

2014 -- S 3056 SUBSTITUTE A

LC005821/SUB A/2

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- AUTHORIZING STATE-OPERATED CASINO GAMING AT NEWPORT GRAND SUBJECT TO STATEWIDE AND LOCAL VOTER APPROVAL

Introduced By: Senators Goodwin, Felag, and Bates

Date Introduced: June 03, 2014

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 42-61.2-2.2 and 42-61.2-7 of the General Laws in Chapter 42-61.2  
2 entitled "Video Lottery Terminal" are hereby amended to read as follows:

3 **42-61.2-2.2. State authorized to operate casino gaming at Newport Grand.** -- (a)

4 State-operated casino gaming shall be authorized at the facility of the licensed video lottery  
5 terminal retailer known as "Newport Grand" located in the ~~town~~ city of Newport; provided, ~~that :~~

6 (1) That the requirements of Article VI, Section 22 of the Rhode Island Constitution are  
7 met with respect to said facility at the general election ~~next to be~~ held ~~after enactment of this~~  
8 ~~section.~~ in November of 2014; and

9 (2) That the proposed amendment to the Rhode Island Constitution requiring that prior to  
10 a change in location where casino gaming is permitted in any city or town, there must be a  
11 referendum in said city or town and approval by the majority of those electors voting in said  
12 referendum on said proposed change in location in said city or town, is also approved statewide at  
13 the statewide general election to be held in November of 2014.

14 (b) With respect to the Newport Grand facility, the authorization of this section 2.2 shall  
15 be effective upon:

16 (1) The certification by the secretary of state that the qualified voters of the state have  
17 approved the expansion of gambling at such facility to include casino gaming and also approved  
18 the amendment to the Rhode Island Constitution regarding a change in the location of where

1 [casino gaming is permitted in any city or town](#); and

2 (2) The certification by the board of canvassers of the city of Newport that the qualified  
3 electors of the city of Newport have approved the expansion of gambling at such facility to  
4 include casino gaming.

5 (c) The general assembly finds that:

6 (1) The operation of casino gaming at Newport Grand will play a critical role in the  
7 economy of the state and enhance local revenues;

8 (2) Pursuant to Article VI, Section 15 of the Rhode Island Constitution and the specific  
9 powers, authorities and safeguards set forth in subsection (c) herein in connection with the  
10 operation of casino gaming, the state shall have full operational control over the specified  
11 location, [subject to the restrictions of Article VI, Section 22 of the Rhode Island Constitution](#), at  
12 which casino gaming shall be conducted;

13 (3) It is in the best interest of the state to have the authorization to operate casino gaming  
14 as specified at Newport Grand;

15 (4) Pursuant to the provisions of subdivision 42-61.2-2.1(b)(4), and by action of the  
16 governor, an extensive analysis and evaluation of competitive casino-gaming operations was  
17 completed, which concluded that the viability of Newport Grand as a video lottery terminal  
18 facility is threatened by the location of casino gaming in Southeast Massachusetts.

19 (5) The legislature shall, by enactment of comprehensive legislation during the 2012  
20 session, determine the terms and conditions pursuant to which casino gaming would be operated  
21 in the state if it is authorized as set forth herein.

22 (d) Notwithstanding the provisions of any other law and pursuant to Article VI, Section  
23 15 of the Rhode Island Constitution, the state is authorized, [subject to the restrictions of Article](#)  
24 [VI, Section 22 of the Rhode Island Constitution](#), to operate, conduct and control casino gaming at  
25 Newport Grand subject to subsection (a) above. In furtherance thereof, the state, through the  
26 division of state lottery and/or the department of business regulation, shall have full operational  
27 control to operate the foregoing facilities, the authority to make all decisions about all aspects of  
28 the functioning of the business enterprise, including, without limitation, the power and authority  
29 to:

30 (1) Determine the number, type, placement and arrangement of casino-gaming games,  
31 tables and sites within the facility;

32 (2) Establish with respect to casino gaming one or more systems for linking, tracking,  
33 deposit and reporting of receipts, audits, annual reports, prohibitive conduct and other such  
34 matters determined from time to time;

1 (3) Collect all receipts from casino gaming, require that Newport Grand collect casino-  
2 gaming gross receipts in trust for the state through the division of state lottery, deposit such  
3 receipts into an account or accounts of its choice, allocate such receipts according to law, and  
4 otherwise maintain custody and control over all casino-gaming receipts and funds;

5 (4) Hold and exercise sufficient powers over Newport Grand's accounting and finances  
6 to allow for adequate oversight and verification of the financial aspects of casino gaming at the  
7 facility, including, without limitation:

8 (i) The right to require Newport Grand to maintain an annual balance sheet, profit and  
9 loss, and any other necessary information or reports; and

10 (ii) The authority and power to conduct periodic compliance or special or focused audits  
11 of the information or reports provided, as well as the premises with the facility containing records  
12 of casino gaming or in which the business of Newport Grand's casino-gaming operations are  
13 conducted;

14 (5) Monitor all casino-gaming operations and have the power to terminate or suspend  
15 any casino-gaming activities in the event of an integrity concern or other threat to the public trust,  
16 and in furtherance thereof, require the licensed video lottery retailer to provide a specified area or  
17 areas from which to conduct such monitoring activities;

18 (6) Define and limit the rules of play and odds of authorized casino-gaming games,  
19 including, without limitation, the minimum and maximum wagers for each casino-gaming game;

20 (7) Have approval rights over matters relating to the employment of individuals to be  
21 involved, directly or indirectly, with the operation of casino gaming at Newport Grand;

22 (8) Establish compulsive gambling treatment programs;

23 (9) Promulgate, or propose for promulgation, any legislative, interpretive and procedural  
24 rules necessary for the successful implementation, administration and enforcement of this  
25 chapter; and

26 (10) Hold all other powers necessary and proper to fully effectively execute and  
27 administer the provisions of this chapter for its purpose of allowing the state to operate a casino-  
28 gaming facility through a licensed video lottery retailer hosting said casino gaming on behalf of  
29 the state of Rhode Island.

30 (e) Subject to subsection (a) above, the state, through the division of state lottery and/or  
31 the department of business regulation, may expand Newport Grand's existing video lottery license  
32 issued, or issue Newport Grand a new casino-gaming license, to permit casino gaming to the  
33 extent authorized by this act.

34 (f) Subject to subsection (a) above, all rules and regulations shall be promulgated by the

1 state, through the division of state lottery and the department of business regulation, in  
2 accordance with the authority conferred upon the general assembly pursuant to Article VI,  
3 Section 15 of the Rhode Island Constitution. In accord therewith, subject to subsection (a) above,  
4 the state, through the division of state lottery and/or the department of business regulation, shall  
5 have authority to issue such regulations as it deems appropriate pertaining to control, operation  
6 and management of casino gaming as specifically set forth in subsections (b), (c) and (d).

7 (g) Any referendum in the city of Newport regarding casino gaming in said city as  
8 provided for in subsection (a) of this section shall become effective only upon the approval of an  
9 amendment to the Rhode Island Constitution requiring that, prior to a change in location where  
10 casino gaming is permitted in any city or town, there must be a referendum in said city or town  
11 and the approval of the majority of those electors voting in said referendum on said proposed  
12 change in location in said city or town.

13 **42-61.2-7. Division of revenue. [Effective June 30, 2011.] --** (a) Notwithstanding the  
14 provisions of section 42-61-15, the allocation of net terminal income derived from video lottery  
15 games is as follows:

16 (1) For deposit in the general fund and to the state lottery division fund for  
17 administrative purposes: Net terminal income not otherwise disbursed in accordance with  
18 subdivisions (a)(2) -- (a)(6) herein;

19 (i) Except for the fiscal year ending June 30, 2008, nineteen one hundredths of one  
20 percent (0.19%) up to a maximum of twenty million dollars (\$20,000,000) shall be equally  
21 allocated to the distressed communities as defined in section 45-13-12 provided that no eligible  
22 community shall receive more than twenty-five percent (25%) of that community's currently  
23 enacted municipal budget as its share under this specific subsection. Distributions made under  
24 this specific subsection are supplemental to all other distributions made under any portion of  
25 general laws section 45-13-12. For the fiscal year ending June 30, 2008 distributions by  
26 community shall be identical to the distributions made in the fiscal year ending June 30, 2007 and  
27 shall be made from general appropriations. For the fiscal year ending June 30, 2009, the total  
28 state distribution shall be the same total amount distributed in the fiscal year ending June 30,  
29 2008 and shall be made from general appropriations. For the fiscal year ending June 30, 2010, the  
30 total state distribution shall be the same total amount distributed in the fiscal year ending June 30,  
31 2009 and shall be made from general appropriations, provided however that \$784,458 of the total  
32 appropriation shall be distributed equally to each qualifying distressed community. For each of  
33 the fiscal years ending June 30, 2011, June 30, 2012, and June 30, 2013 seven hundred eighty-  
34 four thousand four hundred fifty-eight dollars (\$784,458) of the total appropriation shall be

1 distributed equally to each qualifying distressed community.

2 (ii) Five one hundredths of one percent (0.05%) up to a maximum of five million dollars  
3 (\$5,000,000) shall be appropriated to property tax relief to fully fund the provisions of section 44-  
4 33-2.1. The maximum credit defined in subdivision 44-33-9(2) shall increase to the maximum  
5 amount to the nearest five dollar (\$5.00) increment within the allocation until a maximum credit  
6 of five hundred dollars (\$500) is obtained. In no event shall the exemption in any fiscal year be  
7 less than the prior fiscal year.

8 (iii) One and twenty-two one hundredths of one percent (1.22%) to fund section 44-34.1-  
9 1, entitled "Motor Vehicle and Trailer Excise Tax Elimination Act of 1998", to the maximum  
10 amount to the nearest two hundred fifty dollar (\$250) increment within the allocation. In no event  
11 shall the exemption in any fiscal year be less than the prior fiscal year.

12 (iv) Except for the fiscal year ending June 30, 2008, ten one hundredths of one percent  
13 (0.10%) to a maximum of ten million dollars (\$10,000,000) for supplemental distribution to  
14 communities not included in paragraph (a)(1)(i) above distributed proportionately on the basis of  
15 general revenue sharing distributed for that fiscal year. For the fiscal year ending June 30, 2008  
16 distributions by community shall be identical to the distributions made in the fiscal year ending  
17 June 30, 2007 and shall be made from general appropriations. For the fiscal year ending June 30,  
18 2009, no funding shall be disbursed. For the fiscal year ending June 30, 2010 and thereafter,  
19 funding shall be determined by appropriation.

20 (2) To the licensed video lottery retailer:

21 (a) (i) Prior to the effective date of the NGJA Master Contract, Newport Jai Ali twenty-  
22 six percent (26%) minus three hundred eighty four thousand nine hundred ninety-six dollars  
23 (\$384,996);

24 (ii) On and after the effective date of the NGJA Master Contract, to the licensed video  
25 lottery retailer who is a party to the NGJA Master Contract, all sums due and payable under said  
26 Master Contract minus three hundred eighty four thousand nine hundred ninety-six dollars  
27 (\$384,996).

28 (iii) Effective July 1, 2013 the rate of net terminal income payable to Newport Grand,  
29 LLC under the Newport Grand Master Contract shall increase by two and one quarter percent  
30 (2.25%) points. The increase herein shall sunset and expire on June 30, 2015 and the rate in effect  
31 as of June 30, 2013 shall be reinstated.

32 (b) (i) Prior to the effective date of the UTGR Master Contract, to the present licensed  
33 video lottery retailer at Lincoln Park which is not a party to the UTGR Master Contract, twenty-  
34 eight and eighty-five one hundredths percent (28.85%) minus seven hundred sixty-seven

1 thousand six hundred eighty-seven dollars (\$767,687);

2 (ii) On and after the effective date of the UTGR Master Contract, to the licensed video  
3 lottery retailer who is a party to the UTGR Master Contract, all sums due and payable under said  
4 Master Contract minus seven hundred sixty-seven thousand six hundred eighty-seven dollars  
5 (\$767,687).

6 (3) (i) To the technology providers who are not a party to the GTECH Master Contract  
7 as set forth and referenced in Public Law 2003, Chapter 32, seven percent (7%) of the net  
8 terminal income of the provider's terminals; in addition thereto, technology providers who  
9 provide premium or licensed proprietary content or those games that have unique characteristics  
10 such as 3D graphics, unique math/game play features or merchandising elements to video lottery  
11 terminals may receive incremental compensation, either in the form of a daily fee or as an  
12 increased percentage, if all of the following criteria are met:

13 (A) A licensed video lottery retailer has requested the placement of premium or licensed  
14 proprietary content at its licensed video lottery facility;

15 (B) The division of lottery has determined in its sole discretion that the request is likely  
16 to increase net terminal income or is otherwise important to preserve or enhance the  
17 competitiveness of the licensed video lottery retailer;

18 (C) After approval of the request by the division of lottery, the total number of premium  
19 or licensed propriety content video lottery terminals does not exceed ten percent (10%) of the  
20 total number of video lottery terminals authorized at the respective licensed video lottery retailer;  
21 and

22 (D) All incremental costs are shared between the division and the respective licensed  
23 video lottery retailer based upon their proportionate allocation of net terminal income. The  
24 division of lottery is hereby authorized to amend agreements with the licensed video lottery  
25 retailers, or the technology providers, as applicable, to effect the intent herein.

26 (ii) To contractors who are a party to the Master Contract as set forth and referenced in  
27 Public Law 2003, Chapter 32, all sums due and payable under said Master Contract;

28 (iii) Notwithstanding paragraphs (i) and (ii) above, there shall be subtracted  
29 proportionately from the payments to technology providers the sum of six hundred twenty-eight  
30 thousand seven hundred thirty-seven dollars (\$628,737);

31 (4) (A) To the city of Newport one and one hundredth percent (1.01%) of net terminal  
32 income of authorized machines at Newport Grand, except that:

33 (i) Effective November 9, 2009 until June 30, 2013, the allocation shall be one and two  
34 tenths percent (1.2%) of net terminal income of authorized machines at Newport Grand for each

1 week the facility operates video lottery games on a twenty-four (24) hour basis for all eligible  
2 hours authorized, and

3 (ii) Effective July 1, ~~2013~~ 2015, provided that both:

4 (I) The ~~the~~ referendum measure ~~authorized by Section 1 of Chapters 24 and 25 of the~~  
5 ~~Public Laws of 2012 is approved statewide and in the City of Newport,~~ authorizing casino  
6 gaming at Newport Grand is approved statewide and by the city of Newport at the statewide  
7 general election to be held in November of 2014; and

8 (II) The proposed amendment to the Rhode Island Constitution requiring that prior to a  
9 change in location where casino gaming is permitted in any city or town, there must be a  
10 referendum in said city or town and approval by the majority of those electors voting in said  
11 referendum on said proposed change in location in said city or town, is approved statewide at the  
12 statewide general election to be held in November of 2014, then the allocation shall be one and  
13 forty-five hundredths percent (1.45%) of net terminal income of authorized video lottery  
14 terminals at Newport Grand; ~~and~~ .

15 (iii) If, effective July 1, 2015, the conditions established in subsections (4)(A)(ii)(I and II)  
16 are met, and the following conditions in subsections (4)(A)(iii)(I through III) are met:

17 (I) NGJA or its successor has made an investment of no less than forty million dollars  
18 (\$40,000,000) exclusive of acquisition costs within three (3) years, and a certificate of completion  
19 and final approval from the city building inspector has been issued for the facility upgraded  
20 through this investment; and

21 (II) The number of video lottery terminals in operation is no fewer than those in operation  
22 as of January 1, 2014; and

23 (III) Table gaming has commenced in Newport;

24 Then in such event the allocation shall be the greater of one million dollars (\$1,000,000),  
25 or one and forty-five hundredths percent (1.45%) of net terminal income of authorized video  
26 lottery terminals at Newport Grand, except that for six (6) consecutive full fiscal years  
27 immediately thereafter, the allocation shall be the greater of one million five hundred thousand  
28 dollars (\$1,500,000), or one and forty-five hundredths percent (1.45%) of net terminal income of  
29 authorized video lottery terminals at Newport Grand. Such minimum distribution shall be  
30 distributed in twelve (12) equal payments during the fiscal year.

31 (B) To the town of Lincoln one and twenty-six hundredths percent (1.26%) of net  
32 terminal income of authorized machines at Twin River except that,

33 (i) Effective November 9, 2009 until June 30, 2013, the allocation shall be one and forty-  
34 five hundredths percent (1.45%) of net terminal income of authorized machines at Twin River for

1 each week video lottery games are offered on a twenty-four (24) hour basis for all eligible hours  
2 authorized, and

3 (ii) Effective July 1, 2013, provided that the referendum measure authorized by Article  
4 25, Chapter 151, Section 4 of the Public Laws of 2011 is approved statewide and in the Town of  
5 Lincoln, the allocation shall be one and forty-five hundredths percent (1.45%) of net terminal  
6 income of authorized video lottery terminals at Twin River; and

7 (5) To the Narragansett Indian Tribe, seventeen hundredths of one percent (0.17%) of net  
8 terminal income of authorized machines at Lincoln Park up to a maximum of ten million dollars  
9 (\$10,000,000) per year, which shall be paid to the Narragansett Indian Tribe for the account of a  
10 Tribal Development Fund to be used for the purpose of encouraging and promoting: home  
11 ownership and improvement, elderly housing, adult vocational training; health and social  
12 services; childcare; natural resource protection; and economic development consistent with state  
13 law. Provided, however, such distribution shall terminate upon the opening of any gaming facility  
14 in which the Narragansett Indians are entitled to any payments or other incentives; and provided  
15 further, any monies distributed hereunder shall not be used for, or spent on previously contracted  
16 debts; and

17 (6) Unclaimed prizes and credits shall remit to the general fund of the state; and

18 (7) Payments into the state's general fund specified in subdivisions (a)(1) and (a)(6) shall  
19 be made on an estimated monthly basis. Payment shall be made on the tenth day following the  
20 close of the month except for the last month when payment shall be on the last business day.

21 (b) Notwithstanding the above, the amounts payable by the Division to UTGR related to  
22 the Marketing Program shall be paid on a frequency agreed by the Division, but no less  
23 frequently than annually.

24 (c) Notwithstanding anything in this chapter 61.2 of this title 42 to the contrary, the  
25 Director is authorized to fund the Marketing Program as described above in regard to the First  
26 Amendment to the UTGR Master Contract.

27 (d) Notwithstanding the above, the amounts payable by the Division to Newport Grand  
28 related to the Marketing Program shall be paid on a frequency agreed by the Division, but no less  
29 frequently than annually.

30 (e) Notwithstanding anything in this chapter 61.2 of this title 42 to the contrary, the  
31 Director is authorized to fund the Marketing Program as described above in regard to the First  
32 Amendment to the Newport Grand Master Contract.

33 (f) Notwithstanding the provisions of section 42-61-15, the allocation of Net Table Game  
34 Revenue derived from Table Games at Twin River is as follows:



1 (1) For deposit into the state lottery fund for administrative purposes and then the  
2 balance remaining into the general fund:

3 (i) Sixteen percent (16%) of Net Table Game Revenue, except as provided in subsection  
4 (f)(1)(ii);

5 (ii) An additional two percent (2%) of Net Table Game Revenue generated at Twin  
6 River shall be allocated starting from the commencement of Table Game activities by such Table  
7 Game Retailer, and ending, with respect to such Table Game Retailer, on the first date that such  
8 Table Game Retailer's net terminal income for a full State fiscal year is less than such Table  
9 Game Retailer's net terminal income for the prior State fiscal year, at which point this additional  
10 allocation to the State shall no longer apply to such Table Game Retailer.

11 (2) To UTGR, Net Table Game Revenue not otherwise disbursed pursuant to above  
12 subsection (f)(1); provided, however, on the first date that such Table Game Retailer's net  
13 terminal income for a full State fiscal year is less than such Table Game Retailer's net terminal  
14 income for the prior State fiscal year, as set forth in subsection (f)(1)(ii) above, one percent (1%)  
15 of this Net Table Game Revenue shall be allocated to the town of Lincoln for four (4) consecutive  
16 State fiscal years.

17 (g) Notwithstanding the provisions of section 42-61-15, the allocation of Net Table  
18 Game Revenue derived from Table Games at Newport Grand is as follows:

19 (1) For deposit into the state lottery fund for administrative purposes and then the  
20 balance remaining into the general fund: eighteen percent (18%) of Net Table Game Revenue.

21 ~~(2) To Newport Grand LLC, Net Table Game Revenue not otherwise disbursed pursuant~~  
22 ~~to above subsection (g)(1) provided, however, on the first date that such Table Game Retailer's~~  
23 ~~net terminal income for a full State fiscal year is less than such Table Game Retailer's net~~  
24 ~~terminal income for the prior State fiscal year, one percent (1%) of this Net Table Game Revenue~~  
25 ~~shall be allocated to the city of Newport for four (4) consecutive State fiscal years.~~

26 SECTION 2. Chapter 322 of the 2005 Public Laws entitled "An Act Enabling the  
27 Division of Lotteries to enter into a Master Video Lottery Terminal Contract with UTGR, Inc.  
28 and to enter into a Master Video Lottery Terminal Contract with Newport Grand Jai Alai, LLC.",  
29 as amended, is hereby further amended by adding thereto the following section:

30 Section 4.1 Authorized amendment of NGJA master contract.

31 (a) Notwithstanding any provisions of the general laws or regulations adopted thereunder  
32 to the contrary, including, but not limited to, the provisions of Chapter 2 of Title 37 and Chapter  
33 61 of Title 42 of the General Laws, and the provisions of section 42-61.2-7, the division is hereby  
34 expressly authorized and empowered to enter into an amendment to the master contract with

1 NGJA or its successor containing the following terms and purposes and such terms as deemed  
2 necessary and appropriate by the division, all of which shall be set forth in more particular detail  
3 in said amendment.

4 (b) Under the terms of any amendments to the master contract authorized under this act,  
5 NGJA or its successor shall agree that during the term it shall undertake, among others, the  
6 following obligations:

7 (1) NGJA or its successor will invest, in the aggregate, within three (3) years following  
8 the effective date of the amended master contract in accordance with a schedule set forth in the  
9 amended master contract (but subject to an extension of the original three (3) year period as set  
10 forth in Section 4.1(c) below), at least forty million dollars (\$40,000,000) of total project costs,  
11 exclusive of acquisition costs, but including "hard" and allowable "soft" costs (the "Newport  
12 Grand investment requirement"), in connection with: (i) additions, renovations and/or  
13 improvements to Newport Grand and to appurtenant real or personal property, including without  
14 limitation, improvements and renovations consisting of an entertainment facility, which shall  
15 include a music venue, spa, restaurant, gaming, and other appropriate customer amenities; and (ii)  
16 performing NGJA or its successor's obligations regarding investment requirements under the  
17 amended master contract ("Newport Grand investment requirement assets"). "Hard costs" shall  
18 mean all costs that in accordance with United States generally accepted accounting principles  
19 ("GAAP") are appropriately chargeable to the capital accounts of NGJA or its successor or would  
20 be so chargeable either with an election by NGJA or its successor or but for the election of NGJA  
21 or its successor to expense the amount of the item, and "soft costs" shall mean all other costs  
22 appropriately chargeable to the investment requirement which are not hard costs in accordance  
23 with GAAP. In determining whether the investment requirement has been satisfied, soft costs in  
24 excess of two million five hundred thousand dollars (\$2,500,000) shall be excluded. Provided  
25 further, that none of the expenditures in this subsection shall qualify as eligible expenditures for  
26 purposes of any credit, including historic tax credits as provided in chapter 44-33.2 and enterprise  
27 zone credits as provided in chapter 42-64.3.

28 (2) On or before the dates set forth in the amended master contract and in all events on  
29 that date which is 90 days after the third anniversary of the effective date of the amended master  
30 contract (as such original three (3) year period may have been extended as set forth in Section  
31 4.1(c) below), NGJA or its successor shall submit to the division NGJA's certification, certified  
32 by a certified public accounting firm acceptable to the division and using procedures approved by  
33 the division not inconsistent with GAAP, providing its professional opinion, on behalf of itself  
34 and its applicable NGJA or its successor business affiliates as to the aggregate amounts expended,

1 allocated between "hard" and allowable "soft" costs in respect of the investment requirement, so  
2 as to enable the division to measure NGJA or its successor's investment requirement assets and to  
3 confirm NGJA or its successor's compliance with its obligation under Section 4.1(b)(1) hereof.  
4 NGJA or its successor shall pay all costs of obtaining and preparing the professional opinion  
5 obtained from the certified public accounting firm required by this subsection; and

6 (c) The amended master contract shall also provide, without limitation, that the division  
7 shall be entitled to, among other things, terminate the amended master contract if NGJA or its  
8 successor fails to fulfill the aggregate investment requirement pursuant to Section 4.1(b)(1)  
9 hereof prior to that date which is three (3) years from the effective date of the amended master  
10 contract, unless such failure is attributable to: (i) the failure to receive the necessary local  
11 approvals in connection with the improvements, construction and other activities referenced in  
12 Section 4.1(b)(1), notwithstanding the use of NGJA or its successor's commercially reasonable  
13 efforts to obtain such approval; (ii) delays attendant to any litigation brought by any third-party  
14 contesting in any way the construction of the improvements and having the effect of delaying the  
15 expenditure of the investment requirement and which litigation is ultimately resolved in a manner  
16 allowing the expenditure of the investment requirement to proceed; or (iii) the occurrence of one  
17 or more force majeure events beyond the control of NGJA or its successor. The aforesaid original  
18 three (3) year period shall be extended by the number of days delay occurring as a result of any  
19 one or more of the events described in clauses (i), (ii) or (iii) of the preceding sentence.

20 (d) The amended master contract shall also provide that, following completion of the  
21 investment requirement, NGJA or its successor shall maintain Newport Grand in a first class  
22 manner pursuant to regulations adopted by the division and approved by the permanent joint  
23 committee on state lottery.

24 SECTION 3. Chapter 323 of the 2005 Public Laws entitled "An Act Enabling the  
25 Division of Lotteries to enter into a Master Video Lottery Terminal Contract with UTGR, Inc.  
26 and to enter into a Master Video Lottery Terminal Contract with Newport Grand Jai Alai, LLC.",  
27 as amended, is hereby further amended by adding thereto the following section:

28 Section 4.1 Authorized amendment of NGJA master contract.

29 (a) Notwithstanding any provisions of the general laws or regulations adopted thereunder  
30 to the contrary, including, but not limited to, the provisions of Chapter 2 of Title 37 and Chapter  
31 61 of Title 42 of the General Laws, and the provisions of section 42-61.2-7, the division is hereby  
32 expressly authorized and empowered to enter into an amendment to the master contract with  
33 NGJA or its successor containing the following terms and purposes and such terms as deemed  
34 necessary and appropriate by the division, all of which shall be set forth in more particular detail

1 in said amendment.

2 (b) Under the terms of any amendments to the master contract authorized under this act,  
3 NGJA or its successor shall agree that during the term it shall undertake, among others, the  
4 following obligations:

5 (1) NGJA or its successor will invest, in the aggregate, within three (3) years following  
6 the effective date of the amended master contract in accordance with a schedule set forth in the  
7 amended master contract (but subject to an extension of the original three (3) year period as set  
8 forth in Section 4.1(c) below), at least forty million dollars (\$40,000,000) of total project costs,  
9 exclusive of acquisition costs, but including "hard" and allowable "soft" costs (the "Newport  
10 Grand investment requirement"), in connection with: (i) additions, renovations and/or  
11 improvements to Newport Grand and to appurtenant real or personal property, including without  
12 limitation, improvements and renovations consisting of an entertainment facility, which shall  
13 include a music venue, spa, restaurant, gaming, and other appropriate customer amenities; and (ii)  
14 performing NGJA or its successor's obligations regarding investment requirements under the  
15 amended master contract ("Newport Grand investment requirement assets"). "Hard costs" shall  
16 mean all costs that in accordance with United States generally accepted accounting principles  
17 ("GAAP") are appropriately chargeable to the capital accounts of NGJA or its successor or would  
18 be so chargeable either with an election by NGJA or its successor or but for the election of NGJA  
19 or its successor to expense the amount of the item, and "soft costs" shall mean all other costs  
20 appropriately chargeable to the investment requirement which are not hard costs in accordance  
21 with GAAP. In determining whether the investment requirement has been satisfied, soft costs in  
22 excess of two million five hundred thousand dollars (\$2,500,000) shall be excluded. Provided  
23 further, that none of the expenditures in this subsection shall qualify as eligible expenditures for  
24 purposes of any credit, including historic tax credits as provided in chapter 44-33.2 and enterprise  
25 zone credits as provided in chapter 42-64.3.

26 (2) On or before the dates set forth in the amended master contract and in all events on  
27 that date which is 90 days after the third anniversary of the effective date of the amended master  
28 contract (as such original three (3) year period may have been extended as set forth in Section  
29 4.1(c) below), NGJA or its successor shall submit to the division NGJA's certification, certified  
30 by a certified public accounting firm acceptable to the division and using procedures approved by  
31 the division not inconsistent with GAAP, providing its professional opinion, on behalf of itself  
32 and its applicable NGJA or its successor business affiliates as to the aggregate amounts expended,  
33 allocated between "hard" and allowable "soft" costs in respect of the investment requirement, so  
34 as to enable the division to measure NGJA or its successor's investment requirement assets and to

1 confirm NGJA or its successor's compliance with its obligation under Section 4.1(b)(1) hereof.  
2 NGJA or its successor shall pay all costs of obtaining and preparing the professional opinion  
3 obtained from the certified public accounting firm required by this subsection; and

4 (c) The amended master contract shall also provide, without limitation, that the division  
5 shall be entitled to, among other things, terminate the amended master contract if NGJA or its  
6 successor fails to fulfill the aggregate investment requirement pursuant to Section 4.1(b)(1)  
7 hereof prior to that date which is three (3) years from the effective date of the amended master  
8 contract, unless such failure is attributable to: (i) the failure to receive the necessary local  
9 approvals in connection with the improvements, construction and other activities referenced in  
10 Section 4.1(b)(1), notwithstanding the use of NGJA or its successor's commercially reasonable  
11 efforts to obtain such approval; (ii) delays attendant to any litigation brought by any third-party  
12 contesting in any way the construction of the improvements and having the effect of delaying the  
13 expenditure of the investment requirement and which litigation is ultimately resolved in a manner  
14 allowing the expenditure of the investment requirement to proceed; or (iii) the occurrence of one  
15 or more force majeure events beyond the control of NGJA or its successor. The aforesaid original  
16 three (3) year period shall be extended by the number of days delay occurring as a result of any  
17 one or more of the events described in clauses (i), (ii) or (iii) of the preceding sentence.

18 (d) The amended master contract shall also provide that, following completion of the  
19 investment requirement, NGJA or its successor shall maintain Newport Grand in a first class  
20 manner pursuant to regulations adopted by the division and approved by the permanent joint  
21 committee on state lottery.

22 SECTION 4. Pursuant to Article VI, section 22 of the Rhode Island Constitution, the  
23 following question shall be submitted by the secretary of state to the qualified electors of the state  
24 at the statewide general election to be held in November of 2014, and the secretary of state shall  
25 certify the election results:

26 "Shall an act be approved which would authorize the facility known as 'Newport Grand'  
27 in the city of Newport to add state-operated casino gaming, such as table games, to the types of  
28 gambling it offers only and exclusively at the facility located at 150 Admiral Kalbfus Road,  
29 Newport?"

30 SECTION 5. Pursuant to Article VI, section 22 of the Rhode Island Constitution, the  
31 following question shall be submitted by the local board of canvassers to the qualified electors of  
32 the city of Newport at the statewide general election to be held in November of 2014, and the  
33 results thereof shall be certified to the secretary of state:

34 "Shall an act be approved which would authorize the facility known as 'Newport Grand'

1 in the city of Newport to add state-operated casino gaming, such as table games, to the types of  
2 gambling it offers only and exclusively at the facility located at 150 Admiral Kalbfus Road,  
3 Newport?"

4 SECTION 6. Unless otherwise amended by this act, the terms, conditions, provisions,  
5 and definitions of chapters 322 and 323 of the public laws of 2005 and chapter 16 of the public  
6 laws of 2010 are hereby incorporated herein by reference and shall remain in full force and effect.

7 SECTION 7. The question, to be submitted to the qualified electors relating to the  
8 expansion of gaming at Newport Grand, shall appear on the ballots as the first referendum  
9 question. The question to be submitted to the qualified electors relating to the amendment to the  
10 Rhode Island Constitution regarding the location of casino gaming in a municipality shall appear  
11 on the ballots as the second referendum question.

12 SECTION 8. This act shall take effect upon passage. Provided, the provisions of Section  
13 1 of this act shall remain in effect only if the question submitted to the voters at the general  
14 election to be held in November of 2014 relating to the expansion of gaming at Newport Grand is  
15 approved by a majority of the electors voting both statewide and in the city of Newport, and if the  
16 amendment to the Rhode Island Constitution regarding the location of casino gaming in a  
17 municipality submitted to the voters in the same election is approved by a majority to the electors  
18 voting statewide. In the event either or both questions does not receive sufficient voter approval  
19 to take effect, then the provisions of Section 1 of this act shall be repealed upon the certification  
20 by the Secretary of State of the results of said votes.

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LC005821/SUB A/2  
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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- AUTHORIZING STATE-  
OPERATED CASINO GAMING AT NEWPORT GRAND SUBJECT TO STATEWIDE AND  
LOCAL VOTER APPROVAL

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1           This act would authorize a voter referendum on the approval of state-operated casino  
2 gaming at the Newport Grand facility. Such referendum would take place at the statewide general  
3 election to be held in November of 2014. Such expansion could only take place if, in addition to  
4 state and local voter approval of the referendum, there was also statewide voter approval of a  
5 constitutional amendment dealing with changes in the location of where casino gaming is  
6 permitted in any city or town. The act would also amend the allocation of net terminal income of  
7 authorized video lottery terminals at Newport Grand, if both measures pass.

8           This act would take effect upon passage. Provided, the provisions of Section 1 of this act  
9 would remain in effect only if the question submitted to the voters at the general election to be  
10 held in November of 2014 relating to the expansion of gaming at Newport Grand is approved by  
11 a majority of the electors voting both statewide and in the city of Newport, and if the amendment  
12 to the Rhode Island Constitution regarding the location of casino gaming in a municipality  
13 submitted to the voters in the same election, is approved by a majority of the electors voting  
14 statewide. In the event either or both questions does not receive sufficient voter approval to take  
15 effect, then the provisions of Section 1 of this act would be repealed upon the certification by the  
16 Secretary of State of the results of said votes.

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