

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON JUDICIARY**

**Seventy-Eighth Session
April 27, 2015**

The Committee on Judiciary was called to order by Chairman Ira Hansen at 8 a.m. on Monday, April 27, 2015, in Room 3138 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/78th2015. In addition, copies of the audio or video of the meeting may be purchased, for personal use only, through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Ira Hansen, Chairman
Assemblyman Erven T. Nelson, Vice Chairman
Assemblyman Elliot T. Anderson
Assemblywoman Olivia Diaz
Assemblywoman Michele Fiore
Assemblyman David M. Gardner
Assemblyman Brent A. Jones
Assemblyman James Ohrenschall
Assemblyman P.K. O'Neill
Assemblywoman Victoria Seaman
Assemblyman Tyrone Thompson
Assemblyman Glenn E. Trowbridge

COMMITTEE MEMBERS ABSENT:

Assemblyman Nelson Araujo (excused)

GUEST LEGISLATORS PRESENT:

Senator Mark Lipparelli, Senate District No. 6



STAFF MEMBERS PRESENT:

Diane Thornton, Committee Policy Analyst
Brad Wilkinson, Committee Counsel
Linda Whimple, Committee Secretary
Jamie Tierney, Committee Assistant

OTHERS PRESENT:

Samuel P. McMullen, representing Association of Gaming Equipment Manufacturers
A.G. Burnett, Chairman, State Gaming Control Board
Buffy Brown, Senior Research Specialist, Administration Division, State Gaming Control Board
Russell Rowe, representing Hakkasan
Mark A. Clayton, representing Hakkasan, and CG Technology
Todd Mason, Director of Public Affairs, Wynn Resorts
Ryan Saxe, Private Citizen, Las Vegas, Nevada
Tanya Fraser, Private Citizen, Las Vegas, Nevada
Elijah Tredup, Private Citizen, Las Vegas, Nevada
Kevin Schweitzer, Private Citizen, Las Vegas, Nevada
Gregory R. Gemignani, Private Citizen, Las Vegas, Nevada
Jennifer Roberts, Private Citizen, Las Vegas, Nevada
Anthony Cabot, representing AmericanChecked
Joshua L. Hicks, representing Consumer Data Industry Association
Quinton Singleton, Vice President, Deputy General Counsel, Assistant Secretary, CG Technology
Bruce A. Leslie, Private Citizen, Las Vegas, Nevada

Chairman Hansen:

[Roll was called and protocol was explained.] We have five bills on the docket today, and we are going to start with Senate Bill 9 (1st Reprint), which requires the Nevada Gaming Commission to adopt regulations relating to the development of technology in gaming.

Senate Bill 9 (1st Reprint): Requires the Nevada Gaming Commission to adopt regulations relating to the development of technology in gaming. (BDR 41-61)

Samuel P. McMullen, representing Association of Gaming Equipment Manufacturers:

I am the lobbyist for the Association of Gaming Equipment Manufacturers (AGEM), which is an industry association with a membership of 140 companies

representing the manufacturing of electronic gaming devices, systems, table games, online technology, key components and associated equipment, and services for the regulated gaming industry. Senate Bill 9 (1st Reprint) is fundamentally a product from the Committee to Conduct an Interim Study Concerning the Impact of Technology Upon Gaming about some of the issues relating to nonrestricted or restricted gaming in general. This is functionally not so much AGEM's product, although we fully and fundamentally support it, but it is the study product of a committee which looked at these issues and what could happen. I have submitted testimony ([Exhibit C](#)) and a PowerPoint presentation ([Exhibit D](#)), but I am just going to try to summarize it in the interest of time for everyone.

There are four core reasons that S.B. 9 (R1) is before you today. One is increased competition in the industry; second is the decline in slot machine revenue production; third is a generational shift in casino customers, which is a very important feature; and fourth is the importance of technology and social media among that demographic. It is no surprise to anyone that we face unprecedented domestic and global competition. There are 23 commercial gaming states, plus over 450 tribal locations in 24 states. Just about 29 cents of every dollar of domestic consumer spending on commercial casino gaming is spent in Nevada. As everyone understands, it used to be 100 percent, and now we are sort of under attack by other competitors and jurisdictions for that discretionary gaming dollar.

At the same time, the portion of revenue received from gaming has been in decline at our casinos. Nongaming revenue on the Las Vegas Strip accounts for more than 60 percent of total revenue, which I think is a positive thing, but it is also a feature about the gaming revenues going down proportionally. Electronic games predominate and contribute 60 percent of our gaming revenue to the licensees.

I think the demographics are the most important point in this whole exercise. They are certainly in transition. As Jim Murren, Chairman and Chief Executive Officer of MGM Resorts International, recently observed, "The newest generation of travelers wants myriad experiences. They want to be a part of the experience, not just 'experiencing the experience.'" The American Gaming Association 2013 annual report includes an enlightening, statistics-based overview of the entertainment choices of young adult casino visitors. A central finding of the report is that young people ages 21 to 35 have the highest rates of casino visitation, and electronic games are more than twice as popular among these patrons, accounting for more than half their gambling play.

When I was the vice president of government affairs for Harrah's, we statistically looked at the market all of the time. The demographic of the Nevada gambler at that point—which was several decades ago—was age 51.2. If you ask anyone now, the average gamblers are in their sixties. We need to do something to attract and motivate younger gamblers to be a part of our revenue stream in Nevada.

Technology is pervasive in our lives. The young adult casino visitors are also major consumers of this technology, whether it is mobile devices, social media, or nonwagering video gaming. These casino customers expect electronic gaming products to evolve with the other technology they use and enjoy, incorporating the generational interest in social gaming—the Xbox phenomena—and in social networking—the Facebook transformation.

Our current regulatory authority is limited. It declares that public confidence and trust in the gaming industry is preserved by measures insuring honest, competitive, and equal access to the gaming public. To make sure these policies are satisfied for gaming devices, the Nevada Legislature delegates to the Nevada Gaming Commission (NGC) broad authority to prescribe the specific standards for gambling devices and equipment technology by administrative rules. A myriad of detailed regulations have been adopted, establishing comprehensive technical standards for gaming devices. Based on current legislative policies, these regulations mandate uniformity in payback percentages based on mathematical randomness tests that practically limit development of games based on skill or game outcomes tied to other factors or identifiers like player demographics, such as a platinum player deserving of an enhanced gaming experience, or brand affiliation, such as persons who have a particular social media brand loyalty.

The Nevada Legislature and the state gaming regulatory bodies have a strong tradition of supporting industry innovation to meet competition and the interests of the gaming public. Witness the passage of legislation authorizing gaming salons, interactive wagering, mobile gaming, and system-based gaming platforms. All of these laws have been adopted to meet the marketplace and to keep Nevada at the forefront of gaming technology.

As with other issues of technology impacts on gaming licensees and patrons, the Nevada Legislature provides policy guidance for the NGC and the State Gaming Control Board (SGCB), allowing implementation through rules adopted in a collaborative process between the regulatory agencies and industry. A logical

and natural step in harnessing technology to improve patron access to new and exciting experiences would be legislative policy direction and enhanced rulemaking authority for the NGC. That was the purpose and the focus of one of the aspects of this interim study.

This direction can eliminate doubt about regulatory authority to develop technical standards differentiating skill and chance games, and it can also incorporate into gaming devices other technologies. Currently, our games are fundamentally almost exclusively chance, and this is to at least allow this legislation the incorporation of skill without adjusting any of the policy relationships for chance as it relates to the basic payline and some other things, but it will all be done by the NGC with the clear guidance of the SGCB. The SGCB can use this authority to balance the industry's objective to introduce innovation with the state's interest in protecting the gaming public and the integrity of Nevada's gaming industry. Senate Bill 9 (R1) is here to achieve all of those objectives.

It is the standard model for most of the things in the gaming industry and gaming regulations. Basically, you are developing a direction for them, but they will implement it and do it in a way that is reliable, safe, and secure for the public and fair in all of the things that they do an excellent job of doing.

Chairman Hansen:

Mr. McMullen, I am going to hold you up right there in the interest of time. Are there any questions for Mr. McMullen?

Assemblyman Thompson:

Once this study is conducted, where does it go from there? A lot of times we do studies and they sit. Where is the action going to come from? Are there going to be some recommendations that are going to come in this study?

Samuel McMullen:

I may have confused you. The study was completed during the last interim. If you pass this legislation, it will activate the policy direction that the SGCB and NGC can look at: skill-based gaming and server-based gaming, for example. They can decide—and they will—whether they do something or not, but it will at least give them the flexibility they do not currently have to step away from the rigors of chance-based gaming as it relates to pieces of the gaming devices and their motivation for people to play. The bill hands it over to them, and in their discretion and expertise, they will implement it, and they will do that through a very full and public regulation-making exercise once they have internally done their work. I believe Mr. Burnett of the SGCB is going to testify as well, so perhaps that question could also be more fully addressed by him.

Chairman Hansen:

Is there anyone who would like to testify in favor of S.B. 9 (R1) at this time?

A.G. Burnett, Chairman, State Gaming Control Board:

I am here speaking on behalf of the State Gaming Control Board and the Nevada Gaming Commission. We are obviously in support of this. As Mr. McMullen testified, we concur with its objectives. The Committee to Conduct an Interim Study Concerning the Impact of Technology Upon Gaming met several times last year and it was composed of many different members of the Legislature, both Senate and Assembly. This was because of a mandate that was in Assembly Bill No. 360 of the 77th Session. The SGCB and the NGC support S.B. 9 (R1) and believe—if conducted successfully—it will enhance the options for operators and customers in Las Vegas and the rest of Nevada. Many of the visitors coming to Nevada, especially Las Vegas, are coming for other forms of entertainment and not just to play slots. I believe the hope here is to increase the offerings that slots can provide. The SGCB and NGC will create regulations that will ensure the safety and integrity of any new games with the main objective of protecting customers and ensuring our ability to audit and account for those games just as we do any other types of games.

Assemblyman Jones:

I was under the impression that you already get to regulate the games. What is this changing versus old law? Why is there a need for this? It seems to me that you have been regulating the games. What is different about this now versus what exists?

A.G. Burnett:

Right now, the types of games that are offered on the floor are only those types of games that can be offered pursuant to our current regulations. Beneath our regulations we have what is called internal control procedures and minimum internal control standards along with technical standards. None of those allow for any of the ideas or new types of games that Mr. McMullen and AGEM are thinking about; for example, games that might encompass certain elements of skill combined with chance or other broader themes that might incorporate social media.

To give you a very good example, what you see on the floor of casinos in Las Vegas are all that can be approved up to that regulatory minimum standard. There are new ideas out there and new types of games that many entrepreneurs, operators on the Strip, and manufacturers would like to propose for our Nevada casinos; however, our current regulations and standards just simply do not allow for them. The issue is not one of suitability or integrity. We have regulatory comfort with those ideas and we would welcome them to

give operators a new chance to increase revenues; however, because of our standards, we must say no, which is unfortunate. Senate Bill 9 (R1) provides the Board and the Commission with the ability to allow for those pursuant to your mandate.

Assemblyman Elliot T. Anderson:

How would the SGCB deal with a patron dispute if you have a game of skill?

A.G. Burnett:

We have a current set of statutes and regulations that handle patron disputes. It is our intention and thought that those would be handled in the same way as any other game, whether it is a poker game, blackjack game, or a slot machine game. If a patron encounters an issue where they feel they have been wronged or they won a jackpot and there is a glitch, or the casino says that they have not won it, then a statutory process kicks in and it is quite thorough. Our enforcement agents will go to that location immediately, meet with the patron, meet with the licensee, investigate the claim, and then we will rule upon it at a later time. The patron, if aggrieved, can go from there to an appellate process, where we have a hearing examiner hear it, and we can have the entire Board hear it.

Samuel McMullen:

In a lot of ways, the technical standards will set up the resolution of a dispute, but I think it is worth saying for the Committee—this is a technical area and sometimes we do not tell you everything. The decision of the win and the device may actually not change. The main change is what they call the associated equipment up above it, where the wheel of fortune will spin or something like that. Currently, those are all randomized or chance events. Maybe there is a chance for a player in that secondary aspect to use some skill or something that they are used to using in their video game life and it will attract them more to that game. Once again, those disputes will be subject to all of those technical standards. In my lifetime, slot gaming has gone from 20 percent to over 50 percent of casino revenues, and that is because of this kind of creativity and innovation. We are asking you to give us the license to try for new things that actually increase the revenues of the state and the customer experience.

Chairman Hansen:

Is there anyone else who would like to testify in favor of S.B. 9 (R1) in Carson City or Las Vegas? [There was no one.] Is there anyone who would like to testify against S.B. 9 (R1)? [There was no one.] Is there anyone who would

like to testify in the neutral position? [There was no one.] We will close the hearing on S.B. 9 (R1) and open the hearing on Senate Bill 38 (1st Reprint), which revises provisions governing the regulation of gaming.

Senate Bill 38 (1st Reprint): Revises provisions governing the regulation of gaming. (BDR 41-350)

A.G. Burnett, Chairman, State Gaming Control Board:

Seated to my left is Buffy Brown, senior research analyst for the State Gaming Control Board (SGCB). This was originally a Gaming Control Board bill, and we have allowed several amendments to it; all of them have been friendly. The initial piece of Senate Bill 38 (1st Reprint) was to increase regulation in certain types of associated equipment manufacturers and also to eliminate the regulation of certain types of service providers and manufacturers of equipment associated with interactive gaming. Again, as the session progressed, several industry stakeholders came to us with friendly amendments, all of which we permitted.

Sections 1, 1.1, and 1.2 were proposed by the University of Nevada, Las Vegas William S. Boyd School of Law. They relate to charitable lotteries in the state of Nevada. It has been a tradition for the law school students to introduce a bill related to gaming, and this year there were no available bill draft requests except for S.B. 38 (R1), so we allowed them to tack this on as a friendly amendment. I am not sure if anyone from the law school is present. Would you like me to yield to them at this point, or just go through the bill?

Chairman Hansen:

Go through the bill quickly first.

A.G. Burnett:

Sections 1.3 through 1.8 address regulation of club venues that are located at gaming properties such as nightclubs, day clubs, and pool clubs. The Board has worked with a number of gaming licensees and club venue operators regarding this bill. The intent is to simply require the registration of certain employees so that the Board can fulfill its duties of preventing persons who are potentially unsuitable to the employer to continue employment at these types of locations that are within gaming establishments.

Sections 3.3 and 3.7 address the club venue operators. If a club venue is owned by a licensee, these provisions already apply. The additions address club venues that are operated by a nonlicensee on a gaming property. The SGCB always has the authority to require a club venue operator to apply for a finding of suitability for licensure if there are concerns about the persons involved;

however, the Board is responsible for all the costs associated with those investigations. Section 3.3 would, therefore, authorize the Board to charge the club venue operator within the establishment for the cost of that investigation. The Board does not intend to require all club venue operators to apply for licensing. This would be done on a risk analysis basis. Section 3.7 would—as with current licensees—allow for any information provided to the SGCB by a club venue to be deemed confidential and privileged under the statutes.

Sections 1.9, 2, and 5.5 authorize increased regulation of manufacturers and distributors of associated equipment and their employees, all pursuant to the main governing statute for the SGCB and the Nevada Gaming Commission. The bill provides for the Nevada Gaming Commission (NGC) to adopt regulations regarding registration of manufacturers and distributors of associated equipment if the equipment can affect the integrity of gaming, such as equipment that affects the operation of a game can add or subtract wagering credits to a game, et cetera. The intent is that the greater the risk and the more connectivity the associated equipment has to the actual core components of the game, the more in-depth the review of that entity or person providing that equipment. In adopting the regulations after the statute is enacted, the industry will have several opportunities to provide input.

Section 6 removes requirements for licensure of two types of service providers, as the Board has determined that those service providers pose little or no risk to gaming: those who provide intellectual property such as trade names related to interactive gaming and those who provide customer lists in regards to interactive gaming.

Sections 7, 8, and 9 of the bill all remove licensing requirements for manufacturers of associated equipment in regards to interactive gaming. The category was added in anticipation of the launch of interactive gaming; however, since that time, we have found that such equipment does not really exist and is not captured by other categories.

Last but not least, at the request of the Nevada Resort Association, there are a series of deletions at the end of S.B. 38 (R1), and those are all regarding limited liability partnerships and limited liability companies. The requirement is—to use a phrase, ancient and no longer needed—a cleanup of those two pieces of our statutes.

Chairman Hansen:

Ms. Brown, do you have anything to add to the testimony at this time?

Buffy Brown, Senior Research Specialist, Administration Division, State Gaming Control Board:

I will only provide answers to questions if there are any. I will need to offer one amendment that I can submit in writing. It is actually a technical issue. The amendment had already been adopted in the Senate, but did not get captured when the redraft was done, so I will offer that at the end and provide it in writing afterwards.

A.G. Burnett:

There is just one typo in section 1.7. We need to add the letter "a" in paragraph (c) so that it reads "Requiring a club venue operator."

Assemblyman Ohrenschall:

Will the club venues be separate licensees or will they work under an existing licensee? Can they just register with the SGCB?

A.G. Burnett:

The club venues would not be licensees. They are located within the confines of the statutorily defined premises or establishment of a gaming licensee. The potential for the club venue operator would exist for them to be called forward for what we call a "finding of suitability." That would essentially be if we think there are issues with a person or entity who is operating that club venue as a tenant for the gaming licensee. If we find issues or have sufficient cause for concern, we could do a call forward, which would require them to file an application for a finding of suitability, in which case they would either be found suitable or denied.

Assemblyman Ohrenschall:

Under current law and regulation, does the club venue operator need to appear before the SGCB at all, and if there are problems with the club venue operator, what power does the SGCB or NGC have currently?

A.G. Burnett:

Right now we would have power under a different statute to require the tenant of the licensee to come forward; however, the thought was that this would be cleaner and in conjunction with what we are trying to accomplish with the registered employees of certain establishments. We felt it was more appropriate to have it out front and clean in this fashion. We could call them forward; however, we would not have the power to bill for that activity. This just makes it cleaner and more straightforward; it is out in the open and addressed in the statute.

Assemblyman Elliot T. Anderson:

I would like to direct your attention to page 4, lines 29 through 33. It speaks to basically deeming a club employee to be a gaming employee for the purposes of all of our existing gaming laws and regulations. I am wondering about the breadth of it. I did a quick skim through *Nevada Revised Statutes* (NRS) Chapter 463 yesterday, and in those chapters, we contemplate the morals, and we talk about reputation. I am wondering if we should be treating clubs, such as on Fremont Street, different from clubs on Las Vegas Boulevard.

Specifically, one of the sections in NRS Chapter 463 says that if you are convicted of something that could be punished as a gross misdemeanor or a felony in the state, you cannot get a license. Is that specific provision necessary? I do not want to take away from the problems that we have had with those club entities, but could we hire a club employee? I think a lot of those people have run into problems with drugs specifically, and you would think that at least it would be more than a misdemeanor under our laws. Would you comment on how that would affect those club operators being able to hire employees?

A.G. Burnett:

The intent behind section 1.7 in the lines you pointed out is to simply put those types of employees on the same footing as what we would deem a gaming employee under Regulation 3.100 and under the statutory definition of a gaming employee. Those persons are required to register for a work cards, and, in some cases, they might also have to register for a sheriff's card, depending on the jurisdiction in which they work. If the SGCB finds in their record something that leads them to object pursuant to the statute, it can do so. Much like the patron dispute scenario that I pointed out earlier, the key employees have the same rights of recourse upon an objection as a patron does upon a patron dispute—appellate rights, sometimes three or four attempts at appeals all the way up from hearing examiner to the SGCB to the NGC. I think the intent is to provide some visibility and perhaps coverage for the employers, be it casino operators in Las Vegas and Reno, but have nightclubs themselves, or the nightclub operators who are tenants in the licensed establishment. At the end of the day, the licensed gaming establishment's license is at risk, and if improper activities occur, even in a nightclub when it is located on the premises of the gaming establishment, that puts the gaming operator's license in jeopardy.

The idea here is to provide a mechanism whereby a key employee, gaming employee or nightclub employee, can be objected to and essentially kicked out of the system to where they cannot operate in any nightclub that has a gaming lessor. We have heard many instances of companies who have let bad

nightclub employees go because of drugs, prostitution, and things of that nature, but those employees just pop up somewhere else. This is an attempt to make sure those people do not pop up somewhere else. Again, all we can regulate are the gaming licenses, but that is what we are trying to accomplish here.

Russell Rowe, representing Hakkasan:

This is a ditto plus. Hakkasan is the leading nightlife and nightclub operator in Las Vegas and employs over 3,000 in this industry in the city with over 20 venues currently operating. This has become an important entertainment option to tourists nationally and internationally. It is a very critical piece to the resort experience in Las Vegas. Seven of the top ten nightclubs worldwide are located in the city. Ensuring operations are free from unwanted elements is an important piece to this, and I think this is the ultimate intent of this legislation. It is important, not only to the gaming industry, but obviously it is very important to the nightlife industry. Hakkasan is a leader in this industry in Las Vegas and has been working to establish best practices in the industry for the past few years in cooperation with law enforcement and the SGCB. We would like to thank Chairman Burnett and Buffy Brown for their efforts in working with us and crafting this legislation. Hakkasan supports S.B. 38 (R1) with respect to the registration of certain nightclub employees.

Mark A. Clayton, representing Hakkasan:

As Mr. Rowe indicated, we are in support of sections 1.3 to 1.7 of S.B. 38 (R1) on behalf of Hakkasan. Hakkasan also supports the Board's efforts to target certain employees that pose a threat to the safe operation of the gaming industry. We understand and agree that the Board's focus is on those individuals and companies whose activities are physically present within the club venue and is not designed to address all individuals or companies who provide services to the nightclub, be it either from within or outside the state of Nevada. Again, we applaud and support the Board's efforts to make sure that this element of potential regulation can be addressed through the regulatory process with the SGCB and the NGC.

Todd Mason, Director of Public Affairs, Wynn Resorts:

I am speaking today as our global compliance officer, Kevin Tourek, sends his regrets that he cannot join us today. I want to echo the comments of Mr. Rowe and Mr. Clayton in extending our thanks to the SGCB, Chairman Burnett, and Ms. Brown for their efforts in crafting these amendments and allowing us to work with them. I want to add that in addition to what Mr. Rowe said, obviously we recognize as well the need for club operators to take an active role

in policing illegal activities and monitoring our own nightclubs, which have become more a part of our business model. We have seen, to Assemblyman Anderson's question, numerous examples of both illegal activity and settlements among various operators over the past six years.

For Wynn Resorts, we have spent more than \$1 million to independent shopper nightclubs to monitor their activity and perform integrity checks. We feel that we continue, along with industry partners, to be a leader in monitoring this activity, but believe that this legislation is important in allowing for the SGCB to promulgate regulations that will allow for certain nightclub employees to register.

Chairman Hansen:

Are there any questions at this time? [There were none.]

Ryan Saxe, Private Citizen, Las Vegas, Nevada:

I am a third-year law student at the Boyd School of Law. This legislative session's students from our gaming law policy class proposed to amend Nevada's charitable lotteries statutes to clarify the thresholds and exceptions for groups to conduct charitable lotteries, as well as to permit statewide charitable gaming events within current charitable gaming limitations. We have worked with the SGCB staff and presented our proposed statutory changes to the SGCB and the NGC, and our bill has their support.

For background, Article 4, Section 24 of the *Nevada Constitution* prohibits lotteries from being operated in the state; however, the state *Constitution* also allows the Nevada State Legislature to authorize lotteries in the form of raffles or drawings for charitable or nonprofit organizations with proceeds used to benefit charitable or nonprofit activities in Nevada.

After resolution and voter approval, charitable lotteries were permitted pursuant to NRS Chapter 462 beginning in 1991. There have been no other changes to the law since that time. I will now turn it over to Tanya Fraser, who will discuss the changes proposed in our student-led bill.

Tanya Fraser, Private Citizen, Las Vegas, Nevada:

I am a third-year student at the Boyd School of Law. The first change in our bill is to amend NRS 462.125 to expressly list nonprofit alumni organizations and legal bar associations in the list of qualified nonprofit organizations which may offer charitable lotteries. Next to testify on the remainder of the bill is Elijah Tredup.

Elijah Tredup, Private Citizen, Las Vegas, Nevada:

I am a third-year student at the Boyd School of Law. Our next proposed change to NRS 462.140 is to clarify language in the current statute in a way that we believe is consistent with the current Board's practice. The changes clarify what prize values offered by qualified organizations will trigger the need for that organization to apply for either Board approval or registration. It further allows organizations to have charitable lotteries up to two times per year for prizes of \$2,500 or less, or to offer up to \$15,000 worth of prizes in a calendar year for events where entries are only sold to organization members and their guests. Our draft clarifies that neither registration nor approval is needed in either of these instances as we understand it is consistent with Board practice. I will now turn it over to Kevin Schweitzer, who will discuss the final proposed change to the bill.

Kevin Schweitzer, Private Citizen, Las Vegas, Nevada:

I am a second-year student at the Boyd School of Law. The final change we propose is to amend NRS 462.180 to permit statewide charitable lotteries. Currently, the statute only allows qualified organizations to conduct raffles or drawings in one county together with an adjacent county. This change will allow qualified organizations to conduct raffles or drawings in counties that may not share a border. To draw on a recent real-world example, if a charitable organization were to raffle off a motorcycle to commemorate our state's 150th anniversary, the organization could, with the Board's approval, sell raffle tickets across the state rather than in a primary county such as Clark County and only its contiguous neighboring counties, such as Lincoln and Nye. We appreciate the Committee's time and the opportunity to present these amendments. We will now be happy to hear any questions you may have.

Assemblyman Elliot T. Anderson:

I want to welcome all of my fellow classmates from Boyd School of Law to the Legislature. It is good to see all of them and want to tell them, good job.

Assemblyman Nelson:

I commend all of you for getting involved in the legislative process while you are still in law school. My question is, what is the point? Is this just to raise money for charities? Is that why you want to do this?

Kevin Schweitzer:

Part of the issue is to allow charities to raise money. There was also some concern about charities from outside the state perhaps not conducting their conventions and other activities within the state of Nevada, and we would be losing out on the revenue stream because they were not allowed to do things that we felt really should be allowable within the spirit of the existing law.

We are looking at some minor tweaks to allow what we believe is really in line with the original intention of the law to keep people coming back to Nevada and to allow people to conduct their business the way they would expect in Nevada.

Gregory R. Gemignani, Private Citizen, Las Vegas, Nevada:

I am a professor of the gaming policy class along with Professor Roberts. I really do not have anything to add. I was prepared to do an introduction of the students, but they did a great job on their own. We are happy to answer any questions.

Jennifer Roberts, Private Citizen, Las Vegas, Nevada:

I want to reiterate that we enjoy helping the students with this legislative process. We do this to honor our former partner, Bob Faiss, who was very instrumental in performing this process for many years in the Legislature.

Chairman Hansen:

Thank you to both for being here and helping your kids learn the process. It is kind of fun to see it. Is there anyone else in Las Vegas who would like to testify in favor of S.B. 38 (R1)? [There was no one.] Is there anyone in Carson City or Las Vegas in the neutral position? [There was no one.] We will close the hearing on Senate Bill 38 (1st Reprint) and open the hearing on Senate Bill 409 (1st Reprint), which revises provisions related to gaming and will be presented by Senator Lipparelli.

**Senate Bill 409 (1st Reprint): Revises provisions related to gaming.
(BDR 41-1041)**

Senator Mark Lipparelli, Senate District No. 6:

Senate Bill 409 (1st Reprint) is fairly straightforward. It intends to create the opportunity for credit reporting agencies to extend the deadline for which they have to purge information beyond seven years. I believe there are a couple of individuals who may appear in support of this bill that can give you further information. At the heart of it, gaming licensees have an obligation to do background checks on their employees and the current credit reporting law requires a limitation of seven years. Oftentimes, they will use the services of independent investigators to try to determine whether there is information that goes beyond seven years, so this seeks to give the opportunity for the credit reporting agencies, when requested, to provide that information beyond the seven-year limitation.

Anthony Cabot, representing AmericanChecked:

I represent AmericanChecked, which is a background screening company that provides services to the casino industry. By way of my background, I have practiced gaming law since 1981. In 1985, I wrote the first compliance plan for a Nevada casino. I serve on the compliance committee of a major casino company in Nevada, and I am outside counsel to many others.

As you are quite aware, Nevada is very stringent with regard to who may get a license for owners, operators, and others involved. According to the Nevada Resort Association, the 263 nonrestricted casino licensees in Nevada employ 180,000 employees, and due diligence of some nature has to be conducted on all of these employees. Typically, this is the purview of the compliance departments. The compliance committees of the different casinos often do additional reviews on key employees—those earning typically over \$100,000. So when the casinos are going to do these background investigations, they hire people like my client to obtain employment screening information. These companies are considered consumer reporting agencies under federal law and are subject to the Nevada consumer reporting laws set forth in *Nevada Revised Statutes* (NRS) Chapter 598C. Our laws here are inconsistent with the federal laws. Our laws prevent relevant information from being reported to the compliance departments in making hiring decisions. I will highlight two of those.

Federal law allows reporting of criminal convictions without limitations, so if it happened ten years ago, it can still be reported. Under Nevada law, reporting agencies are prohibited from disclosing criminal convictions that are more than seven years old. Let me give you an example. An applicant for a casino accountant position may have been convicted of embezzlement eight years ago. The reporting agency reported this under federal law, but not under current Nevada state law. The casino company may hire this person, place him in a position of authority, a sensitive position with the company, and not even know that he has been convicted of an embezzlement. This bill fixes that problem.

The second concern involves arrest records. Federal law creates an exception for disclosure of arrest records that did not result in a conviction or civil judgment older than seven years in connection with the prospective employment of an individual whose annual salary is reasonably expected to be more than \$75,000. Under current Nevada law, reporting agencies have a blanket prohibition against disclosing arrest records or civil judgments that are more than seven years old. This amendment would allow disclosure of arrest records and civil judgments older than seven years for highly paid employees.

This brings Nevada law consistent with federal law to allow gaming background investigations to ensure our casinos and the licensees have the information they need to make informed hiring decisions that protect the well-being of the state of Nevada and the gaming industry.

Assemblyman Jones:

Why does Nevada law limit it at seven years, and why would we need to change? What was the policy before to say we want to stop it at seven years as opposed to federal law? I can see why we want to extend it, but why did we originally want to limit it at seven years?

Anthony Cabot:

I do not think there was a strong decision made on a policy basis. I think the bill was drafted, and I do not think it was caught that it was inconsistent at that point with federal law. What has subsequently happened is that as the compliance departments have gone back, they have realized the inconsistency, but more importantly, they have realized that the inconsistency has created situations where they have hired people they probably should not have because they did not have the proper information.

Assemblyman Ohrenschall:

I can certainly see the logic behind not wanting the criminal convictions, but it opens up another question. We are talking anything—misdemeanors, gross misdemeanors, and felonies on the criminal convictions?

Anthony Cabot:

Yes, it would be any criminal convictions.

Assemblyman Ohrenschall:

How does that compare with other gaming jurisdictions? Do they look at anything, not just felonies? I am a little surprised that things like misdemeanors, maybe shoplifting, are something that would need to be reported.

Anthony Cabot:

It does not need to be reported, but it would be something that would be requested and reported by the credit reporting agencies. The licensees would have full access to the complete criminal history of the individual.

Assemblyman Ohrenschall:

The bill references NRS 598C.150, which says that bankruptcies older than ten years will be purged. Will that still be the process if this passes as is? I am concerned because people have had to seek bankruptcy protection with the way the economy has been for the past decade. I worry how it might affect their future employment.

Anthony Cabot:

What this would do regarding arrest records and civil judgments that are more than seven years old for employees who are not highly compensated, it would prohibit the disclosure of those records. Regarding those who are highly compensated, it will allow the reporting agencies to report those.

Assemblyman Ohrenschall:

So there would be no finality for those employees for bankruptcy or civil judgments from 20 or 30 years ago. Are they still going to be reported?

Anthony Cabot:

It would only be for the highly paid employees. We are talking about key employees that, because of the nature of their jobs, are far more sensitive than the front-line employees.

Assemblyman Ohrenschall:

Is this kind of policy similar to other gaming jurisdictions, or would we be going back further than the others do?

Anthony Cabot:

Most other jurisdictions are consistent with federal law, which allows certain disclosures, and we would now be consistent with everyone else.

Joshua L. Hicks, representing Consumer Data Industry Association:

I am here in support of this bill on behalf of the Consumer Data Industry Association, which is a trade group that has been around for about 100 years. It has over 100 members and represents some of the largest credit and background check companies in the country. We are fully supportive of this, in particular, some of the language in section 2, which allows some of these convictions to be looked at by background check companies beyond seven years. It will be helpful for some of our membership, so we are happy to be in support of this bill.

Chairman Hansen:

Are there any questions? [There were none.] Senator Lipparelli, is there anyone else you would like me to call up at this time to testify in favor of the bill?

Senator Lipparelli:

I do not believe there is anyone else to testify.

Chairman Hansen:

Is there anyone else here in Carson City or Las Vegas who would like to testify in favor of S.B. 409 (R1)? [There was no one.] Is there anyone who would like to testify in opposition to S.B. 409 (R1)? [There was no one.] Senator Lipparelli, are there any loose ends you would like to tie up, or can I close the hearing on this one for you?

Senator Lipparelli:

The only loose end I would tie up for the benefit of Assemblyman Jones is that these were added to NRS in 1993, so we are catching up 21 years later. I am surprised it has taken this long to address the issue.

Chairman Hansen:

We will close the hearing on Senate Bill 409 (R1) and open the hearing on Senate Bill 445 (1st Reprint), which revises provisions relating to race books and sports pools.

Senate Bill 445 (1st Reprint): Revises provisions relating to race books and sports pools. (BDR 41-1134)

Quinton Singleton, Vice President, Deputy General Counsel, Assistant Secretary, CG Technology:

We are here today, being one of the preeminent race and sports book providers in Nevada. We are also the proponent of Senate Bill 445 (1st Reprint). This bill is intended to cement Nevada's position as the center of race and sports wagering operations in the United States. We previously delivered a fuller testimony to the Committee, so we will provide a brief overview and open it for questions if you have any. [Quinton Singleton submitted his written testimony ([Exhibit E](#)).]

In short, as we see that the industry needs to expand nationally and internationally, we want to position Nevada as the key home for all these activities. Senate Bill 445 (R1) would codify existing practices in the state and provide the model legal and regulatory framework under the Nevada Gaming Control Act for managing financial exposure and pooling wagers between and among jurisdictions. This is what we define as global risk management in the bill.

This would enable Nevada to continue its leading role in the global gaming industry. We believe it would raise substantial economic growth to the state through increased job opportunities and investment in technology and human capital. Additionally, we think it will be the framework that will encourage our industry here to be the leaders in race and sports books to expand nationally and internationally and compete on a national and international level.

Mark A. Clayton, representing CG Technology:

We have worked with Chairman Burnett and Buffy Brown at the State Gaming Control Board (SGCB) regarding the language, and while the Board is neutral, I want to have it on the record that we have sought their input and their thoughts and comments have been included in the bill before you.

Assemblyman Jones:

When you refer to it as a pool, what specifically are you talking about? In the practical world and how it is operating now, the definition of the risk management and the pools—what are they and how do they fit into the gaming as opposed to what exists now?

Quinton Singleton:

This practice currently exists in Nevada, and I will give you a real-life example with our company, CG Technology. We manage multiple race and sports books from a centralized location. When you look at the back end of the operations, a lot of it is data, digital management technology where we have a central location, and from that location we pool the wagers from the multiple properties into one pool so we can manage the risk among them. When you think about a sports book, for example, you are managing the risk. Think about the upcoming fight this weekend. If everyone is on one side versus the other, we have to manage that risk through changing lines, changing the odds, and in some way try to encourage balance on the other side. In effect, from a technology point of view, we do that from a central location and then we manage it across the location. With this bill, we believe that what we are doing is putting the legal and regulatory framework in place for something that already exists, and working with the Board and the Nevada Gaming Commission, we now have the bones in the statutes for us to build upon out of the regulations.

Assemblyman Ohrenschall:

My question has to do with the business entities placing wagers. I wonder who is going to make sure that a prohibited person is not part of it? I look at some of our limited liability company statutes in *Nevada Revised Statutes* (NRS) Title 7 and sometimes it is hard to figure out who is part of this entity. Will it be the person taking the wager? Who is going to make sure that no one is trying to get around our laws and regulations?

Mark Clayton:

That is technically in Senate Bill 443 (2nd Reprint), but we will be glad to speak to it now or during testimony on S.B. 443 (R2).

Assemblyman Ohrenschall:

I can wait.

Chairman Hansen:

Is there anyone else in Carson City or Las Vegas who would like to testify in favor of S.B. 445 (R1)?

Senator Mark Lipparelli, Senate District No. 6:

I made a similar comment on the Senate side on this bill. One of the things I would like to make sure the Committee understands is that—I do consulting work in my daily life around the country and in some cases internationally—we are seeing a significant trend in a convergence of many industries. I am sure you have read about fantasy sports. You have seen a policy change in some of the sports leagues, vis-à-vis sports wagering. There are a couple of states that have actually begun the process of litigation to expand sports wagering beyond the three or four states that have some form, Nevada being the only one that has full-blown sports wagering. This bill becomes critical in my mind in the long term for the state of Nevada to the extent that global risk is centralized in a place. I think Nevada is likely the best place for that, and this bill would address that policy change should there be a convergence of sports wagering and expansion of sports wagering around the country and the world. I would encourage your support of the bill.

Chairman Hansen:

Is there anyone in Carson City or Las Vegas who would like to testify against S.B. 445 (R1) at this time? [There was no one.] Is there anyone in the neutral position? [There was no one.] We will close the hearing on S.B. 445 (R1) and open the hearing on Senate Bill 443 (2nd Reprint), which revises provisions governing the acceptance of race book and sports pool wagers.

Senate Bill 443 (2nd Reprint): Revises provisions governing the acceptance of race book and sports pool wagers. (BDR 41-1135)

Bruce A. Leslie, Private Citizen, Las Vegas, Nevada:

I am a gaming attorney. I am in front of you today as an interested citizen, and I am not appearing on behalf of any client or organization with which I am affiliated.

I am here today in support of Senate Bill 443 (2nd Reprint), which is an evolutionary step in expanding the forms of business entities that can place legal sports and race wagers in Nevada. Currently, natural persons and partnerships can place sports wagers in Nevada. Over the years, I have been contacted by individuals who want to use other forms of Nevada business entities to place sports wagers.

For S.B. 443 (R2), I, along with CG Technology, its counsel, and other interested persons have worked with the State Gaming Control Board to develop this bill for the Senate's and Assembly's consideration. After the first introduction of the bill in the Senate, we continued to collaborate on the bill and made amendments. The results of such collaboration are before you today.

Section 3, subsection 1 of the bill enables a race or sports book to accept wagers from a Nevada business entity that has an established wagering account. Again, currently natural persons and partnerships can place such wagers, and this section is merely expanding that practice to allow all forms of Nevada business entities to do the same. Similarly, expanding the use of Nevada business entities in this regard tracks Nevada's history in allowing gaming licensees, who originally held licenses only personally, to use the various forms of Nevada business entities, such as limited partnerships, corporations, and limited liability companies (LLC) available in Nevada.

Section 3, subsection 2 provides that the business entity is required to disclose information regarding certain persons associated with the entity, such as the entity's owners, creditors, directors, and officers—or their equivalent—and anyone entitled to share in the profits or revenues of the entity. It also requires the entities' formation documents and filings with the Secretary of State; and any other documentation or information required by the Nevada Gaming Commission, the race book, or sports pool. The effect of these disclosures is expanded transparency by those electing to use Nevada business entities to place such wagers.

Section 3, subsection 3 provides that the business entity has a continuing obligation to provide updates for any changes to the information previously provided. Section 3, subsection 4 requires that the business entity's books and records be maintained in Nevada and be available for review by the State Gaming Control Board and its staff. Also required is that the entity maintain its bank account in this state.

Section 3, subsection 5 makes conforming changes to Chapter 463.350 of *Nevada Revised Statutes* (NRS), to make it clear that a business entity is a patron for purposes of the Nevada Gaming Control Act. I note this also clarifies that the mere act by a designated individual of placing a wager on behalf of a registered business entity is not messenger wagering.

Section 3, subsection 6 reconciles this bill with Senate Bill 40, which addresses illegal bookmakers, and makes it clear that entity wagering is not part of the "accept and facilitate" portion of S.B. 40, and, therefore, it also is not part of the "transmit or deliver" portion. As wagers made by the business entity with licensed race and sports books are legal wagers, it confirms for clarity purposes that wagers pursuant to this bill are outside of the scope of the defined illegal activities of S.B. 40.

Section 3, subsection 7 prohibits a business entity from paying or distributing any profits or compensation or a percentage of revenue to anyone who has not been disclosed, placing wagers with money received from anyone who has not been disclosed, placing wagers on behalf of anyone who has not been disclosed, and submitting false information.

Section 3, subsection 8 provides for the adoption of regulations by the Nevada Gaming Commission. Section 3, subsection 9 provides definitions for "business entity" and "designated individual." Lastly, section 3.5 makes conforming changes to NRS 463.360 to make it clear that a violation of this bill is unlawful. [Bruce Leslie submitted his written testimony ([Exhibit F](#)).]

Quinton Singleton, Vice President, Deputy General Counsel, Assistant Secretary, CG Technology:

We previously submitted written testimony ([Exhibit E](#)). I will provide you with the high level points. In short, we concur with Mr. Leslie's testimony. We feel, being one of the largest race and sports book operators in the state of Nevada, that this bill brings transparency and clarity and expands opportunities for people who have also reached out to us with respect to wanting to use other forms of Nevada's entities, although they can already use the existing one for partnerships. Additionally, if I can reiterate, we are in support of this, because by having people wager on account, we have essentially full transparency from beginning to end of all their activities. We also believe, as in S.B. 445 (R1), that this is about continuing Nevada's lead in the evolution of the race and sports book industry and ensuring that we are at the leading edge in terms of all the national and international expansion that we are seeing.

Mark A. Clayton, representing CG Technology:

In the interest of time, I do not have anything to add.

Chairman Hansen:

Assemblyman Ohrenschall, go ahead and repeat your question from the last bill and see if they can answer it now to your satisfaction.

Assemblyman Ohrenschall:

My question has to do with the business entity definition as I am looking at Title 7 of NRS—the LLCs—and figuring out how much of a percentage someone might have in one of these. Do you think we are going to have enough statutory framework in place to make sure that no prohibited person is part of one of these business entities?

Bruce Leslie:

I believe that the bill anticipates there will be regulatory changes made that will capture the concern you have. Unlike other entities, this requires full disclosure from everyone, so there is no minimal threshold that you somehow escape under the radar screen. This bill also provides that if you are not truthful in the statements you make in disclosing who these interested individuals are, it is unlawful. I would also point out that we tried to be as expansive as we could in capturing who you have to report. In other situations where someone might have an interest in gross or net revenue, they may not be disclosed, but in this case, they are required to be disclosed.

Assemblyman Ohrenschall:

Thank you; that gives me a lot more comfort.

Assemblyman Jones:

Is this allowing hedge funds for gambling? Is that the point behind this?

Bruce Leslie:

Yes. That is a nice analogy. In my experience, I have been approached over the years by people who—for whatever reason—think they have a better mousetrap. Whether it is technical analyses where they take big data and put it into algorithms and grind it and then spit out an answer for guys called quants, or whether it is people who have fundamental techniques, which would be, I think I understand why one team is better than another based upon the personnel. Those are the people who come. The odd thing about it is that partnerships are really not amenable to that sort of relationship. As much as I love these two guys, if I was in partnership with them, that means they could act and do whatever they want to and I would be responsible for it. When you are reaching out and trying to capture a bigger group of people who do not know each other, it is even more problematic because no one wants to assume that liability. If you have LLCs, then it is a better mechanism for gathering up a larger investment.

Assemblyman Jones:

I noticed that the vote was 11 to 10. I assume it was party line. Why the opposition in the Senate?

Mark Clayton:

We spoke to Senator Segerblom after the hearing, and he indicated that he would be available to respond to that question, but I believe it had nothing to do with the substance of the bill as we understand it.

Assemblyman Elliot T. Anderson:

Some of the concerns during the 77th Legislative Session revolved around the Federal Wire Act and around potential issues of money laundering and how we could ensure that this would not be used as a vehicle. As I understand the provisions of this bill, an account at a bank is required in this state. Do I understand that correctly? All the transactions would have to be intrastate, because even under the U.S. Department of Justice's new interpretation of the Federal Wire Act, it still applies to sports vending. To build intent for the record, everything inside of the provision, this act would have to be intrastate.

Would you also tell me what protections we have pursuant to the concerns from the 77th Legislative Session to ensure that we are not serving as a vehicle for any bad actors?

Mark Clayton:

There have been several provisions added to address the Federal Wire Act. It is entirely intrastate transactions, so all wagering has to occur in Nevada; otherwise, it would implicate the Federal Wire Act. At the suggestion of the State Gaming Control Board, we added a section that requires all wagers be placed in compliance with the applicable state and federal laws, so it is a belt-and-suspender approach to make sure that if there is a violation of the Federal Wire Act, it would also be a violation of this provision.

As far as the balance of the question, I believe other concerns around the transparency have been increased as well as now applying for criminal felony penalties for failure to disclose all the applicable people should provide enough teeth, both at a state and/or federal level if there is a violation. Chairman Burnett is here and he may have a view on this, and I would defer to him. That is how we believe we strengthen this bill to address the concerns from the last session.

Assemblyman Elliot T. Anderson:

Mr. Burnett, when you come up, I would like to hear from you on that as well.

Bruce Leslie:

I think the other component is that this is going on now with individuals and groups of individuals in the form of a partnership, but there is no transparency to those transactions. This bill calls it out and says that if you want to play, you have to be transparent and we have to know who everyone is.

Assemblyman Trowbridge:

I think the Gaming Control Board is well equipped to deal with the larger entities that will get involved in this. This also seems to open the door for taking the office pools to another level. Is the Board prepared to deal with the office pools that want to go big time to get a little better return on their individual investments and maybe get some professional counseling on the issue? You may be opening the door to something you do not want.

Quinton Singleton:

To provide some clarity, I do not believe this was intended to capture your ordinary office pool. The Federal Wire Act does not capture your at-home poker game. With respect to the second part of the question, can we put together a group of people in terms of investing and then use that as a vehicle? I think that is the idea. For example, if they did not want to do their common office pool but instead do the intrastate activity within Nevada, I think this is what makes that possible.

Chairman Hansen:

Are there any further questions? [There were none.] Is there anyone who would like to testify in favor of S.B. 443 (R2) in Carson City or Las Vegas? [There was no one.] Is there anyone opposed to S.B. 443 (R2)? [There was no one.] Is there anyone here in the neutral position? [There was no one.]

A.G. Burnett, Chairman, State Gaming Control Board:

I am happy to answer any questions you or the Committee may have.

Assemblyman Elliot T. Anderson:

Reviewing legislative history from the 77th Legislative Session, the State Gaming Control Board had a lot of concerns. I want to ensure you feel comfortable with the regulatory framework, specifically the Federal Wire Act money laundering issues. We certainly do not want to let bad actors hide in the shadows, so I want to know that you can ensure that we can protect the reputation of our state with these provisions. It is an interesting idea to increase the handle for our books.

A.G. Burnett:

Thank you for that analysis because we fully agree with what you just mentioned. We need to ensure the integrity of gaming in the state of Nevada. Previously, the Board was not comfortable with the intended legislation in 2013, and that was for many reasons. None of them are really relevant today. The bill in its present form is vastly different from what we saw two years ago. In addition to that, the representatives that testified before me began the process of speaking with the State Gaming Control Board well in advance of the legislative session beginning. What you see is the product of many negotiations.

We are in a neutral position in regards to this and because of the reasons you mentioned, we feel that if needed, the enabling language in this statutory piece can give the Commission the power to go forward with any additional regulatory requirements that are not contained in the statute. The concerns of money laundering and Wire Act violations are always present. They are present in day-to-day gaming operations here in the state regardless of this bill or not. Our gaming licensees have expended a lot of time, money, energy, and effort into compliance with all those, and they have been doing an admirable job. I think that the first thing to remember is that Nevada licensees and Nevada sports books would not be required to go forward with taking entity wagers. This is not a cram-down. This is something that is an option to the books, and some of them have shown some interest. When they do take bets from entities, however, they will be required to comply with these statutory provisions as you suggested.

These provisions, especially what you see in section 3, subsection 2, paragraphs (a) through (d), are essential to them accepting those types of wagers. They have to know who the equity owners are in the business entity. The business entity has to provide them with all of the filings that they have given to the Secretary of State, and further, I believe there is a section that requires the business entity to update it. That enhances what we call "know your customer" protocols (KYC) in Las Vegas and Reno.

Lastly, the entity has to maintain a bank account in the state of Nevada, and it is my understanding that all monies coming in and out of that entity have to go to that bank account in Nevada, which also helps alleviate chances of improper activities such as money laundering.

Assemblyman Ohrenschall:

There has been a lot of media attention in Las Vegas the last year or two about individuals who are extended credit through markers to gamble and end up not paying them and then are criminally prosecuted. How do you envision this

working? Do you think a business entity would be extended credit? If so, and they do not pay or they go belly up, would that be dischargeable? Would there be a possibility of criminal prosecution, or would the remedies to the licensee be solely civil?

A.G. Burnett:

I would have to ask the industry representatives to come back to answer that because I am not sure whether or to what extent they offer credit to sports-betting customers. Traditionally, gaming patrons who are playing slots, blackjack, and things of that nature on the gaming floor are the ones extended credit. You are correct; those credit instruments are negotiable instruments. If I can go back to my law school days—I want to say that under Article 3 of the Uniform Commercial Code—they are treated as such. Failure to pay a negotiable instrument, such as credit instrument, constitutes an offense that the Clark County District Attorney can go after you for. Mr. Singleton is more expert than I as to whether sports betting companies accept credit.

Chairman Hansen:

Are there any further questions for Mr. Burnett at this time? [There were none.]

Quinton Singleton:

Currently, from our operating point of view, we do not extend credit to our patrons. Everything is on account, except for some minor over-the-counter transactions, but the majority of our business is on account, and patrons deposit funds in advance. To the extent that we decide to change our policy to extend credit—I believe Chairman Burnett was quite accurate in saying that what we have is a contractual obligation or negotiable instrument and, in that case, you proceed after that.

Assemblyman Ohrenschall:

Do you know if that is common among other licensees to not extend credit currently in terms of wagering?

Quinton Singleton:

I do not know. I could not say off the top of my head whether other licensees extend credit or not.

Assemblyman Ohrenschall:

If you were able to extend credit to these business entities and they went belly up or sought bankruptcy protection, are you optimistic you would be able to recover? How do you think that is going to leave your client?

Quinton Singleton:

I think that is a very fair question. What you are talking about is commercial risk, and I believe that through the contractual negotiations with an entity to the extent we are going to extend credit, you have a little bit of a different animal versus extending credit to an individual. I think we have the same commercial ability to go after an entity that fails to pay on a debt.

Assemblyman Elliot T. Anderson:

When I was thinking back to the 77th Legislative Session, I remember seeing some testimony about how the State Gaming Control Board is really used to vetting business associations when they apply for a license. Could there be a process—because this is new—that when these business entities start to get into this, they could go through some sort of, maybe not a full gaming license investigation, but some sort of suitability check just to give us some comfort as we dip our toes in this arena? Is there some sort of process I am missing?

Quinton Singleton:

It is a fair point. We have looked at this from a couple points of view, and we have thoroughly gone over this bill and the language over the past six to eight months. If you look at the way the bill is drafted currently, we have made an entity and all the associated parties properly disclose exactly who they are. Although if you look under Title 7 of the NRS for normal business entities, you do not have to give this full disclosure. So on the first step we have full disclosure for the entities, the equity owners, the creditors, and down the full line. When you look at where that disclosure is pointing, it is pointing at the licensee. As a licensee, we have an obligation in certain respects to do a certain level of KYC due diligence. That KYC due diligence, of course, is a risk-based assessment, which varies depending upon the person.

For example, a customer who places a \$10 wager will have less due diligence than someone who is a regular \$10 million-a-year customer. Likewise, when we look at this business entity model and expanding from current partnerships to new forms of entities, we are looking at this opportunity from a licensee's perspective, saying it is our obligation to do our KYC due diligence and the bill and the language along with the Commission and the Board crafting regulations gives us that framework. As a licensee, we can step in and say you have to tell me 100 percent who you are. That gives us the KYC due diligence background power that we need.

Assemblyman Nelson:

I would like to follow up on something you said about credit. You are not extending credit right now but, obviously, if you were going to extend credit to an LLC, that would be worthless without a personal guarantee, correct?

For example, if a bank extends credit to an LLC without a personal guarantee, the LLC basically can either get rid of all the money or the best you could get would be a charge in order, correct?

Bruce Leslie:

I would have to agree with Assemblyman Nelson's view of the law. Yes, it is certainly more complex to extend credit to an LLC because of limited liability. From my experience with my clients, none of them applied for credit. It is cash up front to place these wagers, and I would anticipate that it would be the same thing.

A.G. Burnett:

We do not generally regulate the patrons. In this particular case, your question was directed towards whether we would regulate them. The answer is, yes, we could, but it would require a huge piece of statutory framework and regulatory framework to do it. That is what the original bill seemed to say two years ago. What got us comfortable is that we switched it back. It is not good news for the operators to hear this, but it places the burden on the operators at the end of the day.

Chairman Hansen:

Are there any questions? [There were none.] We will close the hearing on S.B. 443 (R2) and open it up for public comment. Is there anyone in Carson City or Las Vegas who would like to address the Committee at this time? [There was no one.] We will close public comment. Is there any Committee business that we need to have addressed at this time? [There was none.] This meeting is adjourned [at 9:27 a.m.].

RESPECTFULLY SUBMITTED:

Linda Whimple
Committee Secretary

APPROVED BY:

Assemblyman Ira Hansen, Chairman

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Judiciary

Date: April 27, 2015

Time of Meeting: 8 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
S.B. 9 (R1)	C	Samuel P. McMullen, representing Association of Gaming Equipment Manufacturers	Testimony
S.B. 9 (R1)	D	Samuel P. McMullen	PowerPoint Presentation
S.B. 445 (R1)	E	Quinton Singleton, CG Technology	Testimony
S.B. 443 (R2)	F	Bruce A. Leslie, Private Citizen, Las Vegas, Nevada	Testimony