# Exhibit 1-A

**Benefit Plan Audit Engagement Letter** 



Ernst & Young LLP Suite 1450 3800 Howard Hughes Parkway Las Vegas, Nevada 89169

Tel: (702) 267-9000 Fax: (702) 267-9010 www.ey.com

Station Casinos, Inc. 1505 South Pavilion Center Drive Las Vegas, Nevada 89135 28 July 2009

Attention: Dr. James Nave, DVM Audit Committee Chair

Dear Dr. Nave:

This letter agreement (the "Agreement") sets forth the terms and conditions of the engagement of Ernst & Young LLP ("we" or "E&Y") by the Audit Committee of Station Casinos, Inc. (the "Company" or "Plan Sponsor") to audit and report on the financial statements and supplemental schedules of the Station Casinos, Inc. 401(k) Retirement Plan (the "Plan") for the year ended December 31, 2008, which are to be included in the Plan's Form 5500 filing with the Department of Labor's ("DOL") Employee Benefits Security Administration, subsequent to the Company's filing of a petition under chapter 11 of the United States Bankruptcy Code ("Chapter 11") on or about July 28, 2009 in the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court"). All of the services described in this paragraph are referred to as either "Audit Service" or "Audit Services." The parties intend that this Agreement be effective as of July 28, 2009 and supersede all prior agreements between the Company and E&Y with respect to its subject matter.

We have agreed to provide such services contingent upon the Bankruptcy Court approving our retention in accordance with the terms and conditions which are set forth in this Agreement.

## Scope of Services

Subject to the provisions of this Agreement, including the Dispute Resolution Procedures, which are set forth in Attachment 1 hereto, we will provide to the Company the Audit Services (as described above), which may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

## Audit Responsibilities and Limitations

We will conduct the engagement to audit the financial statements in accordance with auditing standards generally accepted in the United States, as promulgated by the American Institute of Certified Public Accountants (the "AICPA"), except that, as permitted by Regulation 2520.103-8 of the DOL Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and as instructed by you, we will not perform any auditing procedures with respect to investment information prepared and certified by DWS Trust Company, the trustee, other than comparing that information with the related information included in the financial statements and supplemental schedules. Because of the significance of the



information that we will not audit, we will not express an opinion on the financial statements and schedules taken as a whole. The form and content of the information included in the financial statements and schedules, other than that derived from the investment information certified by DWS Trust Company, will be audited by us in accordance with AICPA auditing standards generally accepted in the United States and will be subjected to tests of your accounting records and other procedures as we consider necessary to enable us to express an opinion as to whether they are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

AICPA auditing standards require that we obtain reasonable rather than absolute assurance that the financial statements are free of material misstatement whether caused by error or fraud. As management is aware, there are inherent limitations in the audit process, including, for example, selective testing and the possibility that collusion or forgery may preclude the detection of material error, fraud, or illegal acts, including prohibited transactions with parties in interest and other violations of the DOL's Rules and Regulations under ERISA. Accordingly, there is some risk that a material misstatement of the financial statements may remain undetected. Also, our engagement is not designed to detect error or fraud that is immaterial to the financial statements. We will assess whether all identified prohibited party in interest transactions are included in the supplemental schedule of nonexempt transactions.

As a part of the engagement, we will perform certain procedures, as required by AICPA auditing standards, directed at considering the Plan's compliance with applicable Internal Revenue Code ("IRC") requirements for tax-exempt status, including reading the Plan's latest tax determination letter from the Internal Revenue Service ("IRS"). As we conduct our engagement, we may become aware of the possibility that events affecting the Plan's tax status may have occurred. Similarly, we may become aware of the possibility that events affecting the Plan's compliance with the requirements of ERISA may have occurred. We will inform you of any instances of tax or ERISA noncompliance that come to our attention during the course of our engagement. You should recognize, however, that the engagement is not designed to nor is it intended to verify the Plan's overall compliance with applicable provisions of the IRC or ERISA, including but not limited to the Plan Sponsor's deduction limits, and, accordingly, we assume no responsibility for failure to detect instances of noncompliance with applicable provisions of the IRC or ERISA.

As part of the engagement, we will consider, solely for the purpose of planning the engagement and determining the nature, timing, and extent of our procedures, the Plan's internal control over financial reporting, except for the investment information, which is excluded as described in paragraph 3. This consideration will not be sufficient to enable us to provide assurance on internal control or to identify all significant deficiencies and material weaknesses.

In accordance with AICPA auditing standards, we will communicate certain matters related



to the conduct and results of the engagement to audit the Plan to the Audit Committee. Such matters include our level of responsibility under the auditing standards for the financial statements, for internal control, and for other information in documents containing the financial statements; an overview of the planned scope and timing of the engagement; and significant findings from the engagement to audit the Plan. Significant findings from the engagement to audit the Plan include: (1) our views about the qualitative aspects of the Plan's significant accounting policies, accounting estimates, and financial statement disclosures; (2) significant difficulties, if any, encountered during the engagement; (3) uncorrected misstatements, other than those we believe are trivial; (4) disagreements with management, if any, whether or not satisfactorily resolved; and (5) other findings or issues arising from the engagement that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process. In addition, we will communicate material, corrected misstatements brought to the attention of management as a result of our procedures; representations requested from management; management's consultations with other accountants; and significant issues, if any, arising from the engagement to audit the Plan that were discussed, or the subject of correspondence, with management.

If we determine that there is evidence that fraud or possible illegal acts may have occurred, we will bring such matters to the attention of the appropriate level of management. If we become aware of fraud involving senior management or fraud (whether committed by senior management or other employees) that causes a material misstatement of the financial statements, we will report this matter directly to the Audit Committee. We will determine that the Audit Committee and management are adequately informed of illegal acts that come to our attention unless they are clearly inconsequential. We also will inform the Audit Committee and appropriate members of management of significant adjustments noted during our procedures.

We will communicate in writing to management and to the Audit Committee all significant deficiencies and material weaknesses identified during the engagement to audit the Plan's financial statements, as well as any significant deficiencies and material weaknesses communicated to management and to the Audit Committee in previous engagements that have not yet been remediated.

Should conditions not now anticipated preclude us from completing either the audit of the financial statements and issuing our report thereon, we will advise the Audit Committee, appropriate members of management and the Bankruptcy Court promptly and take such action as we deem appropriate.

We also may communicate other opportunities we observe for economies in or improved controls over the Plan's operations.



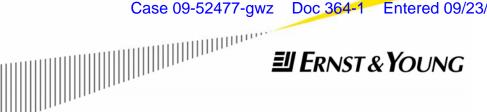
# Management's Responsibilities and Representations

The financial statements and supplemental schedules are the responsibility of management, who also is responsible for establishing and maintaining effective internal control, for properly recording transactions in the accounting records, for safeguarding assets, and for the overall fair presentation of the financial statements and supplemental schedules. Management also is responsible for the identification of, and for the Plan's compliance with, the laws and regulations applicable to its activities.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in its representation letter that the effects of any unrecorded differences accumulated by us during the current engagement to audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for apprising us of all allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), and providing us full access to these allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other allegations of illegal acts or fraud that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Plan. If management limits the information otherwise available to us under this paragraph (based on management's claims of attorney/client privilege, work product doctrine, or otherwise), management will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of our engagement and may prevent us from opining on the Plan's financial statements; alter the form of report we may issue on such financial statements; or otherwise affect our ability to continue as the Plan's independent auditors. We will disclose any such withholding of information to the Audit Committee.

As required by AICPA auditing standards, we will make specific inquiries of management about the representations contained in the financial statements and supplemental schedules. AICPA auditing standards also require that, at the conclusion of the engagement, we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our procedures comprise the evidence on which we will rely in performing procedures and reporting on the financial statements and supplemental schedules. Management is responsible for providing us with all financial records and related information on a timely basis, and its failure to do so may cause us to delay our report, modify our procedures, or even terminate our engagement.



Management is responsible for informing EY about any related-party transactions, including transactions with parties-in-interest, as defined in ERISA section 3(14) and the regulations thereunder, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

Management shall make appropriate inquiries to determine whether the Plan or Plan Sponsor has a capital lease, material cooperative arrangement, or other business relationship with EY or any other member firm of the global Ernst & Young organization (any of which, an "EY Entity") other than one pursuant to which an EY Entity performs professional services.

Management shall discuss any independence matters with EY that, in its judgment, could bear upon EY's independence.

# Fees and Billings

The hourly billing rates for the Audit Services shall be adjusted annually on July 1 during the term of this Agreement, are subject to Bankruptcy Court approval and are as set forth below.

	Rate Per Hour Range
National Partner/Principal/ Executive Director	\$610 - \$760
Partner and Principal	\$483 - \$585
Executive Director	\$420 - \$495
Senior Manager	\$420 - \$490
Manager	\$330 - \$400
Senior	\$210 - \$370
Staff	\$145 - \$190

Based on the Company's representations and the assumptions stated herein, E&Y agrees that such fees for the Audit Services shall not exceed \$30,440, provided such cap does not apply to fees and expenses related to bankruptcy requirements such as employment and compensation-related work.



E&Y will submit its invoices as the work progresses and payment of them will be made upon receipt, or as promptly as the United States Bankruptcy Code ("Bankruptcy Code"), the Federal Rules of Bankruptcy Procedures ("Bankruptcy Rules"), local bankruptcy rules for the District of Nevada ("Local Rules") and any relevant administrative orders allow.

Our proposed schedule of performance is based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us, the Company's documentation of internal control over financial reporting, and the results of our audit procedures. The actual timing is dependent upon the Company's personnel providing a reasonable level of assistance during the audit. Should our assumptions with respect to these matters be incorrect or should the documentation of internal control, results of our procedures, condition of records, degree of cooperation, extent of procedures performed by the Company to support management's assessment, or other matters beyond our reasonable control require additional commitments by us beyond those upon which are identified herein, we may adjust our planned completion dates.

We will request payment of our fees in accordance with the Bankruptcy Code, the Bankruptcy Rules, Local Rules and any relevant administrative orders. In addition, as provided in the following paragraph, we will request reimbursement of our actual expenses related to this engagement, as well as fees for any time (including any time or reasonable expenses of legal counsel) we may incur in considering or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceeding as a result of our performance of these services. E&Y may receive rebates in connection with certain purchases, which are used to reduce overhead charges that E&Y would otherwise pass on to its clients.

If we are requested or authorized by the Company or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Company, the Company will, subject to Bankruptcy Court approval and so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

We acknowledge that payment of fees and expenses hereunder is subject to (i) the jurisdiction and approval of the Bankruptcy Court under Sections 330 and 331 of the Bankruptcy Code, any order of the Bankruptcy Court approving the retention of E&Y and the U.S. Trustee Guidelines, (ii) any applicable fee and expense guidelines and/or orders and (iii) any requirements governing interim and final fee applications.

# Staffing for Provision of Audit Services

Thomas M. Roche will be the Audit Partner responsible for the provision of our audit services. Thomas M. Roche, Coordinating Partner, Jennifer LaFrance, Manager, and Jon



Neumann, Manager, will work closely with management in performing all required audit services. If one or more of these individuals ceases to provide audit services to the Company pursuant to this Agreement, E&Y will so advise the Company and, if that professional is replaced, provide the Company with the name of that professional's replacement. Other partners and staff, not identified herein, may be utilized as required to conduct our work in the most efficient manner possible.

## Other Matters

Any controversy or claim with respect to, in connection with arising out of, or in any way related to this Agreement or the services provided hereunder (including any such matter involving any parent, subsidiary, affiliate, successor in interest or agent of the Company or of E&Y) shall be brought in the Bankruptcy Court or the applicable district court if such district court withdraws the reference and the parties to this Agreement, and any and all successors and assigns thereof, consent to the jurisdiction and venue of such court as the sole and exclusive forum (unless such court does not have jurisdiction and venue of such claims or controversies) for the resolution of such claims, caused of action or lawsuits. The parties to this Agreement, and any and all successors and assigns thereof, hereby waive trial by jury, such waiver being informed and freely made. If the Bankruptcy Court or the district court upon withdrawal of the reference does not have or retain jurisdiction over the foregoing claims or controversies, the parties to this Agreement and any and all successors and assigns thereof, agree to submit first to nonbinding mediation; and, if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in the Attachment 1 to this Agreement. Judgment on any arbitration award may be entered in any court having proper jurisdiction. The foregoing is binding upon the Company, E&Y and any all successors and assigns thereof.

The Company shall not, during the term of this Agreement and for 12 months following its termination for any reason, without the prior written consent of EY, solicit for employment or a position on its Board of Directors, or hire or appoint to its Board of Directors, any current or former partner, principal, or professional employee of EY, any affiliate thereof, any other EY Entity or any of their respective affiliates if any such professional performed any audit, review, attest, or related service for or relating to the Company at any time (a) since the date on which the Company filed its most recent periodic annual report with the SEC (or, since the beginning of the most recent fiscal year to be covered by the Company's first such report, if applicable) or (b) in the 12 months ended on that date. In any event, the Company may not solicit, hire, or appoint to its Board of Directors any such professional who influences EY's operations or financial policies or has any capital balances or any other continuing financial arrangement with EY.

By your signature below, you confirm that the Company, through its Board of Directors, has authorized the Audit Committee to enter into this Agreement on the Company's behalf and that you have been expressly authorized by the Audit Committee to execute this Agreement on behalf of, and to bind, the Company.



If any portion of this Agreement is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this Agreement shall remain in effect.

Subject to Bankruptcy Court approval, we will perform the Audit Services for each of the Company's subsequent fiscal years on the terms and conditions set forth in this Agreement until either the Audit Committee or E&Y terminates this Agreement or upon effective date of the Company's confirmed plan of reorganization, or liquidation of the Company's assets under Chapter 11 or 7 of Title 11 of the United States Code, or otherwise, but in any event this Agreement will expire upon the effective date of the Company's confirmed plan of reorganization, or liquidation of the Company's assets under Chapter 11 or 7 of Title 11 of the United States Code, or otherwise. Changes in the scope of the Audit Services and estimated fees for such services in subsequent fiscal years will be communicated in supplemental letters. This Agreement may be terminated at any time by the Company or E&Y. The provisions of this Agreement set forth in the sections entitled "Fees and Billings" and "Other Matters", including, but not limited to the alternative dispute provision in this Agreement, will remain operative and in full force and effect regardless of any termination of expiration of this Agreement and shall survive completion of the Company's bankruptcy whether through a confirmed plan of reorganization, liquidation of the Company's assets under Chapter 11 or 7 of Title 11 of the United States Code, or otherwise.

The Company recognizes and acknowledges that by performing the services set forth in this Agreement, E&Y is not acting in any Company management capacity and that the Company has not asked E&Y to make, nor has E&Y agreed to make, any business decisions on behalf of the Company. All decisions about the business of operations of the Company remain the sole responsibility of the Company's management and its board of directors.

By agreement to the provisions of the services set forth in this Agreement, E&Y is not providing a guarantee to the Company that E&Y's performance of those services pursuant to the terms and conditions set forth in this Agreement will guarantee the Company's successful reorganization under Chapter 11 of Title 11 of the United States Code.



If the foregoing is acceptable to you, please so acknowledge by signing this letter in the space indicated below.

Yours very truly,

Ernst + Young LLP
Agreed and accepted by:

Station Casinos, Inc.

Dr. James Nave, DVM Audit Committee Chairman

Tom Friel, Executive Vice President, Chief Accounting Officer and Treasurer



#### Attachment 1

## **Dispute Resolution Procedures**

#### Mediation

A party shall submit a dispute to mediation by written notice to the other party or parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR") shall designate a mediator at the request of a party. Any mediator must be acceptable to all parties.

The mediator shall conduct the mediation as he/she determines, with the agreement of the parties. The parties shall discuss their differences in good faith and attempt, with the mediator's assistance, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and shall therefore be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed.

Each party shall bear its own costs in the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a dispute within 90 days after written notice beginning mediation (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. In addition, if a party initiates litigation, arbitration, or other binding dispute resolution process without initiating mediation, or before the mediation process has terminated, an opposing party may deem the mediation requirement to have been waived and may proceed with arbitration.

## **Arbitration**

The arbitration will be conducted in accordance with the procedures in this document and the CPR Rules for Non-Administered Arbitration ("Rules") as in effect on the date of the Agreement, or such other rules and procedures as the parties may agree. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, to be selected in accordance with the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of these procedures, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless he or she has agreed in writing to these procedures.



The arbitration panel shall have no power to award non-monetary or equitable relief of any sort or to make an award or impose a remedy that (i) is inconsistent with the agreement to which these procedures are attached or any other agreement relevant to the dispute, or (ii) could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only in accordance with the Rules or applicable professional standards. Before making any such disclosure, a party shall give written notice to all other parties and shall afford them a reasonable opportunity to protect their interests, except to the extent such disclosure is necessary to comply with applicable law, regulatory requirements or professional standards.

The result of the arbitration shall be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

# Exhibit 1-B

**Financial Statement and Internal Controls Audit Engagement Letter** 



Ernst & Young LLP Suite 1450 3800 Howard Hughes Parkway Las Vegas, Nevada 89169

28 July 2009

Tel: (702) 267-9000 Fax: (702) 267-9010 www.ey.com

Station Casinos, Inc. 1505 South Pavilion Center Drive Las Vegas, Nevada 89135

Attention: Dr. James Nave, DVM

Company and E&Y with respect to its subject matter.

**Audit Committee Chair** 

Dear Dr. Nave:

This letter agreement (the "Agreement") sets forth the terms and conditions of the engagement of Ernst & Young LLP ("we" or "E&Y") by the Audit Committee of Station Casinos, Inc. (the "Company") to perform an audit of the Company's consolidated financial statements and its internal control over financial reporting (the "integrated audit") subsequent to the Company's filing of a petition under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on or about July 28, 2009 in the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court"). The parties intend

that this Agreement be effective as of the date of the Company's filing of a Chapter 11 petition with the Bankruptcy Court and supersede all prior agreements between the

We have agreed to provide such services contingent upon the Bankruptcy Court approving our retention in accordance with the terms and conditions which are set forth in this Agreement.

## Scope of Services

Subject to the provisions of this Agreement, including the Dispute Resolution Procedures, which are set forth in Attachment 1 hereto, we will provide to the Company the Audit Services (as defined below), which may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

## **Integrated Audit Services**

As part of the integrated audit, we will audit and report on the consolidated financial statements of the Company for the year ended December 31, 2009 (the "audit of the financial statements"). We also will audit and report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2009 (the "audit of internal control"). We will also audit and report on the financial statements of Green Valley Ranch Gaming, LLC, Barley's Casino and Brewing Company, and Aliante Gaming, LLC for the year ended December 31, 2009. We also will issue combining financial statements for the Company's Nevada properties required pursuant to Regulation 6.080 of the Nevada Gaming Control Board ("NGCB"). We will also issue compliance reports required pursuant to NGCB Regulation 6.090, and 6.105. All of the services described in this paragraph are referred to as either the "Audit Service" or "Audit Services."



The objective of the audit of the financial statements is to express an opinion on whether the consolidated financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. The objective of the audit of internal control is to express an opinion on the effectiveness of internal control over financial reporting. Should conditions not now anticipated preclude us from completing either the audit of the financial statements or the audit of internal control and issuing our reports thereon, we will advise the Audit Committee, management and Bankruptcy Court promptly and take such action as we deem appropriate.

# **Integrated Audit Responsibilities and Limitations**

We will conduct the integrated audit in accordance with the standards of the Public Company Accounting Oversight Board (the "PCAOB"). Those standards require that we obtain reasonable, rather than absolute, assurance that the consolidated financial statements are free of material misstatement, whether caused by error or fraud, and that the Company maintained, in all material respects, effective internal control over financial reporting as of the date specified in management's assessment. As the Company is aware, there are inherent limitations in the audit process, including, for example, selective testing and the possibility that collusion or forgery may preclude the detection of material error, fraud, or illegal acts. Accordingly, there is some risk that a material misstatement of the financial statements or a material weakness in internal control over financial reporting would remain undetected. Also, an audit of the financial statements is not designed to detect error or fraud that is immaterial to the consolidated financial statements. Similarly, an audit of internal control is not designed to detect deficiencies in internal control over financial reporting that, individually or in combination, are less severe than a material weakness.

We will consider the Company's internal control over financial reporting in determining the nature, timing, and extent of our audit procedures for the purpose of expressing our opinion on: (1) the consolidated financial statements and (2) the effectiveness of internal control over financial reporting. Our report on internal control relates to the effectiveness of the Company's internal control over financial reporting taken as a whole, and not to the effectiveness of each individual internal control component.

In accordance with the standards of the PCAOB, we will communicate certain matters related to the conduct and results of the audit to the Audit Committee. Such matters include, when applicable, disagreements with management, whether or not resolved; serious difficulties encountered in performing the audit; our level of responsibility under PCAOB auditing standards for the financial statements, for internal control, and for other information in documents containing the audited financial statements; unrecorded audit differences that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole; changes in the Company's significant accounting policies and methods for accounting for significant unusual transactions or for controversial or emerging areas; our judgments about the quality of the Company's accounting principles; our basis for conclusions as to sensitive accounting



estimates; management's consultations, if any, with other accountants; and major issues discussed with management prior to our retention.

In accordance with the rules of the Securities and Exchange Commission (the "SEC") implementing the requirements of Section 204 of the Sarbanes-Oxley Act of 2002, we will communicate to the Audit Committee all critical accounting policies and practices used by the Company, and all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments along with the treatment preferred by us. We also will advise the Audit Committee of other material written communications between management and us.

We will obtain pre-approval from the Audit Committee for any services we are to provide to the Company pursuant to the Audit Committee's pre-approval process, policies, and procedures, in accordance with the standards and rules of the SEC/PCAOB. We also will communicate annually with the Audit Committee on independence matters as required by the independence standards and rules of the PCAOB. We will communicate annually with the Audit Committee and provide a report on certain matters as specified in the Final Corporate Governance Rules of the New York Stock Exchange. We will inform the Chair of the Audit Committee and management if the Audit Services are selected for inspection by the PCAOB and also will communicate any information of which we become aware as a result of such inspection that has a material effect on the financial statements previously reported on by us or that could result in a significant modification to an audit report previously issued by us. Upon request, we will provide the Audit Committee and the Company with a copy of any publicly available inspection reports on E&Y issued by the PCAOB, but we will not provide any confidential inspection reports issued by the PCAOB to E&Y, the confidentiality of which is provided for in the Sarbanes-Oxley Act of 2002 and the PCAOB's inspection rules.

If we determine that there is evidence that fraud or possible illegal acts may have occurred, we will bring such matters to the attention of the appropriate level of management. If we become aware of fraud involving senior management or fraud (whether committed by senior management or other employees) that causes a material misstatement of the consolidated financial statements, we will report this matter directly to the Audit Committee. We will determine that the Audit Committee is adequately informed of illegal acts that come to our attention unless they are clearly inconsequential. We also will inform the Audit Committee and appropriate members of management of significant audit adjustments noted during our audit procedures.

We will communicate in writing to management and the Audit Committee all material weaknesses in internal control over financial reporting identified during the integrated audit. The identification of a material weakness that remains uncorrected as of the date of management's assessment will cause us to express an adverse opinion on the effectiveness of the Company's internal control over financial reporting. We will consider whether there are any deficiencies, or combinations of deficiencies, that have been identified during the audit that are significant deficiencies and will communicate such



deficiencies, in writing, to the Audit Committee. We also will communicate to management in writing all internal control deficiencies (that is, those deficiencies in internal control over financial reporting that are of a lesser magnitude than material weaknesses) identified during the integrated audit and not previously communicated by us or by others, and will inform the Audit Committee when such a communication has been made. In addition, if we conclude that the Audit Committee's oversight of the Company's external financial reporting and internal control over financial reporting is ineffective, we will communicate our conclusion in writing to the Board of Directors.

# Management's Responsibilities and Representations

The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting are the responsibility of management. Management is responsible for establishing and maintaining effective internal control over financial reporting, for properly recording transactions in the accounting records. for safeguarding assets, and for the overall fair presentation of the consolidated financial statements. Management also is responsible for the identification of, and for the Company's compliance with, laws and regulations applicable to its activities.

Management is responsible for adjusting the consolidated financial statements and to correct material misstatements and for affirming to us in its representation letter that the effects of any unrecorded differences accumulated by us during the applicable Audit Service and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Management is responsible for apprising us of all allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), and for providing us full access to these allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading E&Y, or other allegations of illegal acts or fraud that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of attorney/client privilege, work product doctrine, or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of the Audit Services and may prevent us from opining on the Company's financial statements or internal control over financial reporting; alter the form of report we may issue on such financial statements or internal control over financial reporting; prevent us from consenting to the inclusion of previously issued auditor's reports in future Company filings; or otherwise affect our ability to continue as the Company's independent registered



public accounting firm. We will disclose any such withholding of information to the Audit Committee.

Management is responsible for performing an evaluation and making an assessment of the effectiveness of the Company's internal control over financial reporting as of the end of the Company's most recent fiscal year, based on a suitable, recognized control framework. In connection with its assessment of internal control over financial reporting, management will affirm to us in its representation letter that it has disclosed to us all deficiencies in the design or operation of internal control over financial reporting identified as part of its evaluation, including separately disclosing to us all such deficiencies that management believes to be significant deficiencies or material weaknesses in internal control over financial reporting.

As required by PCAOB auditing standards, we will make specific inquiries of management about the representations contained in the consolidated financial statements and unaudited interim financial information and management's assessment of the effectiveness of internal control over financial reporting. PCAOB auditing standards also require that, at the conclusion of the applicable Audit Service, we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our procedures comprise the evidence on which we will rely in completing the applicable Audit Service. Management is responsible for providing us with all financial records and related information and making available to us all internal control documentation and records necessary to complete the Audit Services on a timely basis. Management's failure to do so may cause us to delay our report, modify our procedures, or even terminate our engagement.

Management agrees to cause all of the Company's foreign subsidiaries and affiliates included in the Company's consolidated financial statements to provide any authorization, to the fullest extent permissible under applicable law, necessary to permit compliance with requests by the SEC or the PCAOB for production of documents or information in a foreign public accounting firm's, associated person's or E&Y's possession, custody or control that was obtained in the conduct of audit services by such firm or person. In addition, the Company hereby waives, to the fullest extent permissible under applicable law, the rights provided under any laws, regulations, professional standards, or other provisions that might restrict the ability of any foreign public accounting firm, any associated person, or E&Y, to comply with requests by the SEC or the PCAOB for production of documents or information in such foreign public accounting firm's, associated person's or E&Y's possession, custody or control that was obtained in the conduct of audit services by such foreign firm or person, and consents, to the fullest extent permissible under applicable law, to action taken in furtherance of the foregoing by any foreign public accounting firm, associated person or E&Y.

Management shall make appropriate inquiries of the Company's officers, directors, and substantial stockholders to determine whether any business relationships exist between any such officer, director, or substantial stockholder (or any entity for or of which such an officer, director, or substantial stockholder acts in a similar capacity) and E&Y or any



other member firm of the global Ernst & Young organization (any of which, an "E&Y Entity"), other than one pursuant to which an E&Y Entity performs professional services. For this purpose, a "substantial stockholder" is a person or entity (excluding mutual funds) that owns a beneficial interest of five percent or more of the Company.

Management shall discuss any independence matters with E&Y that, in its judgment, could bear upon E&Y's independence.

The Staff of the SEC has publicly stated that auditors and public companies share responsibility for compliance with auditor independence rules. Accordingly, the Company shall provide to E&Y information about the entities over which the Company has direct or indirect control or significant influence or which otherwise qualify as the "audit client" under Regulation S-X. The Company understands that E&Y will use this information to assess its independence in this engagement. In addition, to facilitate independence determinations, the "Big 4" accounting firms have created a database, called the Global Master File, to aggregate public information identifying the entities associated with their SEC audit clients, as well as information confirmed or provided by clients as to the relationships between such entities. The Company understands that E&Y will submit information to this database solely for the internal use of authorized accounting firms.

# Fees and Billings

The hourly billing rates on which the services applicable to this Agreement are based and which shall be adjusted annually on July 1 during the term of this Agreement, are subject to Bankruptcy Court approval and are as set forth below.

	Rate Per Hour Range
National Partner/Principal/ Executive Director	\$610 - \$760
Partner and Principal	\$483 - \$585
Executive Director	\$420 - \$495
Senior Manager	\$420 - \$490
Manager	\$330 - \$400
Senior	\$210 - \$370
Staff	\$145 - \$190

Based on the Company's representations and the assumptions stated herein, E&Y agrees that such fees for the Audit Services shall not exceed \$940,000, provided such cap does



not apply to fees and expenses related to bankruptcy requirements such as employment and compensation-related work.

E&Y will submit its invoices as the work progresses and payment of them will be made upon receipt, or as promptly as the United States Bankruptcy Code ("Bankruptcy Code"), the Federal Rules of Bankruptcy Procedures ("Bankruptcy Rules"), local bankruptcy rules for the District of Nevada ("Local Rules") and any relevant administrative orders allow.

Our pricing and schedule of performance are based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us, the Company's documentation of internal control over financial reporting, the procedures the Company performs to support management's assessment of the effectiveness of internal control over financial reporting, and the results of our audit procedures. Our fees contemplate the level of assistance by Internal Audit. They also are dependent upon the Company's personnel providing a reasonable level of assistance during the integrated audit. Should our assumptions with respect to these matters be incorrect or should the documentation of internal control, results of our procedures, condition of records, degree of cooperation, extent of procedures performed by the Company to support management's assessment, or other matters beyond our reasonable control require additional commitments by us beyond those upon which are identified herein, we may adjust our fees and planned completion dates, subject to Bankruptcy Court approval.

We will request payment of our fees in accordance with the Bankruptcy Code, the Bankruptcy Rules, Local Rules and any relevant administrative orders. In addition, as provided in the following paragraph, we will request reimbursement of our actual expenses related to this engagement, as well as fees for any time (including any time or reasonable expenses of legal counsel) we may incur in considering or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceeding as a result of our performance of these services. E&Y may receive rebates in connection with certain purchases, which are used to reduce overhead charges that E&Y would otherwise pass on to its clients.

If we are requested or authorized by the Company or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the Company, the Company will, subject to Bankruptcy Court approval and so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

We acknowledge that payment of fees and expenses hereunder is subject to (i) the jurisdiction and approval of the Bankruptcy Court under Sections 330 and 331 of the Bankruptcy Code, any order of the Bankruptcy Court approving the retention of E&Y and the U.S. Trustee Guidelines, (ii) any applicable fee and expense guidelines and/or orders and (iii) any requirements governing interim and final fee applications.



## Staffing for Provision of Audit Services

Thomas M. Roche will be the Audit Partner responsible for the provision of our audit services. Thomas M. Roche, Coordinating Partner, Jennifer LaFrance, Manager, and Jon Neumann, Manager, will work closely with management in performing all required audit services. If one or more of these individuals ceases to provide audit services to the Company pursuant to this Agreement, E&Y will so advise the Company and, if that professional is replaced, provide the Company with the name of that professional's replacement. Other partners and staff, not identified herein, may be utilized as required to conduct our work in the most efficient manner possible.

## Other Matters

Any controversy or claim with respect to, in connection with arising out of, or in any way related to this Agreement or the services provided hereunder (including any such matter involving any parent, subsidiary, affiliate, successor in interest or agent of the Company or of E&Y) shall be brought in the Bankruptcy Court or the applicable district court if such district court withdraws the reference and the parties to this Agreement, and any and all successors and assigns thereof, consent to the jurisdiction and venue of such court as the sole and exclusive forum (unless such court does not have jurisdiction and venue of such claims or controversies) for the resolution of such claims, caused of action or lawsuits. The parties to this Agreement, and any and all successors and assigns thereof, hereby waive trial by jury, such waiver being informed and freely made. If the Bankruptcy Court or the district court upon withdrawal of the reference does not have or retain jurisdiction over the foregoing claims or controversies, the parties to this Agreement and any and all successors and assigns thereof, agree to submit first to nonbinding mediation; and, if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in the Attachment 1 to this Agreement. Judgment on any arbitration award may be entered in any court having proper jurisdiction. The foregoing is binding upon the Company, E&Y and any all successors and assigns thereof.

The Company shall not, during the term of this Agreement and for 12 months following its termination for any reason, without the prior written consent of EY, solicit for employment or a position on its Board of Directors, or hire or appoint to its Board of Directors, any current or former partner, principal, or professional employee of EY, any affiliate thereof, any other EY Entity or any of their respective affiliates if any such professional performed any audit, review, attest, or related service for or relating to the Company at any time (a) since the date on which the Company filed its most recent periodic annual report with the SEC (or, since the beginning of the most recent fiscal year to be covered by the Company's first such report, if applicable) or (b) in the 12 months ended on that date. In any event, the Company may not solicit, hire, or appoint to its Board of Directors any such professional who influences EY's operations or financial policies or has any capital balances or any other continuing financial arrangement with EY.



By your signature below, you confirm that the Company, through its Board of Directors, has authorized the Audit Committee to enter into this Agreement on the Company's behalf and that you have been expressly authorized by the Audit Committee to execute this Agreement on behalf of, and to bind, the Company.

If any portion of this Agreement is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this Agreement shall remain in effect.

Subject to Bankruptcy Court approval, we will perform the Audit Services for each of the Company's subsequent fiscal years on the terms and conditions set forth in this Agreement until either the Audit Committee or E&Y terminates this Agreement or upon effective date of the Company's confirmed plan of reorganization, or liquidation of the Company's assets under Chapter 11 or 7 of Title 11 of the United States Code, or otherwise, but in any event this Agreement will expire upon the effective date of the Company's confirmed plan of reorganization, or liquidation of the Company's assets under Chapter 11 or 7 of Title 11 of the United States Code, or otherwise. Changes in the scope of the Audit Services and estimated fees for such services in subsequent fiscal years will be communicated in supplemental letters. This Agreement may be terminated at any time by the Company or E&Y. The provisions of this Agreement set forth in the sections entitled "Fees and Billings" and "Other Matters", including, but not limited to the alternative dispute provision in this Agreement, will remain operative and in full force and effect regardless of any termination of expiration of this Agreement and shall survive completion of the Company's bankruptcy whether through a confirmed plan of reorganization, liquidation of the Company's assets under Chapter 11 or 7 of Title 11 of the United States Code, or otherwise.

The Company recognizes and acknowledges that by performing the services set forth in this Agreement, E&Y is not acting in any Company management capacity and that the Company has not asked E&Y to make, nor has E&Y agreed to make, any business decisions on behalf of the Company. All decisions about the business of operations of the Company remain the sole responsibility of the Company's management and its board of directors.

By agreement to the provisions of the services set forth in this Agreement, E&Y is not providing a guarantee to the Company that E&Y's performance of those services pursuant to the terms and conditions set forth in this Agreement will guarantee the Company's successful reorganization under Chapter 11 of Title 11 of the United States Code.



If the foregoing is acceptable to you, please so acknowledge by signing this letter in the space indicated below.

Yours very truly,

Ernst + Young LLP

Agreed and accepted by:

Station Casinos, Inc.

Dr. James Nave, DVM Audit Committee Chairman

Tom Friel, Executive Vice President, Chief Accounting Officer and Treasurer



#### Attachment 1

# **Dispute Resolution Procedures**

#### Mediation

A party shall submit a dispute to mediation by written notice to the other party or parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR") shall designate a mediator at the request of a party. Any mediator must be acceptable to all parties.

The mediator shall conduct the mediation as he/she determines, with the agreement of the parties. The parties shall discuss their differences in good faith and attempt, with the mediator's assistance, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and shall therefore be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed.

Each party shall bear its own costs in the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a dispute within 90 days after written notice beginning mediation (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. In addition, if a party initiates litigation, arbitration, or other binding dispute resolution process without initiating mediation, or before the mediation process has terminated, an opposing party may deem the mediation requirement to have been waived and may proceed with arbitration.

#### Arbitration

The arbitration will be conducted in accordance with the procedures in this document and the CPR Rules for Non-Administered Arbitration ("Rules") as in effect on the date of the Agreement, or such other rules and procedures as the parties may agree. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, to be selected in accordance with the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of these procedures, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless he or she has agreed in writing to these procedures.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort or to make an award or impose a remedy that (i) is inconsistent with the agreement to which these procedures are attached or any other agreement relevant to the dispute, or (ii) could not be made or imposed by a court deciding the matter in the same jurisdiction.

# **■ Ernst & Young**

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only in accordance with the Rules or applicable professional standards. Before making any such disclosure, a party shall give written notice to all other parties and shall afford them a reasonable opportunity to protect their interests, except to the extent such disclosure is necessary to comply with applicable law, regulatory requirements or professional standards.

The result of the arbitration shall be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

# Exhibit 1-C

**Quarterly Review Engagement Letter** 

Station Casinos, Inc. 1505 South Pavilion Center Drive Las Vegas, Nevada 89135 28 July 2009

Attention: Dr. James Nave, DVM Audit Committee Chair

Dear Dr. Nave:

This letter agreement (the "Agreement") sets forth the terms and conditions of the engagement of Ernst & Young LLP ("we" or "E&Y") by the Audit Committee of Station Casinos, Inc. (the "Company") to perform a review of the Company's unaudited interim financial information for the quarters ending June 30, 2009 and September 30, 2009, subsequent to the Company's filing of a petition under chapter 11 of the United States Bankruptcy Code ("Chapter 11") on or about July 28, 2009 in the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court"). The parties intend that this Agreement be effective as of July 28, 2009 and supersede all prior agreements between the Company and E&Y with respect to its subject matter.

We have agreed to provide such services contingent upon the Bankruptcy Court approving our retention in accordance with the terms and conditions which are set forth in this Agreement.

### Scope of Services

Subject to the provisions of this Agreement, including the Dispute Resolution Procedures, which are set forth in Attachment 1 hereto, we will provide to the Company the Audit Services (as defined below), which may be modified from time to time by our mutual written agreement and approval by the Bankruptcy Court.

## Reviews of Unaudited Interim Financial Information

Our review of the Company's unaudited interim financial information will be performed in accordance with applicable PCAOB auditing standards.

A review of interim financial information consists principally of performing analytical procedures and making inquiries of management responsible for financial and accounting matters. It involves a review of the condensed financial information included in the filing on Form 10-Q and does not include any earlier earnings releases or other such communications. A review is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we will not express an opinion on the interim financial information.



A review includes obtaining sufficient knowledge of the Company's business and its internal control as it relates to the preparation of both annual and interim financial information to: identify the types of potential material misstatements in the interim financial information and consider the likelihood of their occurrence; and select the inquiries and analytical procedures that will provide us with a basis for communicating whether we are aware of any material modifications that should be made to the interim financial information for it to conform with U.S. generally accepted accounting principles.

A review is not designed to provide assurance on internal control or to identify significant deficiencies. However, we will communicate to the Audit Committee any significant deficiencies noted during our review procedures.

If, during our review procedures, we determine that there is evidence that fraud or possible illegal acts may have occurred, we will bring such matters to the attention of the appropriate level of management. If we become aware of fraud involving senior management or fraud (whether committed by senior management or other employees) that causes a material misstatement of the interim financial information, we will report this matter directly to the Audit Committee. We will determine that the Audit Committee is adequately informed of illegal acts that come to our attention unless they are clearly inconsequential. We also will inform the Audit Committee and appropriate members of management of significant unrecorded differences noted during our review procedures.

In accordance with the rules of the Securities and Exchange Commission (the "SEC") implementing the requirements of Section 204 of the Sarbanes-Oxley Act of 2002, we will communicate to the Board of Directors all critical accounting policies and practices used by the Company, and all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments along with the treatment preferred by us. We also will advise the Board of Directors of other material written communications between management and us.

# Management's Responsibilities and Representations

The unaudited interim financial information is the responsibility of management. Management is responsible for establishing and maintaining effective internal control over financial reporting, for properly recording transactions in the accounting records, for safeguarding assets, and for the overall fair presentation of the consolidated financial statements and unaudited interim financial information. Management also is responsible for the identification of, and for the Company's compliance with, laws and regulations applicable to its activities.

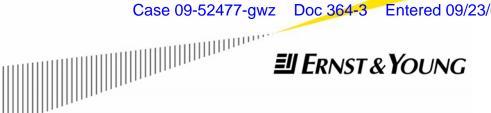


Management is responsible for adjusting the unaudited interim financial information to correct material misstatements and for affirming to us in its representation letter that the effects of any unrecorded differences accumulated by us during the applicable review service and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the unaudited interim financial information taken as a whole.

Management is responsible for apprising us of all allegations involving financial improprieties received by management or the Board of Directors (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), and for providing us full access to these allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other allegations of illegal acts or fraud that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of attorney/client privilege, work product doctrine, or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of the review services and may affect our ability to continue as the Company's independent registered public accounting firm. We will disclose any such withholding of information to the Board of Directors.

As required by PCAOB auditing standards, we will make specific inquiries of management about the representations contained in the unaudited interim financial information. PCAOB auditing standards also require that, at the conclusion of the applicable review service, we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our procedures comprise the evidence on which we will rely in completing the applicable review service. Management is responsible for providing us with all financial records and related information and making available to us all internal control documentation and records necessary to complete the review services on a timely basis. Management's failure to do so may cause us to delay our report, modify our procedures, or even terminate our engagement.

Management agrees to cause all of the Company's foreign subsidiaries and affiliates included in the Company's consolidated financial statements to provide any authorization, to the fullest extent permissible under applicable law, necessary to permit compliance with requests by the SEC or the PCAOB for production of documents or information in a foreign public accounting firm's, associated person's or EY's possession, custody or control that was obtained in the conduct of review services by such firm or person. In addition, the



Company hereby waives, to the fullest extent permissible under applicable law, the rights provided under any laws, regulations, professional standards, or other provisions that might restrict the ability of any foreign public accounting firm, any associated person, or EY, to comply with requests by the SEC or the PCAOB for production of documents or information in such foreign public accounting firm's, associated person's or EY's possession, custody or control that was obtained in the conduct of review services by such foreign firm or person, and consents, to the fullest extent permissible under applicable law, to action taken in furtherance of the foregoing by any foreign public accounting firm, associated person or EY.

Management shall make appropriate inquiries of the Company's officers, directors, and substantial stockholders to determine whether any business relationships exist between any such officer, director, or substantial stockholder (or any entity for or of which such an officer, director, or substantial stockholder acts in a similar capacity) and EY or any other member firm of the global Ernst & Young organization (any of which, an "EY Entity"), other than one pursuant to which an EY Entity performs professional services. For this purpose, a "substantial stockholder" is a person or entity (excluding mutual funds) that owns a beneficial interest of five percent or more of the Company.

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Our pricing and schedule of performance are based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us, the Company's documentation of internal control over financial reporting, the procedures the Company performs to support management's assessment of the effectiveness of internal control over financial reporting, and the results of our audit procedures. Our fees contemplate the level of assistance by Internal Audit. They also are dependent upon the Company's personnel providing a reasonable level of assistance during the integrated audit. Should our assumptions with respect to these matters be incorrect or should the documentation of internal control, results of our procedures, condition of records, degree of cooperation, extent of procedures performed by the Company to support management's assessment, or other matters beyond our reasonable control require additional commitments by us beyond those upon which are identified herein, we may adjust our fees and planned completion dates, subject to Bankruptcy Court approval.



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We acknowledge that payment of fees and expenses hereunder is subject to (i) the jurisdiction and approval of the Bankruptcy Court under Sections 330 and 331 of the Bankruptcy Code, any order of the Bankruptcy Court approving the retention of E&Y and the U.S. Trustee Guidelines, (ii) any applicable fee and expense guidelines and/or orders and (iii) any requirements governing interim and final fee applications.

# Staffing for Provision of Audit Services

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# Other Matters

Any controversy or claim with respect to, in connection with arising out of, or in any way related to this Agreement or the services provided hereunder (including any such matter involving any parent, subsidiary, affiliate, successor in interest or agent of the Company or of E&Y) shall be brought in the Bankruptcy Court or the applicable district court if such district court withdraws the reference and the parties to this Agreement, and any and all successors and assigns thereof, consent to the jurisdiction and venue of such court as the sole and exclusive forum (unless such court does not have jurisdiction and venue of such claims or controversies) for the resolution of such claims, caused of action or lawsuits. The parties to this Agreement, and any and all successors and assigns thereof, hereby waive trial by jury, such waiver being informed and freely made. If the Bankruptcy Court or



the district court upon withdrawal of the reference does not have or retain jurisdiction over the foregoing claims or controversies, the parties to this Agreement and any and all successors and assigns thereof, agree to submit first to nonbinding mediation; and, if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in the Attachment 1 to this Agreement. Judgment on any arbitration award may be entered in any court having proper jurisdiction. The foregoing is binding upon the Company, E&Y and any all successors and assigns thereof.

The Company shall not, during the term of this Agreement and for 12 months following its termination for any reason, without the prior written consent of EY, solicit for employment or a position on its Board of Directors, or hire or appoint to its Board of Directors, any current or former partner, principal, or professional employee of EY, any affiliate thereof, any other EY Entity or any of their respective affiliates if any such professional performed any audit, review, attest, or related service for or relating to the Company at any time (a) since the date on which the Company filed its most recent periodic annual report with the SEC (or, since the beginning of the most recent fiscal year to be covered by the Company's first such report, if applicable) or (b) in the 12 months ended on that date. In any event, the Company may not solicit, hire, or appoint to its Board of Directors any such professional who influences EY's operations or financial policies or has any capital balances or any other continuing financial arrangement with EY.

By your signature below, you confirm that the Company, through its Board of Directors, has authorized the Audit Committee to enter into this Agreement on the Company's behalf and that you have been expressly authorized by the Audit Committee to execute this Agreement on behalf of, and to bind, the Company.

If any portion of this Agreement is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this Agreement shall remain in effect.

Subject to Bankruptcy Court approval, we will perform the Audit Services for each of the Company's subsequent fiscal years on the terms and conditions set forth in this Agreement until either the Audit Committee or E&Y terminates this Agreement or upon effective date of the Company's confirmed plan of reorganization, or liquidation of the Company's assets under Chapter 11 or 7 of Title 11 of the United States Code, or otherwise, but in any event this Agreement will expire upon the effective date of the Company's confirmed plan of reorganization, or liquidation of the Company's assets under Chapter 11 or 7 of Title 11 of the United States Code, or otherwise. Changes in the scope of the Audit Services and estimated fees for such services in subsequent fiscal years will be communicated in supplemental letters. This Agreement may be terminated at any time by the Company or E&Y. The provisions of this Agreement set forth in the sections entitled "Fees and Billings" and "Other Matters", including, but not limited to the alternative dispute provision in this Agreement, will remain operative and in full force and effect regardless of any termination of expiration of this Agreement and shall survive completion of the Company's bankruptcy whether through a confirmed plan of reorganization, liquidation of the Company's assets under Chapter 11 or 7 of Title 11 of the United States Code, or otherwise.



The Company recognizes and acknowledges that by performing the services set forth in this Agreement, E&Y is not acting in any Company management capacity and that the Company has not asked E&Y to make, nor has E&Y agreed to make, any business decisions on behalf of the Company. All decisions about the business of operations of the Company remain the sole responsibility of the Company's management and its board of directors.

By agreement to the provisions of the services set forth in this Agreement, E&Y is not providing a guarantee to the Company that E&Y's performance of those services pursuant to the terms and conditions set forth in this Agreement will guarantee the Company's successful reorganization under Chapter 11 of Title 11 of the United States Code.

If the foregoing is acceptable to you, please so acknowledge by signing this letter in the space indicated below.

Yours very truly,

Ernst + Young LLP

Agreed and accepted by:

Station Casinos, Inc.

Dr. James Nave, DVM Audit Committee Chairman

Tom Friel, Executive Vice President, Chief Accounting Officer and Treasurer



#### Attachment 1

# **Dispute Resolution Procedures**

#### Mediation

A party shall submit a dispute to mediation by written notice to the other party or parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR") shall designate a mediator at the request of a party. Any mediator must be acceptable to all parties.

The mediator shall conduct the mediation as he/she determines, with the agreement of the parties. The parties shall discuss their differences in good faith and attempt, with the mediator's assistance, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and shall therefore be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed.

Each party shall bear its own costs in the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a dispute within 90 days after written notice beginning mediation (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. In addition, if a party initiates litigation, arbitration, or other binding dispute resolution process without initiating mediation, or before the mediation process has terminated, an opposing party may deem the mediation requirement to have been waived and may proceed with arbitration.

#### Arbitration

The arbitration will be conducted in accordance with the procedures in this document and the CPR Rules for Non-Administered Arbitration ("Rules") as in effect on the date of the Agreement, or such other rules and procedures as the parties may agree. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, to be selected in accordance with the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of these procedures, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless he or she has agreed in writing to these procedures.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort or to make an award or impose a remedy that (i) is inconsistent with the agreement to which these procedures are attached or any other agreement relevant to the dispute, or (ii) could not be made or imposed by a court deciding the matter in the same jurisdiction.



Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only in accordance with the Rules or applicable professional standards. Before making any such disclosure, a party shall give written notice to all other parties and shall afford them a reasonable opportunity to protect their interests, except to the extent such disclosure is necessary to comply with applicable law, regulatory requirements or professional standards.

The result of the arbitration shall be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

# Exhibit 1-D

**Tax Engagement Letter** 



Ernst & Young LLP Suite 1450 3800 Howard Hughes Parkway Las Vegas, Nevada 89169

Tel: (702) 267-9000 Fax: (702) 267-9010 www.ey.com

Station Casinos, Inc. 1505 South Pavilion Center Drive Las Vegas, NV 89138 Attn: Mr. Thomas M. Friel Executive Vice President, Chief Accounting Officer and Treasurer

September 1, 2009

# Tax Services Agreement

#### Dear Tom:

Thank you for choosing Ernst & Young LLP ("we" or "EY") to perform tax services requested by Station Casinos, Inc. (the "Client"). This letter, together with the attached Exhibits and Notice and all Statements of Work executed hereunder], constitutes the Tax Services Agreement ("Agreement") between the Client and EY, for the provision of tax services subsequent to the Client filing a petition under Chapter 11 of the United States Bankruptcy Code on or about July 28, 2009 with the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court").

We have agreed to provide such services contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in this Agreement. Client acknowledges and agrees that, whether or not this Agreement has been approved by the Bankruptcy Court at the time Advice (as defined in Exhibit A hereto) is rendered, any Advice rendered by EY prior to the delivery of its final Advice (as defined in Exhibit A hereto) is preliminary in nature and cannot be relied upon for any purpose, including penalty protection.

This Agreement is effective as of the date of Client's filing of a Chapter 11 petition in the Bankruptcy Court.

### **SCOPE OF SERVICES**

Subject to the provisions of this Agreement, including the Dispute Resolution Procedures, which are set forth in Exhibit B hereto, we will provide to the Client tax services (the "Services"), which may be modified from time to time by our mutual written agreement and with approval of the Bankruptcy Court.

For each project, the Client and EY shall enter into a Statement of Work that describes the specific Services to be performed for a project and the applicable fees for such project, subject to the approval of the Bankruptcy Court. The Statement of Work will be executed by the parties, will be

Station Casinos, Inc. Tax Services Agreement Page 1 of 8

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subject to the terms and conditions of this Agreement and will be deemed incorporated herein] and shall be contingent upon the Bankruptcy Court approving EY's retention in accordance with the terms and conditions that are set forth in this Agreement and the applicable Statement of Work. To the extent that the terms of a Statement of Work conflict with the terms provided herein, the separate Statement of Work will be governed by its own terms, contingent upon the Bankruptcy Court's approval thereof.

We will perform all services under this Agreement in accordance with applicable standards established by the American Institute of Certified Public Accountants, including its Statements on Standards for Tax Services.

#### **FEES AND EXPENSES**

Fees for the Services shall be set forth in the Statement of Work pertaining to such Services and shall be subject to Bankruptcy Court approval. Unless specified otherwise in the applicable Statement of Work, fees for the Services will be billed based on hours spent at agreed-upon hourly billing rates that will be updated annually on July 1 and set forth in the applicable Statement of Work.

The Client shall reimburse EY for its direct expenses incurred in connection with the performance of the Services which shall include reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations, telephone, facsimile, overnight mail, messenger services and other expenses specifically relating to the applicable Services. In addition, if the Client requests EY, or if EY is required by government regulation, subpoena or other legal process, to produce documents or personnel as witnesses with respect to the Services or this Agreement, the Client shall, so long as EY is not a party to the proceeding in which the information is sought, reimburse EY at its standard billing rates for its professional time and expenses, as well as reasonable attorneys' fees and expenses, incurred in responding to such requests. EY may receive rebates in connection with certain purchases, which are used to reduce charges that EY would otherwise pass on to its clients. The Client shall also pay all applicable taxes incurred in connection with the delivery of the Services (except for taxes imposed on EY's income).

We will request payment of our fees and expenses in accordance with the United States Bankruptcy Code (the "Bankruptcy Code"), the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Local Rules for the United States Bankruptcy Court for the District of Nevada ("Local Rules") and any relevant administrative orders. EY will submit its invoices as the work progresses and payment of them will be made upon receipt, or as quickly as the Bankruptcy Code, the Bankruptcy Rules, Local Rules and any relevant orders of the Bankruptcy Court allow.

We will submit an itemized and detailed billing statement and we will request payment of our fees in accordance with the United States Bankruptcy Code, the Bankruptcy Rules and the Local Rules and any relevant orders of the Bankruptcy Court.

Station Casinos, Inc. Tax Services Agreement Page 2 of 8



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EY acknowledges that payment of its fees and expenses hereunder is subject to (i) the jurisdiction and approval of the Bankruptcy Court under Sections 330 and 331 of the Bankruptcy Code and any order of the Bankruptcy Court approving the retention of EY, (ii) any applicable fee and expense guidelines and/or orders of the Bankruptcy Court and (iii) any other applicable requirements or guidelines governing interim and final fee applications in the Client's Chapter 11 proceedings, including the U.S. Trustee Guidelines.

### OTHER MATTERS

The Client acknowledges and agrees that EY shall not agree to perform any services pursuant to this Agreement that: (a) are prohibited under the SEC, PCAOB or AICPA rules or (b) might, in the sole opinion of EY, impair EY's independence or violate the Securities Exchange Act of 1934, as amended.

Any controversy or claim with respect to, in connection with, arising out of, or in any way related to this Agreement or the services provided hereunder (including any such matter involving any parent, subsidiary, affiliate, successor in interest or agent of the Client or its subsidiaries or of EY) shall be brought in the Bankruptcy Court or the applicable district court (if such district court withdraws the reference) and the parties to this Agreement, and any and all successors and assigns thereof, consent to the jurisdiction and venue of such court as the sole and exclusive forum (unless such court does not have jurisdiction and venue of such claims or controversies) for the resolution of such claims, causes of action or lawsuits. The parties to this Agreement, and any and all successors and assigns thereof, hereby waive trial by jury, such waiver being informed and freely made. If the Bankruptcy Court, or the district court upon withdrawal of the reference, does not have or retain jurisdiction over the foregoing claims or controversies, the parties to this Agreement and any and all successors and assigns thereof, agree to submit first to nonbinding mediation; and, if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in Exhibit B to this Agreement. Judgment on any arbitration award may be entered in any court having proper jurisdiction. The foregoing is binding upon the Client, EY and any all successors and assigns thereof.

This Agreement, including all Exhibits hereto and any Statements of Work executed hereunder, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all agreements and understandings between the parties with respect to the subject matter hereof made prior to the date hereof. There are no representations, warranties, understandings or agreements relating to the subject matter hereof which are not fully expressed in this Agreement. No amendment, modification, waiver or discharge of this Agreement shall be valid unless in writing and signed by an authorized representative of the party against whom such amendment, modification, waiver or discharge is sought to be enforced, and, where required, approved by the Bankruptcy Court. Except as expressly provided herein, this Agreement does not modify the terms or provisions of any engagement letter or agreement for other professional services executed prior to the date of Client's filing of a Chapter 11 petition in the Bankruptcy Court.

Station Casinos, Inc. Tax Services Agreement Page 3 of 8



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This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, as if it were made and fully performed in New York by New York residents.

By agreement to the provision of the Services, EY is not providing a guarantee to the Client that EY's performance of those services pursuant to the terms and conditions set forth in this Agreement will guarantee the Client's successful reorganization under Chapter 11.

Please sign this letter in the space provided below to indicate your agreement with these arrangements and return it to Karen Connair at your earliest convenience. If you have any questions about any of these materials, please do not hesitate to contact Karen Connair at 940.437.0248 so that we can address any issues you identify before we begin to provide any services.

Thanks again for your selection of our firm.

Very truly yours,
Ernst + Young LLP

AGREED TO BY:

Station Casinos, Inc.

Mr. Thomas Friel

Executive Vice President, Chief Accounting Officer and Treasurer

Station Casinos, Inc. Tax Services Agreement Page 4 of 8

## **EXHIBIT A: Standard Terms and Conditions for Tax Services**

- 1. <u>Independent Contractor</u>. EY will provide tax services to Client (the "Services") from time to time described in Statements of Work (each, an "SOW") solely as an independent contractor. Neither party shall have the right, power or authority to obligate or bind the other in any manner.
- 2. <u>Unexpected Events</u>. If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, Client will obtain Audit Committee and/or Bankruptcy Court approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.

#### 3. Client Data and Information.

- A. Client will timely provide, or cause to be provided, to EY all data, information and resources reasonably required by EY to perform the Services ("Client Data"). All Client Data shall be, to the best of Client's knowledge, true, correct and complete in all material respects and will not omit any material fact that would make any data or information provided to EY false or misleading. EY may rely upon the Client Data and will not evaluate or have any responsibility to verify independently the accuracy, completeness, or sufficiency of any Client Data for any purposes.
- B. EY may disclose Client Data, including tax return information and other confidential information, to any affiliate of EY, any other member of the global Ernst & Young network or any of their respective affiliates (all such members, including EY and its affiliates, collectively, the "EY Entities," and any of them, an "EY Entity") and their respective employees, partners, consultants and contractors for the purpose of rendering the Services.
- 4. Reliance and Disclosure. All EY tax services and any advice, reports, materials, presentations, or other communications (collectively, "Advice") in connection therewith are provided solely for the benefit and use of Client and (other than filings provided to tax authorities) may not be relied upon by anyone else for any purpose without EY's prior written consent. Client (and, if applicable, its officers, directors, employees, agents and advisors) may disclose to any person or entity, without limitation, the

- tax treatment and tax structure of any transaction or any other tax position with respect to which EY provides tax Services and any Advice in connection therewith. In the event Client discloses such Advice to a third party, Client shall inform the third party that the third party cannot rely on the Advice for any purpose without EY's prior written consent. Client may not rely on any draft Advice.
- 5. Technical Elements. In performing the Services, EY may use certain data, modules, components, designs, utilities, subsets, objects, program listings, tools, models, methodologies, programs, systems, analysis frameworks, leading practices, and specifications developed or used by EY or its licensors, or to which EY otherwise has rights, including enhancements or improvements developed in the course of performing the Services (collectively, "Technical Elements"). Client may use the Technical Elements owned by EY or its licensors solely to the extent necessary for Client to use the Advice as permitted by this Agreement.

#### 6. Limitations.

- A. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement, including any SOW, whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim, against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of the assets of any thereof, in connection with the performance of the Services or otherwise under the Agreement or any SOW.
- B. Neither party will be liable to the other (or to any affiliate thereof or any other person or entity for or in respect of which any of the Services are provided), for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise, and even if the first party is advised of the likelihood of such damages.

## **EXHIBIT A: Standard Terms and Conditions for Tax Services**

- 7. Termination. This Agreement and/or any or all Statements of Work may be terminated at any time by the Client or EY, but in any event this Agreement including all Statements of Work will expire upon the effective date of the Client's confirmed plan of reorganization, or liquidation of the Client's assets under Chapter 11 or 7 of the Bankruptcy Code, or otherwise. The provisions of this Agreement relating to "Fees and Expenses" and "Other Matters" and Section 6 of this Exhibit A will remain operative and in full force and effect regardless of any termination or expiration of this Agreement and shall survive completion of the Client's bankruptcy whether through a confirmed plan of reorganization under Chapter 11, liquidation of the Client's assets under Chapter 7 of the Bankruptcy Code, or otherwise.
- 8. <u>Use of Names</u>. Neither party shall use, disclose or publicize the other party's name, trademark, service mark or logo in connection with the Services without the prior written consent of the other party, provided, that EY may use Client as a reference for the Services or in a list of clients for which the Services have been provided.

#### Miscellaneous.

- A. This Agreement merges and supersedes all prior and contemporaneous communications about the Services and the other matters contemplated by this Agreement. This Agreement, including each SOW, may be modified only in writing, signed by both parties and approved by the Bankruptcy Court, if required. If any portion of this Agreement, including any SOW, is held to be void, invalid, or otherwise unenforceable, the other provisions shall not be affected.
- B. None of a party's rights or obligations under this Agreement may be assigned, in whole or in part, by either party without the prior written consent of the other party, provided, that EY may assign any of its rights or obligations under this Agreement to, and may perform the Services together with, an affiliate of EY or any other EY Entity, subject to the approval of the Bankruptcy Court. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, any assignee or subcontractor that is providing any of the Services in accordance herewith.
- C. Client represents and warrants to EY that (1) this Agreement has, if necessary, been considered and approved by Client's Audit Committee, and (2) the person signing this Agreement, or any SOW, is expressly authorized to execute it on behalf of,

and to bind, Client, its affiliates and any other persons or entities for whose benefit any of the Services are provided.

## **EXHIBIT B: Dispute Resolution Procedures**

#### Mediation

A party shall submit a dispute to mediation by written notice to the other party or parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR") shall designate a mediator at the request of a party. Any mediator must be acceptable to all parties and must confirm in writing that he or she is not, and will not become during the term of the mediation, an employee, partner, executive officer, director, or substantial equity owner of any EY audit client.

The mediator shall conduct the mediation as he/she determines, with the agreement of the parties. The parties shall discuss their differences in good faith and attempt, with the mediator's assistance, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and shall therefore be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed.

Each party shall bear its own costs in the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a dispute within 90 days after written notice beginning mediation (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. In addition, if a party initiates litigation, arbitration, or other binding dispute resolution process without initiating mediation, or before the mediation process has terminated, an opposing party may deem the mediation requirement to have been waived and may proceed with arbitration.

### Arbitration

The arbitration will be conducted in accordance with the procedures in this document and the CPR Rules for Non-Administered Arbitration ("Rules") as in effect on the date of the Agreement, or such other rules and procedures as the parties may agree. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators, to be selected in accordance with the screened selection process provided in the Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of these procedures, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator may be appointed unless he or she has agreed in writing to these procedures and has confirmed in writing that he or she is not, and will not become during the term of the arbitration, an employee, partner, executive officer, director, or substantial equity owner of any EY audit client.

The arbitration panel shall have no power to award non-monetary or equitable relief of any sort or to make an award or impose a remedy that (i) is inconsistent with the agreement to which these procedures are attached or any other agreement relevant to the dispute, or (ii) could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only in accordance with the Rules or applicable professional standards. Before making any such disclosure, a party shall give written notice to all other parties and shall afford them a reasonable opportunity to protect their interests, except to the extent such disclosure is necessary to comply with applicable law, regulatory requirements or professional standards.

The result of the arbitration shall be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction.

Station Casinos, Inc. Tax Services Agreement Page 7 of 8

# **Tax Services Notice**

- 1. Under Section 5079(a)(5) of the California Business and Professions Code and the regulations thereto, EY is required to inform its clients that in some circumstances, non-CPA personnel may participate in the performance of the Services.
- 2. In accordance with AICPA professional standards and the Financial Modernization Act of 1999, EY provides the following Privacy Policy Statement: EY considers all nonpublic information about its clients to be confidential, including personal and financial information provided by its clients or by others, as well as information EY generates on behalf of its clients. EY does not disclose confidential client information to unaffiliated third parties, other than EY Entities and their contractors or consultants in connection with the performance of the Services, except as permitted by law or professional obligations, without the client's consent. EY personnel, contractors and consultants working under EY's supervision are required to observe EY's policies concerning confidential client information and EY employs security systems designed to protect against unauthorized access to and use of confidential information.
- 3. Under AICPA professional standards, EY owns all working papers prepared by it to document, in accordance with EY policy and professional obligations, performance of the Services, and EY may retain, in confidence, copies of tax returns, Advice and other documents prepared by it.
- 4. EY may receive rebates in connection with certain purchases, which are used to reduce charges that EY would otherwise pass on to its clients.



Ernst & Young LLP Suite 1450 3800 Howard Hughes Parkway Las Vegas, Nevada 89169

Tel: (702) 267-9000 Fax: (702) 267-9010 www.ey.com

Station Casinos, Inc. 1505 South Pavilion Center Drive Las Vegas, NV 89138 Attn: Mr. Thomas M. Friel Executive Vice President, Chief Accounting Officer and Treasurer September 1, 2009

# Statement of Work – 1120 Review, Tax Year 2008

### Dear Tom:

This Statement of Work ("SOW") is governed by and subject to the terms and conditions of the Tax Services Agreement dated September 1, 2009 (the "Agreement") between Station Casinos, Inc. (the "Client") and Ernst & Young LLP ("EY"), which was executed in connection with the Client filing a petition under Chapter 11 of the United States Bankruptcy Code on or about July 28, 2009 with the United States Bankruptcy Court for the District of Nevada , and describes certain tax services that EY will perform for the Client during the Client's Chapter 11 bankruptcy proceedings. This SOW shall be effective as of July 28, 2009, the date of the Client's filing of a Chapter 11 petition with the Bankruptcy Court . Unless expressly modified by this SOW, the terms and conditions of the Agreement continue to apply. Capitalized terms used, but not defined, in this SOW have the meanings set forth in the Agreement.

# **Engagement Team**

Teresa Dieguez (Partner) and Karen Connair (Executive Director) will lead the EY team in providing the services described herein (the "Services"). If either of these individuals ceases to provide tax services to the Client pursuant to the Agreement, EY will so advise the Client and, if that person is replaced, provide the Client with the name of that professional's replacement. Other staff, not identified herein, may be utilized as required to conduct our work in an efficient manner.

### Scope of Services

EY will provide the following services under this SOW to Client, contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in the Agreement (inclusive of this SOW) and pre-approval of the Client's Audit Committee:

EY will perform limited review procedures with respect to Client's U.S. federal income tax return for the taxable year ended December 31, 2008. Client shall have the firm of Grant Milleret, CPA, prepare the subject tax return entries, supporting work papers and related documents, and EY acknowledges that Client had Grant Milleret, CPA provided copies to us on August 26, 2009. Our Station Casinos, Inc.

Statement of Work - 1120 Review, Tax Year 2008 Page 1 of 5

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procedures are designed to evaluate the substantive correctness and mechanical accuracy of the subject tax return entries, however, we will not independently verify Client-prepared work papers and other supporting documents, the accuracy and completeness of which are the sole responsibility of Client.

The review procedures that we expect to perform on this engagement will not be significant enough for us to be considered the "income tax return preparer" of the above-described tax returns, and, accordingly, we do not anticipate signing any of these returns as the preparer. We understand that Grant Milleret, CPA will be the "income tax preparer" and accordingly, be the signer of these returns. We will communicate to you and/or Grant Milleret, CPA any revisions that we consider necessary to make the material we review substantively correct and mechanically accurate. Our review is not intended to provide the Company with any assurance that we have identified all issues that could result in current or future controversies with taxing authorities or additional tax or penalties, that we have identified all opportunities for minimizing tax liabilities, or that one or more items that we may review cannot be successfully challenged by any of the taxing authorities.

Although this letter refers to "review procedures," this engagement does not constitute a "review" within the scope of the American Institute of Certified Public Accountants' Standards for Accounting and Review Services.

The Services may be modified from time to time by our mutual written agreement and approval of the Bankruptcy Court.

Client acknowledges and agrees that, whether or not this SOW has been approved by the Bankruptcy Court at the time Advice is rendered, any Advice rendered by EY prior to the delivery of its final Advice is preliminary in nature and cannot be relied upon for any purpose, including penalty protection.

The Internal Revenue Code sets minimum levels of authority that positions on tax returns must have if taxpayers and preparers are to avoid penalties relating to returns reporting the effects of such positions. We prepare tax returns reporting the effects of such positions that, at a minimum, are, in our professional judgment, supported by sufficient authority and that include required disclosures designed so that the taxpayer is not exposed to penalty for a position taken therein. We may also discuss with you disclosure considerations that may be relevant under the standards that apply to tax return preparers. If we determine, in our professional judgment, that any position on a tax return may not meet the minimum standard for taxpayer penalty protection, currently "reasonable basis" for federal tax returns, we will inform you of our determination and attempt to resolve the issue in a manner that will enable us to finalize the return rather than terminate the portion of our engagement related to preparing such return.

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# **Out-of-Scope Services**

Any activities not described as Services, as indicated above under Scope of Services, are not covered by the fees stated herein. These Services will be considered outside the scope of this SOW and are the responsibility of Client to perform on a timely basis unless otherwise agreed by the parties in writing and approved by the Bankruptcy Court.

# Responsibilities

Client shall make all management decisions and perform all management functions in connection with the Services under this SOW. EY may assist Client in rendering management decisions or carrying out management functions in connection with the Services, including by providing advice, research material or recommendations, but EY will not make any such decisions or perform any such functions. In its sole discretion, EY may refuse to take any action to the extent it might be construed as a management decision or a management function.

Client accepts responsibility for the results of the Services. Client's approval of any Services shall not constitute a waiver of any of its rights under this SOW. Client further agrees to establish and maintain internal controls in connection with the Services, including monitoring EY's performance under this SOW.

Client shall designate an employee possessing the skill, knowledge and/or experience (but not necessarily the experience to perform the Services) to (1) oversee, (2) evaluate the effectiveness of, and (3) approve, the Services.

In addition, to the extent that SEC audit independence restrictions apply to any relationship between Client and EY or any other EY Entity, Client represents and warrants to EY, on and as of the date hereof, that neither Client nor any of its affiliates has agreed, orally or in writing; with any other tax service provider to limit in any way Client's ability to disclose to any person or entity the tax treatment or tax structure of any transaction that is the subject of the Services. Any such agreement with other tax service providers could impair the independence required of an EY Entity providing services to Client and neither EY nor any other EY Entity shall have any liability or responsibility whatsoever to Client in respect of any such agreement or its consequences.



# Fees and Expenses

The Client shall pay EY's fees for the Services, which fees are subject to Bankruptcy Court approval and based on the actual time of EY professionals expended in performing the Services as adjusted annually on July 1 during the term of the Agreement. The actual time required will depend upon the extent and nature of available information, modifications to the scope of our engagement and other developments that may occur as work progresses. The discounted rates, by level of tax professional, for the services under this SOW, are as follows:

	<u>Rate Per Hour Range</u>
National Partner Principal/Executive Director	\$610 - \$760
Partner and Principal	\$483 - \$585
Executive Director	\$420 - \$495
Senior Manager	\$420 - \$490
Manager	\$330 - \$400
Senior	\$210 - \$370
Staff	\$145 - \$190

The Client shall also pay EY's expenses and reimbursements in accordance with the terms of the Agreement. We will submit an itemized and detailed billing statement, and we will request payment of our fees and expenses, in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the District of Nevada and any relevant orders of the Bankruptcy Court.

If, during the term of this SOW, EY determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, EY will promptly contact Client to discuss any adjustments to the scope of work or EY's fees and the Client obtaining Bankruptcy Court approval before proceeding, if necessary.

### Other Terms and Conditions

Client authorizes EY, its affiliates, and other members of the global Ernst & Young network, including those located outside the United States, to disclose Client's tax return information received or generated in connection with the Services described in this SOW, including prior year tax return information, to and among each other for the purpose of rendering the Services. You have the ability to request a more limited disclosure of tax return information than that described above. If, at any time, you would like us to narrow the scope of the information to be disclosed, please contact us in writing and we will limit any disclosures that have not yet occurred. You acknowledge that this consent will be valid for three years from the date this SOW is signed by you below.

Please indicate Client's acceptance of these additional terms and conditions by executing this SOW in the space provided below and return it to Karen Connair at your earliest convenience.

Station Casinos, Inc. Statement of Work - 1120 Review, Tax Year 2008 Page 4 of 5



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Thanks again for your selection of our firm.

Very truly yours,

Ernst + Young LLP

AGREED TO BY:

Station Casinos, Inc.

Mr. Thomas Friel,

Executive Vice President, Chief Accounting Officer and Treasurer



Ernst & Young LLP Suite 1450 3800 Howard Hughes Parkway Las Vegas, Nevada 89169

Tel: (702) 267-9000 Fax: (702) 267-9010 www.ey.com

Station Casinos, Inc. 1505 South Pavilion Center Drive Las Vegas, NV 89138 Attn: Mr. Thomas M. Friel Executive Vice President, Chief Accounting Officer and Treasurer September 1, 2009

# Statement of Work - IRS Representation

### Dear Tom:

This Statement of Work ("SOW") is governed by and subject to the terms and conditions of the Tax Services Agreement dated September 1, 2009 (the "Agreement") between Station Casinos, Inc. (the "Client") and Ernst & Young LLP ("EY"), which was executed in connection with the Client filing a petition under Chapter 11 of the United States Bankruptcy Code on or about July 28, 2009 with the United States Bankruptcy Court for the District of Nevada, and describes certain tax services that EY will perform for the Client during the Client's Chapter 11 bankruptcy proceedings. This SOW shall be effective as of July 28, 2009, the date of the Client's filing of a Chapter 11 petition with the Bankruptcy Court. Unless expressly modified by this SOW, the terms and conditions of the Agreement continue to apply. Capitalized terms used, but not defined, in this SOW have the meanings set forth in the Agreement.

# **Engagement Team**

Teresa Dieguez (Partner), Karen Connair (Executive Director) and Lee Welborn (Senior Manager) will lead the EY team in providing the services described herein (the "Services"). If either of these individuals ceases to provide tax services to the Client pursuant to the Agreement, EY will so advise the Client and, if that person is replaced, provide the Client with the name of that professional's replacement. Other staff, not identified herein, may be utilized as required to conduct our work in an efficient manner.

### Scope of Services

EY will provide the following services under this SOW to Client, contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in the Agreement (inclusive of this SOW) and pre-approval of the Client's Audit Committee:

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Assistance and advice regarding the audit of Client's Income Tax filings for the years ended December 31, 2007. Our assistance may include (but is not limited to) the following:

- Review of correspondence from IRS including information document requests
- Review of the documents gathered by Client in response to IRS requests
- Assistance in gathering or preparing documents necessary to respond to IRS requests
- Meetings with Client to discuss the status and approach for interaction with the IRS
- Participation in meetings with the IRS
- Direct correspondence and communication with the IRS

This engagement may, at the request of Client, also cover additional tax years, entities or filings if any, which the IRS may identify for audit.

The Services may be modified from time to time by our mutual written agreement and approval of the Bankruptcy Court.

Client acknowledges and agrees that, whether or not this SOW has been approved by the Bankruptcy Court at the time Advice is rendered, any Advice rendered by EY prior to the delivery of its final Advice is preliminary in nature and cannot be relied upon for any purpose, including penalty protection.

The Internal Revenue Code sets minimum levels of authority that positions on tax returns must have if taxpayers and preparers are to avoid penalties relating to returns reporting the effects of such positions. We prepare tax returns reporting the effects of such positions that, at a minimum, are, in our professional judgment, supported by sufficient authority and that include required disclosures designed so that the taxpayer is not exposed to penalty for a position taken therein. We may also discuss with you disclosure considerations that may be relevant under the standards that apply to tax return preparers. If we determine, in our professional judgment, that any position on a tax return may not meet the minimum standard for taxpayer penalty protection, currently "reasonable basis" for federal tax returns, we will inform you of our determination and attempt to resolve the issue in a manner that will enable us to finalize the return rather than terminate the portion of our engagement related to preparing such return.

### **Out-of-Scope Services**

Any activities not described as Services, as indicated above under Scope of Services, are not covered by the fees stated herein. These Services will be considered outside the scope of this SOW and are the responsibility of Client to perform on a timely basis unless otherwise agreed by the parties in writing and approved by the Bankruptcy Court.



Client shall make all management decisions and perform all management functions in connection with the Services under this SOW. EY may assist Client in rendering management decisions or carrying out management functions in connection with the Services, including by providing advice, research material or recommendations, but EY will not make any such decisions or perform any such functions. In its sole discretion, EY may refuse to take any action to the extent it might be construed as a management decision or a management function.

Client accepts responsibility for the results of the Services. Client's approval of any Services shall not constitute a waiver of any of its rights under this SOW. Client further agrees to establish and maintain internal controls in connection with the Services, including monitoring EY's performance under this SOW.

Client shall designate an employee possessing the skill, knowledge and/or experience (but not necessarily the experience to perform the Services) to (1) oversee, (2) evaluate the effectiveness of, and (3) approve, the Services.

In addition, to the extent that SEC audit independence restrictions apply to any relationship between Client and EY or any other EY Entity, Client represents and warrants to EY, on and as of the date hereof, that neither Client nor any of its affiliates has agreed, orally or in writing; with any other tax service provider to limit in any way Client's ability to disclose to any person or entity the tax treatment or tax structure of any transaction that is the subject of the Services. Any such agreement with other tax service providers could impair the independence required of an EY Entity providing services to Client and neither EY nor any other EY Entity shall have any liability or responsibility whatsoever to Client in respect of any such agreement or its consequences.

# Fees and Expenses

The Client shall pay EY's fees for the Services, which fees are subject to Bankruptcy Court approval and based on the actual time of EY professionals expended in performing the Services as adjusted annually on July 1 during the term of the Agreement. The actual time required will depend upon the extent and nature of available information, modifications to the scope of our engagement and other developments that may occur as work progresses. The discounted rates, by level of tax professional, for the services under this SOW, are as follows:

	Rate Per Hour Range
National Partner Principal/Executive Director	\$610 - \$760
Partner and Principal	\$483 - \$585
Executive Director	\$420 - \$495
Senior Manager	\$420 - \$490
Manager	\$330 - \$400
Senior	\$210 - \$370
Staff	\$145 - \$190

Station Casinos, Inc. Statement of Work - IRS Representation Page 3 of 4



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The Client shall also pay EY's expenses and reimbursements in accordance with the terms of the Agreement. We will submit an itemized and detailed billing statement, and we will request payment of our fees and expenses, in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the District of Nevada and any relevant orders of the Bankruptcy Court.

If, during the term of this SOW, EY determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, EY will promptly contact Client to discuss any adjustments to the scope of work or EY's fees and the Client obtaining Bankruptcy Court approval before proceeding, if necessary.

Please indicate Client's acceptance of these additional terms and conditions by executing this SOW in the space provided below and return it to Karen Connair at your earliest convenience.

Thanks again for your selection of our firm.

Very truly yours,

Ernst + Young LLP

AGREED TO BY:

Station Casinos, Inc.

Bv:

Mr. Thomas Friel

Executive Vice President, Chief Accounting Officer and Treasurer



Ernst & Young LLP Suite 1450 3800 Howard Hughes Parkway Las Vegas, Nevada 89169

Tel: (702) 267-9000 Fax: (702) 267-9010 www.ey.com

Station Casinos, Inc. 1505 South Pavilion Center Drive Las Vegas, NV 89138 Attn: Mr. Thomas M. Friel Executive Vice President, Chief Accounting Officer and Treasurer September 1, 2009

Statement of Work: Tax Advisory Routine On-Call

### Dear Tom:

This Statement of Work ("SOW") is governed by and subject to the terms and conditions of the Tax Services Agreement dated September 1, 2009 (the "Agreement") between Station Casinos, Inc. (the "Client") and Ernst & Young LLP ("EY"), which was executed in connection with the Client filing a petition under Chapter 11 of the United States Bankruptcy Code on or about July 28, 2009 with the United States Bankruptcy Court for the District of Nevada , and describes certain tax services that EY will perform for the Client during the Client's Chapter 11 bankruptcy proceedings. This SOW shall be effective as of July 28, 2009, the date of the Client's filing of a Chapter 11 petition with the Bankruptcy Court . Unless expressly modified by this SOW, the terms and conditions of the Agreement continue to apply. Capitalized terms used, but not defined, in this SOW have the meanings set forth in the Agreement.

# **Engagement Team**

Teresa Dieguez (Partner) and Karen Connair (Executive Director) will lead the EY team in providing the services described herein (the "Services"). If either of these individuals ceases to provide tax services to the Client pursuant to the Agreement, EY will so advise the Client and, if that person is replaced, provide the Client with the name of that professional's replacement. Other staff, not identified herein, may be utilized as required to conduct our work in an efficient manner.

# Scope of Services

E&Y will provide the following services under this SOW to Client, contingent upon the Bankruptcy Court's approval of our retention in accordance with the terms and conditions that are set forth in the Agreement (inclusive of this SOW) and pre-approval of the Client's Audit

EY will provide to Client routine tax advice and assistance concerning issues as requested by Client when such projects are not covered by a separate SOW and do not involve any significant tax planning or projects ("on-call tax advisory services").

Station Casinos, Inc. Statement of Work - Tax Advisory Routine on Call Page 1 of 4

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This SOW is intended to be used for engagements to respond to general tax questions and assignments that are expected, at the beginning of the project, to involve total professional time not to exceed (with respect to the specific project) \$25,000 in professional fees at 60% of the standard hourly rates for the professionals involved. The scope of these services may be agreed to orally or through written communications with Client such as e-mails.

The projects covered by this SOW include assistance with tax issues by answering one-off questions, drafting memos describing how specific tax rules work, assisting with general transactional issues, and assisting Client in connection with its dealings with tax authorities (other than serving as a representative).

Specific tasks that may be involved in connection with the Services include the following: participating in meetings and telephone calls with Client; participating in meetings and telephone calls with taxing authorities and other third parties where we are not representing Client before the taxing authority; reviewing transaction-related documentation; researching technical issues; and preparing technical memoranda, letters, e-mails, and other written documentation.

This SOW is not intended to cover services related to significant tax planning or other projects where a mutual understanding of the scope of the engagement should be formally documented. Accordingly, in lieu of this SOW, separate SOWs generally will be entered into in connection with the following: services related to a transaction that is a listed transaction, reportable transaction, transaction of interest or transaction similarly designated by a tax authority; engagements where we will render formal opinions or opinions that will be relied upon by third parties; engagements where we prepare tax returns or entries on tax returns; studies with respect to Client's tax attributes (e.g., basis studies or repairs and maintenance studies); loaned or assigned staff engagements; and due diligence engagements.

The Services may be modified from time to time by our mutual written agreement and approval of the Bankruptcy Court.

Client acknowledges and agrees that, whether or not this SOW has been approved by the Bankruptcy Court at the time Advice is rendered, any Advice rendered by E&Y prior to the delivery of its final Advice is preliminary in nature and cannot be relied upon for any purpose, including penalty protection.

The Internal Revenue Code and professional standards require that tax advisors advise clients regarding their penalty exposure with respect to the advice they render and the disclosures that may avoid such penalties. The Internal Revenue Code has been amended to increase the disclosures that return preparers are required to include on returns to avoid exposure to penalty. Our tax opinions, memoranda, and similar documents will address disclosures we believe are appropriate to comply with applicable taxpayer and tax advisor/return preparer obligations, including our views as to the level of support for the positions addressed therein in a manner designed to facilitate compliance with tax return disclosure requirements

Station Casinos, Inc. Statement of Work - Tax Advisory Routine on Call Page 2 of 4

# Responsibilities

Client shall make all management decisions and perform all management functions in connection with the Services under this SOW. EY may assist Client in rendering management decisions or carrying out management functions in connection with the Services, including by providing advice, research material or recommendations, but EY will not make any such decisions or perform any such functions. In its sole discretion, EY may refuse to take any action to the extent it might be construed as a management decision or a management function.

Client accepts responsibility for the results of the Services. Client's approval of any Services shall not constitute a waiver of any of its rights under this SOW. Client further agrees to establish and maintain internal controls in connection with the Services, including monitoring EY's performance under this SOW.

Client shall designate an employee possessing the skill, knowledge and/or experience (but not necessarily the experience to perform the Services) to (1) oversee, (2) evaluate the effectiveness of, and (3) approve, the Services.

In addition, to the extent that SEC audit independence restrictions apply to any relationship between Client and EY or any other EY Entity, Client represents and warrants to EY, on and as of the date hereof, that neither Client nor any of its affiliates has agreed, orally or in writing; with any other tax service provider to limit in any way Client's ability to disclose to any person or entity the tax treatment or tax structure of any transaction that is the subject of the Services. Any such agreement with other tax service providers could impair the independence required of an EY Entity providing services to Client and neither EY nor any other EY Entity shall have any liability or responsibility whatsoever to Client in respect of any such agreement or its consequences.

# Fees and Expenses

The Client shall pay EY's fees for the Services, which fees are subject to Bankruptcy Court approval and based on the actual time of EY professionals expended in performing the Services as adjusted annually on July 1 during the term of the Agreement. The actual time required will depend upon the extent and nature of available information, modifications to the scope of our engagement and other developments that may occur as work progresses. The discounted rates, by level of tax professional, for the services under this SOW, are as follows:

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Station Casinos, Inc. Statement of Work - Tax Advisory Routine on Call Page 3 of 4



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The Client shall also pay EY's expenses and reimbursements in accordance with the terms of the Agreement. We will submit an itemized and detailed billing statement, and we will request payment of our fees and expenses, in accordance with the United States Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Rules for the United States Bankruptcy Court for the District of Nevada and any relevant orders of the Bankruptcy Court.

If, during the term of this SOW, EY determines that any additional work is necessary, whether at Client's request or because the complexity of the project increases, EY will promptly contact Client to discuss any adjustments to the scope of work or EY's fees and the Client obtaining Bankruptcy Court approval before proceeding, if necessary.

### Other Terms and Conditions

To the fullest extent permitted by applicable law (including, without limitation, for these purposes, the rules and interpretations of the AICPA and the U.S. Securities and Exchange Commission), and except in the case of EY's willful misconduct, the total aggregate liability of EY to Client (and to any affiliate thereof or any other person or entity for or in respect of which any of the Services are provided) in connection with the performance of the Services shall be limited to the fees actually paid to EY in respect of the Services directly relating to and forming the basis of Client's claim, regardless of whether liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise.

Please indicate Client's acceptance of these additional terms and conditions by executing this SOW in the space provided below and return it to Karen Connair at your earliest convenience.

Thanks again for your selection of our firm.

Very truly yours,

Ernst + Young LLP

AGREED:

Station Casinos, Inc.

By:

Mr. Thomas Friel

Executive Vice President, Chief Accounting Officer and Treasurer

Station Casinos, Inc. Statement of Work – Tax Advisory Routine on Call Page 4 of 4