraph 2.c. of the Tribal Commitments Section of the Memorandum of Understanding (MOU) executed August 2, 1995, as amended contemporaneously with Amendment II to the Compact, is further amended as follows, effective July 1, 1996:

- 2.c. The Tribe agrees to pay for up to ~~[1225]~~ 2,200 direct service hours for the period beginning on ~~[October 1, 1995, and ending June 30, 1996,]~~ July 1, 1996, and ending June 30, 1997, for the actual, reasonable and necessary costs of the performance of Compact monitoring functions identified in the Compact, the amendments thereto, and the MOU between the Tribe and the State. The Tribe agrees to pay for up to 700 direct service hours for the same period for the performance of one comprehensive compact compliance review. [The Tribe must agree in writing to pay for any additional hours.] If the State determines that more hours are necessary for Compact monitoring functions, the State shall notify the Tribe and the parties agree to meet and negotiate in writing a new limit on direct service hours for monitoring functions. However, if any investigation of criminal law violations, Compact violations or other **gaming** regulatory matters, results from the action, review, or inspection by the Tribal Gaming Unit during its monitoring activities, ~~[and that investigation requires additional hours of direct service beyond the limit stated in this paragraph,]~~ the Tribe agrees to pay the State for the actual, reasonable and necessary expenses incurred in that investigation separately from and without regard to the limit on the number of direct service hours stated in this paragraph. An investigation may be initiated by the Tribal Gaming Unit in its sole discretion. Cost of an investigation of a contractor or management company shall first be billed to the contractor or management company.

2. The Expiration Date provision of the MOU executed August 2, 1995, is amended as follows, effective July 1, 1996:


EXPIRATION DATE

This MOU shall expire [~~one year after the date of its execution~~] June 30, 1997. Thirty (30) days prior to the termination of this MOU, the parties shall meet to renegotiate the terms of the MOU and to address any change in circumstances to which this MOU applies. If the State and the Tribe have not re-negotiated a replacement MOU by the expiration date, this MOU will continue in effect until such time as a new MOU is signed.

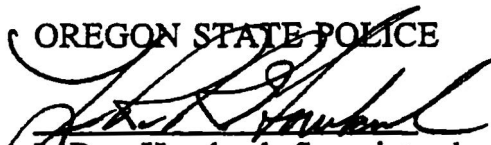
3. The remainder of the MOU executed August 2, 1995, as amended, shall remain in effect until July 1, 1997, unless amended sooner.

ACKNOWLEDGED BY:

CONFEDERATED TRIBES OF THE GRAND RONDE COMMUNITY OF OREGON


Mark A. Mercier, Chair

06-14-96
Date

OREGON STATE POLICE

LeRon Howland, Superintendent

06-25-96
Date