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Guidelines make Class II gaming more attractive
Look for tribes and gaming machine manufacturers to join forces

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If it looks and quacks like a duck does that mean it's really a duck? Chances are good. When it comes to electronic gambling machines however, you can't always tell by it's how the machines play their games that determines their classification.

On Sept. 23, the National Indian Gaming Commission issued long-awaited guidelines particulars causing games and the electronic gambling devices that replicate them under gaming classes II and III. Bingo and "bingo-like" games were of specific concern.

Briefly, what's most important in classifying a game or an electronic machine that play whether or not that game is played in real time. "Real time" means that numbers as game progresses with players covering their numbers as they are called and compare each other, not the house. Games operating in this manner fall under Class II. If they already played inside a machine or computer before the player even puts down his bet this is a Class III game.

Given the regulatory differences between the gaming classes and the amount of money at stake, getting machine classification right is crucial. Multimedia Games Inc., an electronic manufacturer based in Austin, Texas understands this well.

In June 2002, NIGC took the company's MegaNanza game out of play at several casinos ruling that the machine was a facsimile of bingo and thus Class III. The company's response was two-fold; it filed a lawsuit challenging the regulator's ruling and expedited development of a new version of the game called Reel Time Bingo. NIGC, in a Sept. 23 opinion issued as part of a settlement of the lawsuit, ruled that Reel Time Bingo is "an electronic aid" to playing bingo thus a Class II game.

According to its Web site, Multimedia currently has over 7,500 games in play in Indian facilities (both Class II and III) in 12 states. The company believes that because "many tribes in California lack compacts with the state [they] are prime candidates for our Class II games."

Another gaming equipment manufacturer, Alliance Gaming Corp., recently jumped into the fray with a strategic acquisition. On Nov. 11, Las Vegas-based Alliance agreed to acquire Sierra Design Group for \$191 million. Sierra, a privately-owned supplier of both Class II and III devices and related software, is based in Reno, Nev. The deal is expected to close in the first half of 2004.

"The acquisition of Sierra Design Group makes a powerful statement about Alliance's plans for future growth while giving us an immediate impact in new and emerging markets," Robert Miodunski, Alliance President and CEO in a press release.

The Sierra acquisition is a strategic move by Alliance to strengthen its presence in the Class II and III markets, including Indian casinos. Sierra manufactures the Mystery Bingo game certified as Class II in an opinion dated Sept. 26. The company already has a strong presence in the Class II and III markets.

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Oklahoma, Florida and Alabama; look for it to make inroads into the Indian gaming the

Sierra acquisition.

Indian gaming is divided into three classes. Class I includes traditional social gamt prizes and is regulated solely by the tribes themselves.

Class II comprises bingo and other similar games, as well as non-banked card gan players compete against each other rather than the house. This category specifical traditional slot machines and electronic facsimiles of games of chance. Tribes may II gaming as long as the state in which that tribe is located allows such gaming for : Tribes are responsible for regulation with NIGC oversight.

Sometimes called "casino-style" gaming, Class III is broadly inclusive, containing a gaming not included in classes I and II. Common casino games including slot macl craps, roulette, wagering games and electronic facsimiles of any game of chance f: III. Tribal, state and NIGC authorities regulate this class, for which a tribal-state co negotiated.

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