

**MINUTES OF THE  
SENATE SELECT COMMITTEE ON ECONOMIC GROWTH AND EMPLOYMENT**

**Seventy-sixth Session  
March 14, 2011**

The Senate Select Committee on Economic Growth and Employment was called to order by Chair Ruben J. Kihuen at 1:12 p.m. on Monday, March 14, 2011, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator Ruben J. Kihuen, Chair  
Senator John J. Lee, Vice Chair  
Senator Valerie Wiener  
Senator Mark A. Manendo  
Senator Don Gustavson  
Senator Ben Kieckhefer  
Senator Greg Brower

**STAFF MEMBERS PRESENT:**

Kelly Gregory, Policy Analyst  
Bryan Fernley-Gonzalez, Counsel  
Leslie Sexton, Committee Secretary

**OTHERS PRESENT:**

Robert D. Faiss, Cantor G & W (Nevada) LP, dba Cantor Gaming  
Lee M. Amaitis, President and CEO, Cantor Gaming

ROBERT. D. FAISS (Cantor G & W (Nevada) LP, dba Cantor Gaming):  
I am CEO of Cantor Gaming. With us is Philip Flaherty, Cantor Gaming's primary gaming consultant.

LEE M. AMAITIS (President and CEO, Cantor Gaming):  
I have written comments ([Exhibit C](#)). I will divert from these from time to time. I was in the horse racing and training field for 10 years until approximately 30 years ago. I transitioned into the financial services industry. I became the number two person in charge at Cantor Fitzgerald (Cantor), a global financial

services provider. I retired as the CEO of our public company, BGC Partners, Inc., which was the rebuild of Cantor Fitzgerald following the tragedy of September 11, 2001 (9/11). At the end of 2008, the company was merged with our technology company, eSpeed. In early 2009, I moved to Nevada as a permanent resident.

Cantor Fitzgerald does \$150 trillion worth of the world's business every year on its electronic technology platforms. Cantor has been an innovator and pacesetter for everything new in financial services. Since the company's beginning 65 years ago, it has been involved in many innovations such as transparency of markets, electronic transfer of markets and in 1997, the creation of the first global electronic platform ever to trade U.S. Treasuries in less than 100 milliseconds guaranteed execution. The company was all but destroyed in the United States during the tragedy of 9/11. We have evolved from that loss to become one of the largest providers of financial services in the world. We have approximately 5,000 employees in 40 cities around the world. All of our branches are underpinned by electronic technology. That technology is the reason we decided to enter the gaming business.

While I worked for the company in London, sports wagering was legal there and in the European Union (EU). It is still a very large business there. I studied the characteristics of the people who were using our financial services in this Country. They were similar to the customers we have in gaming in the EU. Everyone who was risking other people's money or their own money in the markets would also participate in sports or other events wagering.

In 2000, I put Cantor in the bookmaking business in the United Kingdom (UK). We were immediately successful by employing many good people and deploying a technology platform that allowed us to take the wagers online. We used our expertise in the financial markets. Our offering was betting on financial markets where we provided the market and the risk management. That has evolved today to a very large business in the UK for Cantor.

The same technology was the basis for our decision to enter gaming in the United States and why we chose Nevada. In 2001, Nevada Legislators had the foresight to see that there was a broader base for being able to provide new and innovative technology by passing the "Interactive Gaming Bill," A.B. No. 466 of the 71st Session, well before most people were thinking about where Internet gaming was going in the world

That legislation caught my attention in 2003 and brought me to Nevada to find out why that law was never enacted. When that question was answered, I developed a method of strategy to present to the State Gaming Control Board (GCB). The idea was to bring our superior technology to Nevada, broaden the scope of the legislation and use encrypted, secure, financial software in casino-style games and sports and event wagering on our technology platform.

The 2003 meeting led me to be involved with Mr. Faiss learning how to evolve in bringing this idea and sticking with this idea so we could accomplish our goals in Nevada. In 2005, we supported the "Mobile Gaming Bill," A.B. No. 471 of the 73rd Session. This bill allowed us to enter the gaming industry with mobile technology confined to a resort where people could play casino-style games. We were able to get licensed by the GCB in 2006. Our technology was submitted in 2006 and was approved by the GCB laboratories in late 2008. We conducted our first field trial with the Las Vegas Sands of the Venetian Casino Group.

The approval of the technology sparked my interest in creating my career path. I then retired as the active CEO of Cantor and moved to Nevada in March 2009 to become an entrepreneur again in gaming. We presented our technology within the gaming industry and showed possible clients how it could be applied in casino games and sports wagering.

The biggest and most successful product for event wagering in the UK and the EU is called "in-running," placing wagers after an event starts. Sixty percent of all wagers are made after an event has started in EU gaming. We designed algorithms to create that model in the United States. We were successful in being able to have that technology approved and then offer it. We presented this approved technology to casino operators and explained the benefits to them. They wanted to see the technology demonstrated.

We had to make a decision between being an operator of the technology or merely the licensor of it. We chose the latter. We entered into an agreement with Anthony Marnell and his family to open the M Resort's Race and Sports Book. We deployed our technology for the laboratory that we wanted to build. The results are the reason we are investing significantly more money in Nevada today.

In 2010, the M Resort's Race and Sports Book wrote \$400 million in wagers, the equivalent to 20 percent of what is done statewide. That was in just one casino. Approximately 10 percent of those wagers were made by in-running. We have since introduced mobile gaming in three additional sites: the Cosmopolitan, the Hard Rock and the Tropicana hotel casinos, all in Las Vegas. They are significant capital-expenditure investments for our company.

The experience at Cantor Gaming illustrates how involvement in Nevada by technology providers is growing because of the market presented by the gaming industry. We have brought many large technology institutions to southern Nevada to help deploy this technology. We are increasingly engaging financial-based technology to enhance the gaming experience of our patrons. The skills and experience required to manage that technology has required us to bring specialists as contractors and as employees.

In Governor Sandoval's State of the State message on January 24, 2011, he said this about gaming:

Nevada started this industry. We shaped its development, and we must remain the undisputed leader in the gaming economy. Twenty-first century demands mandate that we provide a flexible environment for the technological resources that are the underpinning of modern gaming devices.

Ten years after the "Interactive Gaming Bill" was passed, some of its provisions have been implemented as a result of the "Mobile Gaming Bill," A. B. No. 471 of the 73rd Session. Senate Bill (S.B.) 103 enhances the "Interactive Gaming Bill." Together, these bills can be used by operators in Nevada to create new and innovative things for people to enjoy.

[SENATE BILL 103](#): Authorizes a licensed interactive gaming service provider to perform certain actions on behalf of an establishment licensed to operate interactive gaming. (BDR 41-828)

SENATOR KIECKHEFER:

I had heard in a committee that there is a criminal statute that inhibits the ability of small, entrepreneurial gaming-technology investors or creators to locate in Nevada or that we have a restriction on maintenance or operation of a gaming device that inhibits people's willingness to come into Nevada to invest and build new technologies here. Is that something you are familiar with?

MR. FAISS:

I am not familiar with this but will look into it and send you a response. There is a criminal statute that prevents any unlicensed interactive gaming from taking place.

MR. AMAITIS:

My presentation is built around the fact that this requires one to be an investor in Nevada. Our main goals are based on the fact that we are a licensee and clearly a firm from a parent company that understands regulation. We are regulated in every financial-services environment around the world today. We understand playing by the rules and that rules sometimes need to be changed to broaden the effect. Clearly our goal is not to enable anybody who is not a licensee to do something that should not be done.

SENATOR KIECKHEFER:

Do you think the requirement to go through the extensive and expensive process to become a licensee in Nevada may discourage new companies from locating to Nevada to develop new technologies?

MR. AMAITIS:

Senate Bill 218 provides that certain companies classified as service providers may qualify for a separate license category at the discretion of the GCB. I am not suggesting the standard be lowered. I am suggesting that in order to facilitate this type of technology company coming to Nevada, there have to be some new categories that will allow companies to have licenses within licenses so they can share in revenue or be able to participate in making the investment here.

**SENATE BILL 218:** Revises provisions governing the regulation of gaming.  
(BDR 41-991)

SENATOR KIECKHEFER:

That is what I was referring to: the regulatory burden of developing some of these technologies

MR. AMAITIS:

Senator Wiener and the Senate Committee on Judiciary last week demonstrated their leadership on this question by introducing S.B. 218, which—for the first time—will make it a goal of state gaming policy to react to rapidly evolving

technological advances while maintaining strict regulation and control of gaming. I expect this aspect of gaming control will be discussed more as this Session advances, and I hope to be part of that discussion because it is so important to Cantor Gaming.

Our interest is in gaming and in the continued expansion of technological innovation that affords the opportunity for creative imaginations to bring forward new services and products in which our sister companies will participate. For Nevada to be the home of the next generation of innovation, it needs to let the world know what technology development already takes place here and develop pathways to permit continued ease of entrance for prospective development companies to locate here. There is no question that Nevada already enjoys a favorable tax climate. However, Nevada is challenged in the attraction of new enterprises partially by perception and partially by the general lack of worldwide recognition for the existence of opportunity beyond the gaming and mining industries. We need to let the business world know there is plenty of land, there is a construction industry that can build many things beyond hotels and casinos, there is a willing and adaptable workforce and the relationship between government and business in Nevada is symbiotic, synergistic and not adversarial. When we came to Nevada, our novel notions had no standing in history or law logically to attempt to fulfill our vision; yet we have been able to thrive in the Nevada climate.

Some say Nevada is missing the depth of educated, professional employees that some other locations may have. Our employees have been recruited from many locations, including Nevada. The world has changed. Distance is no longer the relevant factor for recruiting and attracting talented people. A workforce that is already trained and educated in certain areas does make certain business opportunities easier, and it is a self-evolving process, fulfilled by supply and demand. In our case, where there is demand the supply will follow.

Businesses, opportunities and development follow simple stages: trailblazers, pioneers and settlers. The trailblazers are the ones that find the new opportunities and take the greatest risk of entering the unknown. The pioneers follow the trailblazers and, while they take risk, they typically wait for the trailblazers to clear the way and just try to do it better. The settlers are risk-adverse and typically only go where the opportunity is so well-established by the trailblazers and pioneers that they can generally operate by the numbers. To this point, and based on our own experience, Nevada does welcome

trailblazers, but the world really is not aware of the welcoming Nevada environment, and this does need to change. I think about the future a lot. As a Nevadan, I have a sense of optimism about what it holds for us. I congratulate Chair Kihuen and each of you for the focus, vision, forum and leadership you are providing to give stronger substance and wider scope to it

This Committee needs to challenge the business community to bring new ideas. It needs to bring businesspeople to the table and ask what they will do for Nevada. Our company has given a significant forward-thinking process to the matter of economic growth. We have the ability to bring people to Nevada who can develop new technology for gaming entrepreneurship and financial services. We have over 600 technology people all over the world. Most of them are concentrated in New York City and London.

SENATOR MANENDO:

How many employees do you have in Nevada?

MR. AMAITIS:

Approximately 125.

Senator Manendo:

How many of those 125 employees were products of the Nevada educational system? Are you able to use our graduates? Is there something we need to do to offer you students whom you can recruit?

MR. AMAITIS:

The bulk of that 125 came from Nevada. They were either employed by us when we opened our new sports books or hired because they had lost their jobs in other places. The attraction for us to recruit from places other than Nevada is in creative technology. Our background is global. We would welcome the opportunity to recruit from Nevada graduates as our business expands. We have employed construction workers in our new venues and will be doing so in the future.

CHAIR KIHUEN:

What are your future plans in Nevada? Many people have testified before this Committee and have said that technology innovation is one avenue for Nevada to diversify its economy; however, we do not have the trained workforce to facilitate that. What can the Legislature start doing to assist the unemployed?

MR. AMAITIS:

Start with the core of Nevada industry, gaming. You do need to diversify the economy by looking outside of that core. If you start with the core, there are a number of ways in which it can grow. At the M Resort, we accepted \$400 million in sports wagers. Nevada averages slightly over \$2 billion. The illegal market in the United States on sports wagering is estimated to be \$200 billion per year. It goes offshore. Creating technology that will enable those transactions to take place in Nevada is a significant investment. Cantor has started that. Once we are successful, others will want to come to Nevada to do the same.

If we can bring \$10 billion to \$20 billion of sports wagering to Nevada, that owns the monopoly on it in this Country; the resulting tax roll and numbers of jobs that will be created will be a benefit to Nevada. Cantor sees sports-wagering as a commodity. Many people have moved here from the East Coast because they are able to wager with us in significant quantity. During the 2010 football season, we had over \$20 million in client money deposited in our sports-wagering accounts. This is due to our ability to process transactions quickly with our technology.

The pari-mutuel racing industry is in a decline in this Country. Nevada does approximately \$400 million in pari-mutuel wagering each year. Cantor did \$40 million of that last year based on offering technology on a broad scale. Legislators have the ability to make changes. *Nevada Revised Statutes* do not allow rebates in pari-mutuel wagering. Everywhere outside of Nevada where pari-mutuel wagering is legal, rebates are allowed. Every operator of a racetrack has an advanced deposit wagering system (ADW). They are all Internet-related technologies.

Nevada is in a noncompetitive position. There are more people in Nevada making ADW wagers outside of the State than making pari-mutuel wagers within Nevada. If Nevada would allow the ADW systems and rebates at the discretion of operators, the tax roll would increase. If the \$400 million were doubled, the taxes Nevada would collect would increase by \$5 million to \$6 million annually. Doubling would be easy. Six billion dollars is wagered offshore every year on pari-mutuel wagering to bookmakers who offer rebates. It all requires an underpinning of technology and the right kind of personnel to manage the system.

SENATOR KIECKHEFER:

How is Nevada in a position to be a leader in Internet gaming and Internet poker, should it become legal in this Country?

MR. AMAITIS:

The Legislature positioned Nevada to become a leader in the 2001 Legislative Session by passing A.B. No. 466 of the 71st Session. Our company came here because we believed that at some point in time that bill would be enacted with regulations that would allow us to provide services.

The addition of S.B. 103 in this Session, which allows a service-provider category, will enhance that position and will bring new companies to Nevada that will be able to offer first intranet services and then Internet services. If S.B. 103 is adopted and if regulations can be written, then you will certainly come forward and offer an intranet solution into Nevada. Nevada will be clearly positioned for the next level of Internet gaming.

We rely heavily on technology because we built our reputation on low-margin, high-volume businesses. In the early 1990s, we were the world leader in over-the-counter global trading of U.S. Treasuries using the Cantor platform. We used to charge \$30 per million for every transaction that came through us. Now we charge less than 25 cents. We make more at the current price than we did at the former price. Technology enables us to handle high volume. There is no reason why the gaming industry should not adopt and regulate it. The process would be transparent to federal and State regulators.

SENATOR MANENDO:

Are you concerned at all about gambling addiction and the increased access to online gaming?

MR. AMAITIS:

That is a morality question that one in the gaming business must ask himself. Access to gambling is a personal choice. Controlling the access to gambling is easier to regulate when you include the Internet. All Internet sites have the technological capacity for the user to self-regulate through the use of time-outs, setting limits on daily use and account limits. This is not possible in the conventional casino. Technology allows one to regulate transparently and have control over the system.

CHAIR KIHUEN:

Is the prohibition on pari-mutuel rebates only in Nevada, or is it nationwide?

MR. AMAITIS:

Prohibition occurs only in Nevada. Pari-mutuel wagering was excluded from the Federal Wire Act of 1961. States can share revenue. Oregon is a significant benefactor of pari-mutuel wagering. All of the bets that come through that process are placed in an Oregon hub. They charge a fee for then sending those bets out to the racetracks that participate. Pari-mutuel wagering is not illegal across state lines. The operators independently decide whether or not to participate in the rebate program.

The racing industry was caught by surprise on this. When rebates began, they generally went offshore. Rebates were not adopted in the United States, and operators lost the business. As racetracks consolidated, the owner companies adopted the ADW platforms that are Internet-related and offer rebates to customers who place wagers. Nevada is missing out on that business.

All of the technology providers we have brought into Nevada have made significant investments here with us. The GCB has been open about having one data center created. As operators of mobile gaming, we need to have the equipment for server-based gaming located in each casino in which we operate. We have six different locations and have to replicate the technology six different times.

It would be better to build the technology in a data center and have it protected, regulated and monitored. We have been able to show the benefits of that idea to the GCB and laboratories. Having that one data center work well for gaming would enable Nevada to duplicate the concept for other industries by sharing technology. Individual companies would see this as a cost-savings.

SENATOR WIENER:

When you testified before the Senate Committee on Judiciary on S.B. 103, you referred to "hosting centers." Is that the same centers you now refer to as "data centers?"

MR. AMAITIS:

Yes.

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SENATOR WIENER:

These centers would be located in the State. They would be under the regulation and monitoring of our GCB to ensure the integrity of the centers.

MR. AMAITIS:

You are correct. Nevada does have today one of the highest-level—level seven—security data centers in SwitchNAP. Again, Nevada should advertise what is already here so that we can add to our capability. When we issue a request for proposal we do give preference to Nevada companies and workers. I am adamant that we exhaust all of our resources here to make sure we are investing back into the community, because we expect the community to invest in us.

CHAIR KIHUEN:

The meeting is adjourned at 2:08 p.m.

RESPECTFULLY SUBMITTED:

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Leslie Sexton,  
Committee Secretary

APPROVED BY:

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Senator Ruben J. Kihuen, Chair

DATE: \_\_\_\_\_

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Lee M. Amaitis, President and CEO, Cantor Gaming	Outline of Testimony