

BASIS AND PURPOSE FOR RULE 9

The purpose of Rule 9 is to establish procedures for the distribution of chips to blackjack, CRAPS AND ROULETTE tables, the removal of chips and coins from blackjack, CRAPS AND ROULETTE tables, and to establish drop and count procedures related to blackjack, CRAPS AND ROULETTE gaming in compliance with section 12-47.1-302 (1) (q). The statutory basis for Rule 9 is found in sections 12-47.1-201, C.R.S., 12-47.1-203, C.R.S., and 12-47.1-302, C.R.S.

RULE 9 MINIMUM PROCEDURES FOR DROP, COUNT, AND DISTRIBUTION OF CHIPS AND COINS FOR BLACKJACK, CRAPS AND ROULETTE

47.1-902 Count procedures.

The count of blackjack, craps and roulette revenue must be performed by the count team in compliance with the requirements set forth in the internal control minimum procedures established by the Division. The drop boxes must be individually emptied on the count room table. Each empty drop box must be viewed by at least one other member of the count team to confirm that it is empty.

As the contents of a drop box are counted and verified by the count team, the count must be recorded in ink on the master games report. Corrections on soft count documentation must be made by crossing out the error and entering the correct figure and by obtaining the initials of at least two count team members.

Immediately after the master games report has been completed, all members of the count team must attest by signature to the accuracy of the blackjack, craps and roulette drop count. All cash counted must be given to the cashier for verification. The cashier who verifies the count must certify by signature as to the accuracy of the money delivered and received.

After verification by the cashier, the master games report with the necessary supporting documents must promptly be delivered to the retail licensee's accounting department ~~and held there as a permanent record.~~

47.1-903 Keys.

The following keys must be controlled in such a manner that access to blackjack, CRAPS AND ROULETTE drop boxes requires at least two persons:

- (1) Count room keys;
- (2) Drop box rack keys;
- (3) Drop box table release keys;
- (4) Drop box contents keys; and
- (5) Duplicate keys.

47.1-907 Procedures outlined in the internal control minimum procedures.

The procedures for the drop, count, and distribution OF CHIPS AND COINS for blackjack, craps and roulette tables are further defined in the internal control minimum procedures established by the Division ~~as they apply to each group of licensees, as defined in regulation 47.1-1601, subparagraphs (4), (5), and (6).~~

BASIS AND PURPOSE FOR RULE 11

The purpose of Rule 11 is to establish procedures for the distribution of chips to poker tables, the removal of chips and coins from poker tables, and to establish drop and count procedures related to poker gaming in compliance with section 12-47.1-302 (1) (q). The statutory basis for Rule 11 is found in sections 12-47.1-201, C.R.S., 12-47.1-203, C.R.S., and 12-47.1-302, C.R.S.

RULE 11 MINIMUM PROCEDURES FOR DROP, COUNT, AND DISTRIBUTION OF CHIPS AND COINS FOR POKER

47.1-1102.1 Procedure for distribution of chips to house banked poker tables.

All requests for fills needed at a house banked poker table must be generated in the ~~poker~~ CORRESPONDING TABLE GAMES pit, and proper procedures must be in place to ensure adequate documentation of the transaction between the pit and the cage. (47.1-1102.1 added, perm. 11/30/96)

47.1-1102.2 Procedure for removing chips or coins from house banked poker tables.

All requests for credits needed at a house banked poker table must be generated in the ~~poker~~ CORRESPONDING TABLE GAMES pit, and proper procedures must be in place to ensure adequate documentation of the transaction between the pit and the cage. (47.1-1102.2 added, perm. 11/30/96)

47.1-1103 Procedures outlined in the ~~minimum-internal control~~ MINIMUM procedures.

The procedures for the drop, count, DISTRIBUTION, and purchase of chips AND COINS for poker tables are further defined in the internal control minimum procedures as established by the Division ~~as they apply to each group of licensees, as defined in regulation 47.1-1601, subparagraphs (4), (5), and (6).~~

47.1-1104 Statistics.

Individual and statistical game records reflecting drop, adjusted gross proceeds, and adjusted gross proceeds-to-drop percentage amounts by table, must be maintained for all house banked poker variation games by the licensee. Statistics for house banked poker variation games must be maintained as defined in the internal control minimum procedures established by the Division ~~as they apply to each group of licensees, as defined in regulation 47.1-1601, subparagraphs (4), (5), and (6).~~

BASIS AND PURPOSE FOR RULE 13

The purpose of Rule 13 is to establish procedures for the use, redemption, destruction, and disposal of chips and tokens, and to require wagers to be made only with cash, chips or tokens in compliance with sections 12-47.1-819, C.R.S. and 12-47.1-825, C.R.S. The statutory basis for Rule 13 is found in sections 12-47.1-201, C.R.S., 12-47.1-203, C.R.S., 12-47.1-302, C.R.S., 12-47.1-819, C.R.S., and 12-47.1-825, C.R.S.

RULE 13 PURCHASE AND REDEMPTION OF COINS, CHIPS, AND TOKENS.

47.1-1302 Redemption.

47.1-1303 Use of other licensee's chips and tokens.

A licensee may not knowingly sell, use, permit the use of, accept, or redeem chips or tokens issued by another licensee except as follows:

- (3) THE CHIPS OR TOKENS ARE PRESENTED BY A PATRON FOR REDEMPTION PURSUANT TO THE REDEMPTION PLAN PROVISIONS IN RULE 47.1-1304.

47.1-1304 Redemption and disposal of chips and tokens.

A licensee who ceases operating the licensed establishment for any reason, OR ADOPTS A NEW PROPERLY REGISTERED TRADE NAME, OR OTHER CIRCUMSTANCE AS APPROVED BY THE DIRECTOR, must prepare a plan for redeeming chips and tokens that remain outstanding at the time of closure, OR ADOPTION OF THE NEW REGISTERED TRADE NAME OR OTHER APPROVED CIRCUMSTANCE. The licensee must submit the plan in writing to the Director, or designee, no later than 30 days before the closure, ADOPTION OF THE NEW REGISTERED TRADE NAME OR OTHER APPROVED CIRCUMSTANCE. If the date of closure, ADOPTION OF THE NEW REGISTERED TRADE NAME OR OTHER APPROVED CIRCUMSTANCE cannot reasonably be anticipated, the licensee must submit the plan as soon as practicable. The Director may approve the plan or require modifications as a condition of approval. Upon approval of the plan, the licensee must implement the plan as approved. In addition to other provisions the Director may approve or require, the plan must provide the following:

- (1) Redemption of outstanding chips and tokens for 120 days after the closure, ADOPTION OF THE NEW PROPERLY REGISTERED TRADE NAME OR OTHER APPROVED CIRCUMSTANCE or for a longer or shorter period approved by the Director;
- (3) Publication of notice for the redemption of the chips and tokens and the pertinent times and locations. The notice must be published in at least two newspapers of general circulation in Colorado at least twice during each 30-day period of the 120 DAY redemption period. Publication is subject to the Director's approval of the form of the notice, the newspapers selected for publication, and the specific days of publication;

47.1-1307 Specifications for sale of chips and tokens.

Chips and tokens used for gaming must be sold for cash only. MOBILE ATM RECEIPTS MAY BE EXCHANGED FOR CHIPS AT A GAMING TABLE. No credit may be extended by a retail licensee. ~~Checks may not be accepted for purchase of chips or tokens at gaming tables; however, checks may be accepted at the cashier's cage.~~

A retail licensee must redeem its chips and tokens for not less than their face value. In its sole discretion and pursuant to any special conditions which it may impose, a licensee may redeem its chips and tokens for the value at which they were sold, if greater than face value. (amend. perm 03-12-04)

47.1-1308 Check Cashing Practices.

- (1) Definitions: For purposes of this regulation, the following terms are adopted, defined, and clarified:
 - (a) "Check" means a written or electronic (e-check) unconditional order to pay or deliver a sum certain in money, drawn on a ~~F~~financial ~~I~~nstitution, payable on demand, and signed or authorized by one or more drawer, whether negotiable or non-negotiable. "Check" includes drafts, checks issued through credit institutions, warrants, negotiable orders of withdrawal, counter checks, and any other means of ordering the payment of money.
 - (b) "Dishonored" includes any check which is returned to a licensee (whether actually, or constructively, by delivery to a ~~F~~financial ~~T~~ransaction ~~A~~gent) by the ~~F~~financial ~~I~~nstitution upon which it was drawn, for any reason pertaining to the inability to honor or pay the instrument, including, but not limited to reasons of insufficient funds, mistake, closed account, or stop payment or hold orders.

- (c) "Financial Institution" includes a bank, SAVINGS AND LOAN ASSOCIATION, CREDIT UNION, TRUST COMPANY, OR OTHER SIMILAR ENTITY CHARTERED BY THE UNITED STATES, A STATE, OR A TERRITORY OR COMMONWEALTH OF THE UNITED STATES depository, or other person which provides financial, banking, and similar services for investors, depositors, and debtors.
 - (d) "Financial Transaction Agent" includes a factor, collection agent or agency, accounts receivable agent or agency, accountant, or any other type of Financial Institution, which acts pursuant to an agreement with a licensee whereby the Financial Transaction Agent is charged with securing the collection of any Dishonored check from its maker, by any means, whether with or without recourse to return the collection account to the licensee as uncollectible.
- (2) Acceptance of checks by licensees.
- (e) No licensee shall accept a check issued for participation in limited gaming from any patron under the following circumstances:
 - (i) When the maker (and/or endorser of a third party check, if any) thereof has previously issued OR ENDORSED a check to the licensee for any purpose, and the licensee has actual notice, or 24 hours of constructive notice, that the previously ISSUED check is HAS BEEN Dishonored, AND THE until such time as all claims of THE licensee against the maker OR ENDORSER of the check HAVE NOT BEEN SATISFIED, arising from the Dishonored check, are satisfied in full (whether by accord and satisfaction, payment, or liquidation of judgment).
 - (ii) When the licensee, through the exercise of reasonable diligence, should have known that the check being considered for acceptance may be Dishonored.
 - (f) Violation of this paragraph (2)(c), (2)(4)(D), or (2)(e) constitutes a prohibited credit transaction.

47.1-1309 Exchange-redemption of tokens.

Tokens may only be exchanged or redeemed for currency, negotiable personal checks, negotiable counter checks, chips, or other tokens. (47.1-1309 temp. 9/30/91, perm.12/30/91) 47.1-1310—Procedures outlined in the internal control minimum procedures. The procedures for the Use, redemption and destruction of chips and tokens are further defined in the internal control Minimum procedures established by the Division.

47.1-1310 PROCEDURES OUTLINED IN THE INTERNAL CONTROL MINIMUM PROCEDURES.

THE PROCEDURES FOR THE USE, REDEMPTION AND DESTRUCTION OF CHIPS AND TOKENS ARE FURTHER DEFINED IN THE INTERNAL CONTROL MINIMUM PROCEDURES ESTABLISHED BY THE DIVISION.

BASIS AND PURPOSE FOR RULE 16

The purpose of Rule 16 is to establish accounting and internal control procedures for licensees which will include various report and statement requirements for reporting and paying gaming taxes and fees, records of ownership requirements, standard financial and audited financial statements, procedures for handling cash and meeting minimum bankroll requirements, adjusted gross proceeds computations, and record retention requirements. The statutory basis for these requirements is found in sections 12-47.1-

102, C.R.S., 12-47.1-201, C.R.S., 12-47.1-203, C.R.S., 12-47.1-302, C.R.S., 12-47.1-602, C.R.S., and 12-47.1-806, C.R.S.

RULE 16 ACCOUNTING REGULATIONS

47.1-1602 Accounting and financial records.

- (1) PURSUANT TO 47.1-1607, ~~EE~~Each licensee must keep accurate, complete, AND legible, ~~and permanent~~ records of all transactions pertaining to revenue that is taxable or subject to fees under Article 47.1 of Title 12, C.R.S. A licensee who keeps ~~permanent~~ records in a computerized form or imaging system must provide the Division, on its request, with a detailed index to the imaging system or computer database. All such records must be made available upon demand to employees of the Commission and Division.

47.1-1603 Adjusted gross proceeds computations.

- (2) For each slot machine, adjusted gross proceeds equals drop PLUS+ tickets PLUS+ slot coupons dropped PLUS+ cashable electronic promotion in PLUS+ non-cashable electronic promotion in MINUS- fills to the machine MINUS- hand pay jackpot payouts MINUS- hand pay external bonus payouts and accumulated credits MINUS- non-cashable electronic promotion out, and MINUS- tickets redeemed. The initial hopper load is not a fill and does not affect adjusted gross proceeds. The difference between the initial hopper load (or the amount in the hopper at the time of the previous hopper count if the coins/tokens counted were returned to the hopper) and the total amount that is in the hopper at the time the hopper is currently counted must be adjusted accordingly as additional revenues or a credit adjustment when calculating adjusted gross proceeds. This amount is reported on the monthly gaming tax return for the month in which the hopper count was conducted, and is reflected in the hopper adjustment column for the corresponding denomination. Hoppers must also be counted and the corresponding adjustment reflected on the gaming tax returns at other times as specified in the internal control minimum procedures. If a licensee does not make or makes inaccurate additions or subtractions when calculating adjusted gross proceeds, the Division may compute an estimated total amount in the slot machine hoppers and may make reasonable adjustments to adjusted gross proceeds during the course of an audit, review, or other examination procedures.

47.1-1610 Internal control.

- (6) The Division shall send notification that the Division has adopted procedures ~~pursuant to subsection (4)~~ to all licensees and to every person who has filed a request therefor with the Division.
- (8) The licensee may not implement a system of internal controls that does not satisfy the internal control minimum procedures published by the Division unless the Division determines that the licensee's proposed system satisfies subsection (2), and approves the system in writing. Within 30 days after a licensee receives notice of the Division's approval of procedures that satisfy the requirements of subsection (2), but that do not satisfy the DIVISION'S minimum procedures, the licensee shall comply with the approved procedures, amend its written system accordingly, and submit to the Division a copy of the written system as amended and a written description of the variations signed by the licensee's chief financial officer and either the licensee's chief executive officer or a licensed owner.
- (9) The Division may require a licensee to engage an independent CERTIFIED PUBLIC accountant licensed by the Colorado State Board of Accountancy to prepare a report on the LICENSEE'S compliance with their written procedures on the system of internal controls. Using the criteria established by the Division, the independent CERTIFIED PUBLIC accountant shall report each material event and procedure discovered by or brought to the accountant's attention during the

course of the examination, that the accountant believes does not satisfy the minimum procedures or variations from the procedures that have been approved by the Division pursuant to subsection (8) AND (11). In addition to the above, the licensee shall prepare a letter addressing each item of noncompliance noted by the INDEPENDENT CERTIFIED PUBLIC accountant and describing the corrective measures taken. The licensee shall provide to the Division within 120 days after the completion of the engagement, two PRINTED COPIES, OR ONE ELECTRONIC COPY, of the INDEPENDENT certified public accountant's written report on internal controls and any other information provided to the licensee relating to accounting or internal controls, such as a management letter, along with the licensee's response letter.

47.1-1612 Minimum bankroll requirements.

- (2) Any licensee who makes payment of a gaming award to a patron by check must report to the Division any payment which has been dishonored within 24 hours of receiving actual notice that the check has been dishonored.

47.1-1615 Match play coupons.

Match play coupons are allowed, but once used may not be retained for subsequent play by the gaming patron. Match play coupons do not apply to slot machines. When match play coupons are used at a table game, the value of the coupon must be reflected at its face value in the total drop amount for that table for that shift. The combination of the match play coupons and the required wager of the patron cannot exceed the value of \$100. The ~~patron must match~~ PATRON'S MATCHING WAGER MUST EQUAL OR EXCEED the dollar value of the match play coupon. A match play coupon must have printed on it the name of the issuing establishment, the city in which the establishment is located, its value, and an explanation of its use. Match play coupons are a wager, and shall be paid the specified odds payout for the wager being made. All coupons must have an expiration date printed on them. (47.1-1615 amended perm. 10/30/99)

47.1-1620 Audited financial statements.

- (1) All licensees with annual adjusted gross proceeds during their business year of \$10 million or more are required to prepare financial statements covering all financial activities of the licensee's establishment for that business year and to engage an independent CERTIFIED PUBLIC accountant, licensed by the Colorado State Board of Accountancy, to audit the statements in accordance with Generally Accepted Auditing Standards. The licensee must notify the Division within 10 days of engaging an independent CERTIFIED PUBLIC accountant to perform the audit. For good cause shown, the Director may waive this requirement. (47.1-1620(1) amended perm. 10/30/99)
- (2) The Division may require any other licensee to prepare financial statements covering all financial activities of the licensee's establishment for a business year and to engage ~~a~~ AN INDEPENDENT certified public accountant, licensed by the Colorado State Board of Accountancy, to audit the statements or to review the statements in accordance with standards generally followed by INDEPENDENT certified public accountants. (47.1-1620(2) temp. 5/13/92, perm. 6/30/92) (47.1-1620(2) amended perm. 10/30/99)
- (3) Statements required must be presented on a comparative basis after the first period of operation. Consolidated financial statements may be filed by commonly owned or operated establishments, but the consolidated statements must include consolidating financial information or consolidating schedules presenting separate financial statements for each establishment. The INDEPENDENT CERTIFIED PUBLIC accountant must issue a report on the financial statements that express an opinion, whether it is unqualified, qualified, adverse, or a disclaimer of opinion. The INDEPENDENT CERTIFIED PUBLIC accountant must also include any necessary explanatory or emphasis paragraph to the standard report, as may be required by standards generally followed by INDEPENDENT certified public accountants. The INDEPENDENT CERTIFIED PUBLIC accountant must

include in the report on the consolidated financial statements an appropriate opinion on the consolidating financial information, if any. For good cause shown, the Director may waive this requirement. (47.1-1620(3) temp. 5/13/92, perm. 6/30/92)

- (4) Each licensee required to submit audited or reviewed financial statements, must submit to the Division two PRINTED COPIES, OR ONE ELECTRONIC COPY, of its audited or reviewed statements not later than 120 days after the last day of the licensee's business year. In the event of a license termination, change in business entity, or a change in control of ownership, the licensee or former licensee must, not later than 120 days after the event, submit to the Division two PRINTED COPIES, OR ONE ELECTRONIC COPY, of audited or reviewed statements covering the period since the previous statement. If a license termination, change in business entity, or a change in control of ownership occurs WITHIN 120 days after the end of the business year for which a statement has not been submitted, the licensee may submit statements covering both the business year and the final period of business. For good cause shown, the Director may extend the 120-day deadline.
- (6) Any licensee who engages an independent accountant to perform a financial statement audit not required by this regulation must provide two PRINTED COPIES, OR ONE ELECTRONIC COPY, of the audited financial statements to the Division within 120 days after the last day of the licensee's business year under audit. (47.1-1620(6) added perm. 10/30/99)

BASIS AND PURPOSE FOR RULE 17

The purpose of Rule 17 is to establish drop and count procedures and statistical record-keeping procedures related to slot machine gaming in compliance with section 12-47.1-302 (1) (q). The statutory basis for Rule 17 is found in sections 12-47.1-201, C.R.S., 12-47.1-203, C.R.S., and 12-47.1-302, C.R.S.

RULE 17 MINIMUM PROCEDURES FOR DROP AND COUNT FOR SLOT MACHINES

47.1-1701 Slot drop procedures.

At a time previously designated to the Division, the drop team must remove the drop bucket and/or bill validator from all slot machines and transport them directly to the count room or other secure area for counting. If not counted immediately, the drop buckets AND/OR BILL VALIDATORS must be locked securely until the count takes place. (amend perm 09/30/01)

47.1-1702 Slot count procedures.

The count of the slot drop must be performed by the count team members. Each slot drop bucket and/or bill validator must be counted individually. Immediately after all drop buckets are counted all coins must be wrapped or bagged. ~~Where~~ WHEN coins are bagged, the bags must be sealed and tagged. Variances between the count and wrap must be calculated. Large, unusual variances must BE investigated and documented. (amend perm 09/30/01)

47.1-1703 Procedures outlined in the internal control minimum procedures.

The procedures for drop and count for slot machines are defined in more detail in the internal control minimum procedures established by the Division ~~as they apply to each group of licensees, as defined in regulation 47.1-1601, subparagraphs (4), (5), (6) and (7).~~ (amend perm 09/30/01)