



March 16, 2010

Mr. Carlo Pippolo
EITF Liaison
File Reference No. EITF 09-F
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed Accounting Standard Update, Entertainment – Casinos (Topic 924)
Casino Base Jackpot Liabilities (A Consensus of the FASB Emerging Issues Task
Force)

Dear Mr. Pippolo:

WMS Industries Inc. (“WMS”) is providing additional information in response to the staff’s views on the Proposed Accounting Standard Update, Entertainment – Casinos (Topic 924) Casino Base Jackpot Liabilities (*A Consensus of the FASB Emerging Issues Task Force*), (the “Proposed ASU”). We appreciate the FASB’s willingness to address this issue and provide the necessary reporting clarifications for the gaming industry with respect to accounting for base jackpot liabilities.

We have read the FASB Staff’s Issue Summary No.1, Supplement No. 1 dated February 22, 2010 (“Supplement No. 1”) on Issue No. 09-F, “*Casino Base Jackpot Liabilities*” (“EITF 09-F”) and want to provide the following additional comments that we believe should be considered by the FASB staff and the EITF Task Force relative to the Proposed ASU.

Based on our review of the proposed guidance, we are requesting specific written guidance and clarification be added to any final pronouncement given that we believe our specific facts are not consistent with casino operators and the proposed guidance does not address our requirements. Unlike a casino, WMS cannot unilaterally remove **all** WAP gaming machines from casinos on a single WAP system in a single gaming jurisdiction. As an example, pursuant to Nevada Gaming Regulation 5.112(7) - NV Geographical Limitation, WMS is required to operate a **minimum** number of WAP gaming machines as approved by the Chairman of the Nevada Gaming Control Board

once a WAP jackpot has been established in a jurisdiction until the Chairman authorizes the shutdown of a WAP system.

“7. An operator may remove from a licensee’s premises games or machines with progressive payoff schedules which are part of an inter-casino linked system if the payoff schedule is otherwise available for play in the same city, or such other geographic area as may be determined by the chairman.”

Similar regulations exist in New Jersey, Mississippi and all WAP jurisdictions in which WMS operates a WAP system. In addition, if WMS was to consolidate all of our WAP systems in a single gaming jurisdiction down to one single WAP system, the gaming regulations require that we cannot shutdown that last WAP system and remove the WAP gaming machines until the full amount of the base jackpot amount and the incremental jackpot amount have been awarded. For example, below is Nevada Gaming Regulation 5.112(6):

“6. An operator, including an operator that ceases operations, shall not reduce the amount of a progressive payoff schedule or otherwise eliminate a progressive payoff schedule unless:

(a) A player wins the progressive payoff schedule and any reset fund”

Thus in the final consolidation of WAP jackpot instances WMS is required to operate the final WAP system until a casino patron wins the jackpot amount consisting of the base and incremental jackpots.

Based upon these regulations, WMS cannot reduce, remove or avoid paying out the base jackpot or incremental jackpot amount by removing all of the WAP gaming machines or, in Nevada, without the expressed permission of the Chairman of the Nevada Gaming Board. Other WAP jurisdictions in which WMS operates have similar regulations and some are even more restrictive. Some (a) allow a shutdown of a WAP system after the final jackpot amount has been won without any consolidation of WAP systems; (b) allow transfer of the incremental WAP liability; and (c) in certain specific jurisdictions, the entire WAP liability has been transferred to a new WAP system.

Based on the information provided above, we believe the proposed guidance does not adequately address those requirements of entities that are not casino operators. Specifically, as required by the regulations discussed above, certain base jackpots, once placed, are required to be paid, while we do have the ability to remove other base jackpots upon specific approval by the regulators. However, we cannot predict which WAP systems ultimately will be shutdown without paying the jackpot amount and which ones will be required to remain until the jackpot amount is won by a casino patron. The proposed guidance appears to indicate that the liability is not recorded until

it is unavoidable, however, given our specific facts, we believe based on the proposed guidance, this would require different treatment for different systems, which we do not believe provides useful or accurate information regarding our financial position at a given point in time.

As we believe base jackpot amounts are unavoidable, we also believe that the WAP jackpot liability is created on the balance sheet when the jackpot amount is first established, and that the corresponding debit is to other current assets. This asset should be expensed over the shorter of either: (a) the theoretical coin-in period required for the casino patron to win the jackpot amount or (b) over time until the jackpot amount is won by the patron. This accounting treatment was further discussed in our prior letter dated February 12, 2010.

We believe this is the correct expense accounting and is similar to other liabilities that create obligations and assets that benefit future periods. An example would be commercial insurance (e.g. directors and officers, property, general liability) where once we have bound the insurance policies, we are obligated to pay the insurance company, yet the expense covers a defined future period of time. In this example, we establish the insurance liability upon binding the policy and at the same time set up the asset that is subsequently expensed in the income statement over the policy period.

On a new issue in Supplement No. 1, the FASB staff has now concluded that a Wide Area Progressive (“WAP”) operator can “avoid” payoff of both the base jackpot amount and the incremental jackpot amount and so neither amount should be recorded on the balance sheet until the WAP jackpot has been awarded.

We do not agree with the FASB staff’s conclusion on jackpot liabilities given the specific legal and specific regulatory environment in which we operate our WAP systems. We therefore disagree with the Staff’s recommendation to clarify the Proposed ASU by deleting the word “base” as suggested in paragraph #13 of Supplement No. 1.

In summary, we are requesting additional guidance and clarification be provided in any final pronouncement regarding how our specific facts and circumstances would fit into the Proposed ASU. In addition, we believe the FASB staff should modify its recommendation to the Emerging Issues Task Force to state that for WAP operators the WAP base jackpot and incremental jackpot amounts cannot be avoided and are therefore a liability prior to the awarding of the progressive jackpot amount. In addition, such guidance and clarification should also provide that if a WAP base jackpot amount is unavoidable, the expense of the base jackpot amount should be amortized over the theoretical coin-in required for the jackpot to be won.

We appreciate the opportunity to discuss any guidance on the Proposed ASU. If you have any questions about our comments or wish to discuss these matters further, please contact me at 847-785-3760 or our Vice President, Controller and Chief Accounting Officer, John McNicholas at 847-785-3182.

Sincerely,

/s/ Scott D. Schweinfurth
Scott D. Schweinfurth
Executive Vice President, Chief Financial Officer
& Treasurer
WMS Industries Inc.

Attachment - Nevada Gaming Commission Regulation 5.112

Nevada Gaming Commission Regulation 5.112

5.112 Inter-casino linked payoff schedules.

1. As used in this section:

(a) "Base amount" means the amount of a progressive payoff schedule initially offered before it increases.

(b) "Chairman" means the chairman of the state gaming control board or his designee.

(c) "Fixed payoff schedule" means a payoff schedule determined prior to the time the inter-casino linked system is offered to the public for play that does not increase automatically over time or as the inter-casino linked system is played.

(d) "Incremental amount" means the difference between the amount of a progressive payoff schedule and its base amount.

(e) "Operator" means any person or entity holding a license to operate an inter-casino linked system in Nevada, a person or entity holding a license to operate a slot machine route that operates an inter-casino linked system for slot machines only, or a person or entity holding a license to operate a nonrestricted gaming operation that operates an inter-casino linked system for affiliates.

(f) "Progressive payoff schedule" means a payoff schedule that increases automatically over time or as the inter-casino linked system is played.

(g) "Reset fund" means monies collected pursuant to a contribution schedule set by an operator that are intended to be used for the funding of future progressive payoff schedules.

2. Inter-casino linked systems shall have signs or award cards which conspicuously display:

(a) The fixed payoff schedules at or near each game and on each machine;

(b) The current progressive payoff schedules at or near all games or machines; and

(c) Rules and, if applicable, the specific qualifying and final round date(s) for tournaments or contests at or near all games or machines.

3. Each operator shall record the base amount of each progressive payoff schedule when first exposed for play and subsequent to each payoff. At least once each day, the operator must record on a log the amount of the progressive payoff schedule. Explanations for decreases in the payoff schedule shall be maintained with the progressive logs.

4. Subject to compliance with the minimum rate of progression requirements set forth in NGC Regulation 14.045(1), an operator may change the rate of progression, including those between multiple progressive payoff schedules and reset funds, provided that records of such changes are created and maintained. The operator, upon request, shall provide such information to the board and participating locations.

5. An operator may limit the amount of progressive payoff schedule to an amount that is equal to or greater than the amount of the progressive payoff schedule when the limit is imposed. The operator shall post a conspicuous notice of the limit at or near each game or machine to which the limit applies. An operator shall notify the board and the participating locations of such limitation, in writing, contemporaneously with the imposition of such limitation.

6. An operator, including an operator that ceases operations, shall not reduce the amount of a progressive payoff schedule or otherwise eliminate a progressive payoff schedule unless:

(a) A player wins the progressive payoff schedule and any reset fund;

(b) For games other than slot machines, the incremental amount of the progressive payoff schedule(s) and any reset fund may be distributed within 90 days of removal through a concluding contest, tournament or promotion and the contest, tournament or promotion is conducted with a game(s) similar to the game(s) from which the amounts are distributed;

(c) The progressive payoff schedule is adjusted to correct a malfunction or to prevent the display of an amount greater than a limit imposed by subsection 5, and the operator documents the adjustment and the reasons for it;

(d) The operator distributes the entire incremental amount and any reset fund to another single inter-casino linked payoff schedule and reset fund, whether progressive or not, on similar games or machines at substantially the same locations, and:

(1) The operator documents the distribution;

(2) Any game or slot machine offering the payoff schedule to which the operator distributes the incremental amount or reset fund does not require that more money be played on a single play to win the payoff schedule than the game or slot machine from which the incremental amount or reset fund is distributed unless the incremental amount distributed is increased in proportion to the increase in the amount of the wager required to win the payoff schedule;

(3) If from a slot machine, any slot machine offering the payoff schedule to which the incremental amount or reset fund is distributed complies with the minimum theoretical payout requirement of Regulation 14.040(1); and

(4) The distribution is completed within 30 days after the progressive payoff schedule or reset fund is removed from play or within such longer period as the chairman may for good cause approve; or

(e) The chairman, upon a showing of exceptional circumstances, approves a reduction, elimination, distribution, or procedure not otherwise described in this subsection, which approval is confirmed in writing.

7. An operator may remove from a licensee's premises games or machines with progressive payoff schedules which are part of an inter-casino linked system if the payoff schedule is otherwise available for play in the same city, or such other geographic area as may be determined by the chairman.

8. Operators shall maintain the records required by this section for at least five years after the records are made unless the chairman approves otherwise in writing.

(Adopted: 5/00.)