

About Nevada State Gaming License

In June 2004, the Nevada Gaming Commission (“NGC”), acting upon recommendation of the Nevada State Gaming Control Board (“GCB”), granted Universal Entertainment Corporation (“Universal”) a two-year manufacturer’s license for gaming machines. In March 2005, Universal also received approval from the Nevada Gaming Commission to hold 100% ownership in Aruze USA, Inc., which is a shareholder of Wynn Resorts, Limited. The Nevada Gaming Commission issued a manufacturer’s license to Universal without limitation in July 2006. In August 2011, Universal surrendered its gaming manufacturer’s license to the Nevada Gaming Commission.

Background

Universal is registered with the NGC as a publicly-traded corporation. In March 2005, Universal received approval from the NGC to hold 100% ownership in Aruze USA, Inc. (“Aruze USA”), which is a shareholder of Wynn Resorts, Limited. In connection with the registration, Universal is required by the NGC to give notice with regard to the contents, limits, and procedures of the regulations that govern Universal as a parent company to Aruze USA to our shareholders at least once a year. In order to meet this requirement, we explain those regulations below.

Nevada Regulations

As a registered company with the NGC, Universal must comply with certain applicable provisions of the Nevada Gaming Control Act, regulations of the NGC and GCB, and other local laws, regulations, or ordinances. In Nevada, gaming is strictly regulated so that licensed gaming, including the manufacture, sale, and distribution of gaming devices and associated equipment, are conducted honestly and competitively, and free from criminal or corruptive elements. The NGC and GCB are responsible for licensing, controlling, and assisting gaming establishments and manufacturers, sellers, and distributors of gaming devices and equipment in order to protect the public health, safety, morals, good order, and general welfare of Nevada inhabitants, as well as to foster the stability and success of gaming and to preserve the competitive economy in Nevada.

The laws, regulations, ordinances, and procedures of the NGC, GCB, and all local gaming authorities (collectively, “Nevada Gaming Authorities”) are designed to enforce Nevada’s public policy relating to gaming by (i) preventing unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity; (ii) establishing and maintaining responsible accounting practices and procedures; (iii) maintaining effective control over the

financial practices of licensees, including establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenue, provision for reliable record keeping, and requirements for filing periodic reports; (iv) preventing cheating and fraudulent practices; and (v) providing a source of state and local revenues through taxation and licensing fees. Changes in these laws, regulations, ordinances, or procedures, or any judicial or statutory interpretation thereof, could have an adverse effect on Universal's gaming activities.

As a publicly-traded corporation, Universal must comply with all applicable provisions of the Nevada Gaming Control Act and NGC and GCB regulations that govern publicly-traded corporations. Accordingly, Universal may be required to periodically submit financial and operating reports to the GCB, including profit and loss statements and balance sheets. Universal must file with the GCB press releases, government notices, and securities-related materials and documents, and may be required to furnish other information the NGC or GCB may request.

Officers, directors, and key employees of Universal who are actively engaged in the administration or supervision of gaming activities may be required to be licensed or found suitable by the Nevada Gaming Authorities. We must inform the NGC of the appointment or election of all officers and directors, or report any other changes to licensed positions. Also, any persons with a material relationship or involvement with Universal or Aruze USA may be required to be licensed or found suitable by Nevada Gaming Authorities. A finding of suitability is comparable to licensing as both require submission of detailed personal and financial information followed by a thorough background investigation. All costs of the investigation must be borne by the person applying for approval.

Nevada Gaming Authorities may also find any of our officers, directors or key employees unsuitable. In such case we will be required to replace such officer, director or key employee or risk having our registration revoked. We are required to sever all relationships with any person found unsuitable, including other companies. Nevada Gaming Authorities may find a person unsuitable for any cause deemed reasonable, including the failure to file an application as required. Denials of applications by the Gaming Authorities are not subject to judicial review in Nevada.

On an annual basis, Universal must provide the GCB a list of holders of more than 0.5% of its voting securities. If any person with a controlling number of shares disposes of his or her voting securities, Universal must notify the GCB. In addition,

Nevada Gaming Authorities have the discretion to require any person owning or controlling the stock of a corporation registered with the NGC to file an application to be found suitable.

Universal is required to maintain a current stock ledger, which may be examined by the Nevada gaming authorities at any time. The NGC may require Universal's stock certificates to bear a legend indicating that the securities are subject to the Nevada gaming laws and regulations of the NGC and GCB. To date, the NGC has not imposed this requirement on Universal.

Universal must obtain approval from the NGC prior to making a public offering of its securities if the securities or proceeds from the sale of securities are to be used to (i) pay for construction of gaming facilities in Nevada which will be owned or operated by Universal or any of its subsidiaries; (ii) acquire any direct or indirect interest in Nevada gaming facilities; (iii) finance the operation of Nevada gaming facilities by Universal or any of its subsidiaries; or (iv) retire or extend obligations for one or more of the above-mentioned purposes. Approval by the NGC, if given, does not constitute a finding, recommendation, determination, or approval by the NGC or GCB as to the accuracy or adequacy of the prospectus or the investment merits of the securities. Any representation to the contrary is unlawful.

If any of Universal's securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to Nevada Gaming Authorities. A record owner who fails to identify the beneficial owner, if requested to do so, may be found unsuitable. We are required to render maximum assistance in determining the identity of the beneficial owner. Nevada Gaming Authorities may also require any beneficial holder of our voting securities, regardless of the number of shares owned, to be licensed or found suitable, in which case the applicant must pay all related costs and fees of any investigation. If the beneficial holder of voting securities is a corporation, partnership, or trust, such beneficial holder must submit detailed business and financial information, including a list of beneficial owners. Universal must notify the GCB if any person, whether individually or in association with others, acquires beneficial ownership of more than 5% of any class of Universal's voting securities. In addition, any person who, individually or in association with others, has directly or indirectly acquired beneficial ownership of more than 5% of any class of Universal's voting securities must notify the GCB in writing within 10 days of knowledge of such acquisition. Any person, whether individually or in association with others, who directly or indirectly acquires beneficial ownership of more

than 10% of any class of Universal's voting securities must apply to the NGC for a finding of suitability within 30 days of notice that the filing is required.

If a person becomes the record owner of more than 10% of outstanding equity securities in any class, Universal must promptly notify the NGC. Additionally, the NGC may, in its discretion, require the holder of any of Universal's debt securities to be licensed or found suitable. If the NGC determines that a person is unsuitable to own these securities, then pursuant to Nevada gaming laws, we can be subject to disciplinary action, including revocation of any of our approvals, if, without prior NGC approval, we **(i)** pay to the unsuitable person any dividend, interest, or any distribution whatsoever; **(ii)** recognize any voting right by the unsuitable person in connection with Universal's securities; **(iii)** pay the unsuitable person remuneration in any form; or **(iv)** make any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

Under certain circumstances, an Institutional Investor, as defined by NGC regulations, which acquires more than 10%, but not more than 25%, of Universal's voting securities, may apply to the NGC for a waiver of its finding of suitability requirements, provided the Institutional Investor holds the voting securities for investment purposes only. An Institutional Investor will not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business and not for the purpose of causing, either directly or indirectly, **(i)** the election of a majority of Universal's board of directors; **(ii)** any change in Universal's corporate charter, bylaws, management, policies, or operations; or **(iii)** any other action that the NGC finds to be inconsistent with holding Universal's voting securities for investment purposes only. The NGC considers voting on all matters voted upon by shareholders and making financial and other informational inquiries of the type normally made by securities analysts, to be consistent with investment intent.

As a registered company, Universal is required to maintain a revolving fund of \$50,000 with the GCB to pay any costs and expenses of the GCB and its staff in the surveillance, monitoring, and investigative review of the activities of Universal, its subsidiaries, and affiliated entities.

Any person required to obtain a license or finding of suitability must bear all costs of the resulting GCB investigation. Any person who fails or refuses to apply for a license or finding of suitability within 30 days of being ordered to do so by the

NGC or the chairman of the GCB may be found unsuitable. Any stockholder found unsuitable and who holds, either directly or indirectly, any beneficial ownership of Universal's voting securities beyond that period of time as may be prescribed by the NGC may be guilty of a criminal offense. Universal is subject to disciplinary action and possible revocation of its approvals, if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with Universal or Aruze USA, we (i) pay to the unsuitable person any dividend or interest upon any voting securities or any other payment or distribution, except for securities required to be purchased by Universal or Aruze USA; (ii) give the unsuitable person recognition of the exercise of a voting right under any security or interest in any voting, debt, or any class of security; (iii) pay to the unsuitable person any compensation of any kind for services, except for services rendered prior to receiving notice of the finding of unsuitability; or (iv) fail to pursue all lawful efforts to require unsuitable persons to relinquish his or her voting securities, including immediately purchasing the securities in cash for fair market value.

Nevada Gaming Authorities may deny, suspend, or revoke any license or finding of suitability for any cause deemed reasonable. If it were determined that Universal or any of its subsidiaries violated any Nevada gaming law, our gaming licenses could be limited, conditioned, suspended, or revoked, subject to compliance with certain statutory and regulatory procedures. In addition, Universal, Aruze USA, and any persons involved may be subject to substantial fines for each separate violation of the Nevada gaming laws at the discretion of the NGC. The limitation, conditioning, suspension, or revocation of our gaming licenses would materially and adversely affect our gaming activities.

Changes in control of Universal through merger, consolidation, acquisition of assets or stock, management or consulting agreements, or any act or conduct by a person whereby control is obtained may not occur without prior approval by the Nevada Gaming Authorities. Any person or entity seeking to acquire control of Universal must satisfy a variety of stringent standards by the GCB and NGC prior to assuming control. Nevada Gaming Authorities may also require controlling shareholders, officers, directors, and other persons having a material relationship or involvement with the person or entity proposing to acquire control to be investigated and licensed as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities, and other corporate defense

tactics that affect Nevada gaming licensees and any affiliated publicly traded corporations, may be injurious to stable and productive corporate gaming. The NGC has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy of (i) assuring the financial stability of corporate gaming operators and their affiliates; (ii) preserving the beneficial aspects of conducting business in the corporate form; and (iii) promoting a neutral environment for the orderly governance of corporate affairs. In certain circumstances, approvals are required from the NGC before Universal makes any exceptional repurchase of voting securities above their current market price and before a corporate acquisition opposed by management can be consummated. Nevada's gaming laws and regulations also require prior approval by the NGC if Universal was to adopt a plan of recapitalization proposed by its board of directors in opposition to a tender offer made directly to our shareholders for the purpose of acquiring control.

No person may become a stockholder of Aruze USA or receive any percentage of profits from Universal or Aruze USA without first obtaining licenses or approvals from the Nevada Gaming Authorities. Also, officers, directors, and key employees of Universal and Aruze USA may be required to be licensed or found suitable by Nevada Gaming Authorities.

As a registered company with the NGC, Universal must report to the NGC when we expose a game or gaming device to the public for play outside of Nevada or acquire an interest in a foreign gaming operation that currently exposes a game or gaming device to the public for play outside of Nevada. Furthermore, if we receive a percentage of gaming revenue from the placement of machines or gaming devices in a foreign jurisdiction (i.e., outside of Nevada), Universal must notify the NGC. However, Universal is not required to satisfy reporting requirements if we sell gaming devices in a foreign jurisdiction. If engaged in foreign gaming activity, Universal must establish a \$10,000 revolving fund to pay the expenses of investigation by the GCB concerning our participation in foreign gaming. Nevada Gaming Authorities may increase or decrease this revolving fund amount. Universal is subject to disciplinary action by the NGC if we (i) knowingly violate any laws of the foreign jurisdiction related to our foreign gaming activities; (ii) fail to conduct our foreign gaming activities in accordance with the standards of honesty and integrity required of Nevada gaming operations; (iii) engage in any activity or enter into any association that is unsuitable because it poses an unreasonable threat to the control of gaming in Nevada, reflects or

tends to reflect discredit or disrepute upon the State of Nevada or gaming in Nevada, or is contrary to the gaming policies of Nevada; (iv) engage in any activity or enter into any association that interferes with the ability of the State of Nevada to collect gaming taxes and fees; or (v) employ, contract with, or associate with any person in the foreign gaming activity who has been denied a license or finding of suitability in Nevada based on personal unsuitability, or who has been found guilty of cheating.

Other Jurisdictions

Much like Nevada, each of the other jurisdictions in which Universal or Aruze USA does or will do business requires various licenses, permits, and/or approvals to engage in gaming activities. Universal or Aruze USA has obtained or will obtain the required licenses, permits, and/or approvals to engage in gaming activities.

International Regulation

Certain foreign countries permit the importation, sale, and operation of gaming equipment in casino and non-casino environments. Some countries prohibit or restrict the payout feature of the traditional slot machine or limit the operation and the number of slot machines to a controlled number of casinos or casino-like operations. Certain jurisdictions require the licensing of gaming machine operators and manufacturers. Each gaming machine or device must comply with the individual country's regulations.

For any manufacturing of gaming machines, devices, and other equipment for use, play, or distribution to various international markets in the world, Universal has or will obtain the required licenses, permits, and/or approvals to manufacture our products for use, play, or distribution in the various international jurisdictions where we do business.