

Waterloo casino won't have to pay \$41 million jackpot

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Pauline McKee, of Antioch, Ill., was playing a penny slot machine with relatives in 2011 when she thought she hit a \$41.8 million jackpot at the Isle Hotel Casino in Waterloo, which opened in summer 2007. (Photo: DUANE CROCK/AP FILE)

When an 87-year-old Illinois grandmother bet a quarter in an Iowa slot machine in 2011, she thought she'd hit it big. The screen said: "The reels have rolled your way! Bonus Award — \$41797550.16."

Pauline McKee and her daughter excitedly summoned casino employees to collect what they thought was a \$41.8 million jackpot. But state officials later concluded the award was a computer glitch and that the Isle Hotel Casino in Waterloo didn't have to pay.

And the Iowa Supreme Court ruled Friday that McKee didn't hit any jackpot — no matter what the screen told her. In fact, her good fortune was actually worth only \$1.85 based on how the fish, cat and other symbols aligned on the Miss Kitty game, the court said.

The rules of the game said the maximum award was \$10,000 and allowed for no bonus awards, Justice Edward Mansfield wrote for the unanimous seven-member court. The rules and pay table, which were available on a touch screen, amount to a contract between the casino and the player and it doesn't matter that McKee didn't read them, he added.

"Any message appearing on the screen indicating the patron would receive a \$41 million bonus was a gratuitous promise and the casino's failure to pay it could not be challenged as a breach

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of contract," Mansfield wrote in a ruling that dismissed a lawsuit filed by McKee seeking the payout.

No implied contract

McKee's argument that the casino had an implied contract with customers to pay whatever the slot machines said "is contrary to precedent and general contract principles," he added.

The casino could have been forced into bankruptcy if it had gone the other way, said one of its attorneys, Stacey Cormican. A \$41 million payout would amount to about half of the gross revenue the casino generated last year.

Cormican said the ruling will ensure fairness in Iowa's large gambling industry.

"Casinos are required to post rules and follow those rules. If either the patrons or casinos could change the rules in the middle of the game, it would be absolutely chaos," she said.

She said such computer glitches are rare.

Penny machine

McKee, of Antioch, Ill., isn't a huge gambler, playing slots a few times a year. She was playing the penny slot machine with relatives during a family reunion when she thought she hit the jackpot. When she and her daughter summoned an attendant, casino officials started to investigate, giving her a \$10 card to play while she waited and eventually comping her and her relatives' rooms.

The casino requested a review by the Iowa Racing and Gaming Commission, which sent the

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machine's hardware and software to a laboratory for analysis.

Testing concluded the machine had given an erroneous bonus message. The game's manufacturer, Aristocrat Technologies, Inc., had warned casinos in 2010 that machines using that hardware were susceptible to displaying mistaken "legacy bonus" awards on the screen. A company bulletin told customers it was developing a new hardware system and recommended they disable legacy bonusing to prevent the error — something the Waterloo casino didn't do.

'Malfunction'

The commission concluded the casino didn't have to pay because of the glitch. A sign on the game warned, "Malfunction voids all pays and plays."

McKee sued in 2012, arguing the casino breached a contract and committed consumer fraud. Her lawyers disputed that the machine malfunctioned, arguing that jurors should decide.

But legal appeals didn't roll her way. A judge threw out the case before trial. And the high court ruled Friday that it doesn't matter what caused the error because the jackpot wasn't allowed under the rules.

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