

MEMBERS PRESENT: Senator Close
Senator Keith Ashworth
Senator Don Ashworth
Senator Ford
Senator Hernstadt
Senator Raggio
Senator Wagner
Mr. Stewart
Mr. Sader
Mr. Thompson
Ms. Foley
Mr. Beyer
Mr. Malone
Mrs. Cafferata
Ms. Ham
Mr. Banner

MEMBERS ABSENT: Mr. Price (Excused)
Mr. Chaney (Excused)

GUESTS PRESENT: See EXHIBIT A.

Senator Close called the meeting to order at 8:12 a.m. He noted that the first item on the agenda was SB 413.

SB 413: Makes various changes in provisions regarding supervision of certain gaming establishments.

Testimony on this bill had also been heard on April 8, 1981, and since there were no witnesses present to testify on this bill at this meeting, Senator Close went on to the next item on the agenda.

SB 414: Limits requirements for termination of employment of persons denied gaming license.

Ms. Patty Becker, Deputy Attorney General for the Gaming Control Board (GCB), testified first on this bill. She explained that this bill does two things: 1) it changes the statute to conform with the Nevada Supreme Court decision that was rendered in the Rosenthal case and 2) it deletes the language on lines 16 and 17 of the first page and line 19 of the second page that refers to a license denied because of a lack of good character, honesty or integrity. She said the GCB wishes the latter section amended because they feel if a person has been found unsuitable to have a license, that person should not be able to go back to work in that capacity for any reason; it doesn't matter why the person was denied a license, he was found unsuitable.

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Next Ms. Becker explained the genesis of SB 414: The Nevada Supreme Court ruled twice on the Rosenthal case, once in 1977 and again in 1980. The Legislature, in 1977, passed this statute concerning gaming after the Supreme Court issued the first Rosenthal decision. Then, in December 1980, in their determination of the second Rosenthal case, the Nevada Supreme Court held that this new statute stated there was automatic termination of the work permit if a person was found unsuitable as a key employee; i.e., that person could not go back to work in any capacity whatsoever in that gaming establishment. The Court found this portion of the statute to be constitutionally infirm. Thus, SB 414 modifies the original law by stating the person cannot go back to work only in the capacity for which the Commission determined the person to be exercising a significant influence over the operation of the gaming establishment and found unsuitable.

In reply to Mr. Stewart, Ms. Becker said that the first section of this bill concerns licensed corporations or limited partnerships; the second section applies to employees of corporate licensees. It is this latter section which is being modified to no longer automatically terminate the work permit of a person who has been found unsuitable as a key employee, allowing that person to go back to work in a non-key employee capacity.

Ms. Becker told the Committee members that there is a listing of types of people the GCB has deemed to have a significant influence over gaming. The gaming establishments automatically notify the Board of the names of these people holding what they believe to be key employee positions. The Board then keeps a listing of these names and investigates these people, starting at the top and working down the list. Thus, key employees go through the normal investigative function of the Board. They then come up before the Board to be licensed just as an equity holder would, only they are licensed as key employees. These key employees continue to work pending the completion of the GCB investigation and suitability hearing. She added that this differs somewhat from an equity case, since the person is not allowed to acquire the equity interest until after he has been approved and licensed.

In reply to Ms. Ham it was stated that the deletion of the language "because of a lack of good character, honesty or integrity" is at the discretion of the Committee members; it is the changes in the other sections of the bill which cause it to conform to the Supreme Court decision.

Ms. Becker explained to Senator Wagner that the bill becomes effective upon passage and approval because the current statute under which the GCB is working has been found to be constitutionally infirm; thus it would appear that correction of this problem as soon as possible would be the best approach.

Mr. David Russell, of the Gaming Industry Association, testified that the industry has no objection to SB 414, and feels it is mainly in conformity with the Rosenthal decision.

As there was no further testimony on this bill, Senator Close moved on to SB 418.

SB 418: Authorizes state gaming control board to charge for cost of certain investigations outside state after licensing or registration.

Mr. Richard Bunker of the GCB noted his office had presented all of its testimony on this bill during the April 9th hearing. As there was no one else to testify on this bill, Senator Close announced the Committees would hear testimony on SB 527.

SB 527: Makes various changes to the laws regulating gaming.

Ms. Patty Becker also testified for the GCB on this bill. She said it would probably be best to go through the bill section by section, noting that many portions of the bill are not new but had been taken from other sections of the Gaming Control Act. She then proceeded to hand out copies of EXHIBIT B, which contains some additional amendments being recommended by the GCB.

Section 2: Definition of an "Affiliated Company". The GCB proposes an amendment to this section (see EXHIBIT B). The amendment is the original language that was given to the gaming industry and is the definition that is in the present regulation. This section really has to be taken in conjunction with Section 18, which allows the Commission to promulgate certain regulations concerning the issuance of securities.

Section 3: The work permit statute. The only new language in this section is contained in subsections 6 and 7. This section lists the types of employees who must have work permits in the gaming establishments.

Ms. Becker explained that the largest slot modification and repair shop in Las Vegas is currently operated by a convicted slot cheater; this is one reason for the addition of subsection 6.

In reply to a question Ms. Becker explained that the term "employees of manufacturers or distributors" does not include secretaries, etc. but only those individuals directly involved in handling the machines. She added that owners already have to be licensed as a manufacturer or distributor, hence the reference to employees only in this subsection. She further noted that another section of this bill deals with the owners of gaming equipment repair shops.

Ms. Becker said the intent of this bill is not to prevent someone who has been convicted of, for example, cheating and paid his debt to society from working; it is simply intended to

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give the GCB the authority to call this person forward should the need arise, thus also putting the individual on notice that the GCB can call him forward if there are any problems.

Sections 4 and 5: These consist of new language, and simply codify the commonly used definitions of a nonrestricted operation and a restricted operation.

Sections 6 and 7: There is no new language in these sections.

Section 8: There are technical changes in the language of lines 37-39, but no change in substance.

Section 9: This section simply codifies other statutes, except for subsections 3 and 4 which are new language. She noted that lines 8-18 on page 4 consist of that language which the GCB has after any section wherein the Board has the ability to call someone forward; it is standard language from the Gaming Control Act.

Section 10: This is a technical change removing the term "business", since the term "person" is all-inclusive under Nevada's statutory definitions.

Section 11: This is new language. Currently both the Clark and Washoe County Airport Authorities receive a percentage of the profits of the gaming machines that are in the airports. This is not permitted under the present law, and the GCB has simply been overlooking this up to now. This section allows the GCB to grant an exemption to those governing bodies so that they do not have to be licensed in order to receive a percentage of the profits.

Section 12: This is also new language, and the Board is recommending further changes in this section (see EXHIBIT B). It was explained that this is the result of an occurrence wherein the new owners of an establishment were making payments to the previous owners on a time schedule. There were several claims upon this money from creditors of the previous owners, and the courts decided the priority of these liens; the GCB did not fare very well in this case. This section perfects the lien attachment statute.

Ms. Becker said she wished to note that, as drafted, it appears the GCB could file a lien on every audit deficiency determination; this is not the intent of the bill nor of the Commission. The intent is, should an establishment be going out of business or be experiencing financial troubles, then the GCB would file a lien. The GCB would not file a lien against an ongoing establishment that has a good payment record that is not in any kind of financial difficulties.

Section 13: This is new language. This section is closely tied into Section 28, which would result in employers and/or licensees

being required to make certain information regarding their employees available to the Board upon request. Section 13 provides protection for the employer and/or licensee from a lawsuit brought by the employee against them for revealing this information.

At this point Senator Close and Mr. Stewart raised the problem of the GCB not sharing information with the counties, pointing out that the counties are also involved in licensing and issuing work permits. They felt some provision for giving this information to county and/or other jurisdictional authorities should be included here, and they asked Ms. Becker to submit a possible amendment to this effect.

Ms. Becker said she wished to note that for the protection of the employee, the more restricted the information the better.

Section 14: This allows for the emergency revocation of a work permit, and contains all new language. It tracks closely, however, with emergency orders the GCB can issue on licensing establishments, only the time deadlines are much shorter. This is because as soon as the work permit revocation order is filed that person can no longer work within the gaming industry. It is for this reason that the Commission must schedule a hearing within 5 days.

Mr. Bunker added here that this section is necessary in order to give the GCB the flexibility to get rid of an employee immediately until a formal hearing can be held in the event some problem involving the employee comes to light. Under the current law these employees can continue to work throughout the entire complaint proceeding.

Senator Close asked why this bill did not give these same powers to the county as to the state. Mr. Bunker said it was because his office was looking at this problem from the state viewpoint, not that of the county, and if the Legislators wished to include the counties in this section that was their prerogative.

Regarding the portion dealing with the Commission "finding" the suspension of the work permit to be necessary, it was explained that this would mean any factual information coming to the attention of the Commission which would cause the Commission to issue the order. Ms. Becker suggested possibly incorporating the language currently permitting the revocation of the license of a gaming establishment into this section, thus clarifying that first the Commission must have reason to believe that certain things exist, and second the emergency order must set forth the grounds upon which it was issued.

Regarding the time limit for the hearing, it was agreed that this section of the bill should be amended to make a continuance of the hearing mandatory if requested by the employee, thus allowing for more time to prepare a defense, etc. Ms. Becker

agreed to draw up such an amendment.

Senator Close then expressed the concern that the reasons for issuing an emergency order for revocation of a work permit are so broad that this procedure could become the norm, rather than the exception. Ms. Becker replied that she felt the language on page 6, lines 25-27 which states that the suspension must be "necessary for the immediate preservation of the public peace, health, safety, morals, good order or general welfare" sufficiently guarded against this possibility. It was also noted that this is the typical language used in closing down a liquor establishment, etc.

Mr. Sader also pointed out that regarding the filing of the notice of defense within 3 days, if this notice were mailed in it could arrive after the hearing had been held. He stated that it should be clarified in the bill that the filing must take place at the Commission office within 3 days. Senator Close suggested changing this section to state the employee has 30 days to file a notice of defense, and that the hearing must be scheduled within 5 days of receipt of that notice, thus allowing the employee time to prepare his defense at his own convenience, yet guaranteeing him a timely hearing.

Section 15: This is new language, and the GCB has a proposed amendment to this section also (see EXHIBIT B). As currently drafted this section makes it a crime for a licensee to have a gaming device of a specific model or with a significant modification that has not been approved by the GCB; this was not the Board's intent and they do not believe this should be a criminal act.

Section 16: This is the manner in which gaming is being conducted in the state at this time, and prevents problems concerning what exchange rate to use when computing gross revenues vis-a-vis foreign currencies taken in by the casinos during their normal course of business.

Section 17: This section is both a codification and expansion of current regulations on this topic. Basically it states what the Board has always held; i.e., promotional devices such as airplanes, cars, etc. that are given away when a person wins a wager are not deductible from gross revenue, because they are promotional devices.

Section 18: This is the section which should be viewed in conjunction with Section 2, which defines "affiliated company". Section 18 defines the sale of an affiliated company and allows the Commission to adopt regulations governing the sale, or offering for sale of securities of certain affiliated companies; the affiliated company would have to be with gaming in the state of Nevada.

Section 19: This is new language which is self-explanatory. It was pointed out that as written, this section could result in the GCB being inundated with information concerning minor violations. Mr. Bunker stated that was not the intent of this section and that the GCB was only interested in matters of significance or importance. It was suggested this be added to the bill. It was also suggested that district attorneys be added, since it is possible they would take over an investigation.

Section 20: This is just a technical change.

Section 21: The words "electromechanical or electronic" are added to the definition of a game or gambling game.

Section 22: This limits the definition of gaming device so that people manufacturing, for example the screws that go into the slot machines, do not have to obtain a manufacturer's or distributor's license.

Section 23: This section concerns the classification system of the Board and distinguishes the Divisions within the GCB. Mr. Bunker said that it is very difficult for administrators to manage an agency which is mandated with certain organizational characteristics; by repealing NRS 463.075 the GCB will have the flexibility to set up whatever type of divisions are required in order to accomplish its task. The other changes in this section are simply technical ones.

Section 24: Under this section the Board of Examiners would still have to approve this outside contract, and if the money was not allocated in the budget it would also require the approval of Interim Finance as well as the Board of Examiners.

Section 25: There are no real substantive changes to this section. Senator Close felt subsection 4 (c) should be amended to indicate that the GCB is not required to furnish this information, that it is up to the discretion of the GCB whether or not to reveal it. Mr. Stewart also felt that local law enforcement agencies should be included in this subsection.

Section 26: Subsection 1 consists of technical changes, and Subsection 2 has been moved to Section 8. One change is in the new subsection 2(e), which is necessary because in one instance a gaming establishment which was going out of business refused to allow the GCB to look at their records in order to perform an audit. Senator Close suggested a time frame for keeping such records be added to the bill, and it was felt that perhaps one year would be sufficient, unless an audit deficiency determination were issued, in which case it should be until the judicial outcome of that determination. Regarding subsection 3, Ms. Becker explained this was included in hopes of clarifying the GCB's situation with the FBI; i.e., the GCB is a law enforcement agency. Ms. Becker said addition of the

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word "prosecution" apparently puts the Nevada GCB in the same category as the New Jersey Board, and would thus satisfy the FBI's requirements. She suggested, however, that adding the actual term "law enforcement agency" somewhere in the bill would further strengthen the GCB's case with the FBI. She offered to draft such an amendment and provide it to the Committees.

It was also brought to the Committees' attention that once an establishment goes out of business the license is revoked or suspended and it might be advisable to note that although the license has been surrendered the GCB still has jurisdiction over that individual for the purpose of obtaining the necessary information.

Subsection 4 is new language and is self-explanatory. There was much discussion as to whether or not these people should be allowed to carry weapons. It was noted that enforcement officers already have police powers for specific purposes, and this simply extends it to cover these additional situations. Regarding the term "employees", it was noted that this was not meant to include the secretaries; the only people vested with this police power are the unclassified employees of the agency.

Section 27: This simply substitutes the word "Board" for the word "Commission", and relates to Section 46. Ms. Becker explained that at present the Board issues audit deficiency determinations and when these determinations are appealed they go before the Commission. For some reason the statute has incorrectly listed the Commission as issuing the first determination, and this is simply a correction of that mistake.

Section 28: Subsection 2 (c) is new language which allows the Commission to promulgate regulations describing the information to be furnished by a licensee relating to his employees. This refers back to Section 13.

Section 29: Subsections 2-4 have been moved to Section 9 of this bill, as have subsections 6-7. There are no substantive changes in this section.

Section 30: There are only technical changes in this section.

Section 31: There is a substantive change in this section; in addition the GCB proposes a further amendment. The GCB is currently unable to make its order within 90 days of application, thus the extension to 9 months. The Board also realizes that there are certain licensed positions in which it would be possible for the individual to work while undergoing the licensing process, thus the change to the word "pending". This also eases any burden which might be caused by extending the time period from 90 days to 9 months. In actuality this would give the GCB 9 months to make its order on an equity case, but would remove the time limit for those who can work pending the investigation. 1478

Following a discussion of what would happen if the Board did not meet the 9 month time limit, it was suggested that this section should be further amended to indicate that the Board shall make its best effort to meet the deadline, but is not mandated to do so.

Section 32: This change is to clarify that in those situations where not all members of the Board are present or eligible to vote, and there results a tie vote, this tie is not considered to be a recommendation of denial, and thus does not require a unanimous vote of the Commission in order to grant a license.

Section 33: These are technical changes which clarify the Board's interpretation of the current law and which increase the penalty fee in order to cover the cost of the paperwork involved in this process.

Section 34: This section has simply been moved to Section 3. Senator Ford pointed out that in moving this section, a portion of subsection 1 (c) was inadvertently omitted from the new section. There have also been a few technical changes made in this portion.

Section 35: The new language in this section allows the Commission to revoke a license for violations against this chapter, as well as those covering supervisorships, paramutual wagering and gaming crimes. Subsection 2 (j) is self-explanatory.

Section 36: Regarding the new language contained in subsection 5 (d), the example cited was that of a shopkeeper losing business because the establishment is under a supervisorship, who might possibly petition the District Court to enjoin the GCB from appointment of that supervisorship. This does not allow that type of action.

Section 37: This section will allow people under the age of 21 years to be used as gaming employees in a counting room. Although this has been done in the past, and the GCB has never taken action on it, it is currently a crime.

Section 38: These are technical changes.

Section 39: Subsection 6 simply states that no fee or tax that is paid to the GCB is pro-rated, for example when an establishment goes out of business. In the ensuing discussion of this section it was explained that if an establishment opens up in the middle of the fiscal year, the tax is pro-rated. This section is mainly to prevent those fees already collected from having to be refunded. It was also pointed out that when an establishment goes out of business the revenue collected after that time is not taxed; this is because the fees are paid in advance.

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Section 41: Since the term "nonrestricted operation" has been defined in Section 4, these changes simply replace the current description with that term.

Section 42: The annual fees for card games. The GCB has an additional amendment which the Board feels appropriate because they could not determine why an annual fee should be paid on some games but not on others. If there is to be a fee for games it should apply to all games. Subsection 5 is not needed if subsection 4 is left in; otherwise, slot machines should be exempted from this section because they have a different taxing structure. Subsection 7 is simply a rewording of the deleted subsection 6, and concerns license fees rather than taxes. During the ensuing discussion it was clarified that the only tax which is pro-rated when an establishment opens up in the middle of the year is the tax on slot machines; the tax on games is not pro-rated. The only time the annual fee on games is allowed to be assumed or credited to the new applicant is if the entity contains 80% of the former ownership. Otherwise, no matter when during the year they start, they have to make a new application and pay the total annual fee.

Section 44: This expands the areas where the GCB will allow the fee to be pro-rated. Previously this applied only to corporate structures. It now applies to any new entity which consists of 80% of the former entity. This also permits the transfer of fees rather than their being pro-rated.

Section 45: This section raises the interest rate from 7% to 12%.

Section 46: This is the petition for redetermination statute, and again these changes simply involve substitution of the term "Board" for "Commission" in order to conform to actual practice.

Section 48: The Board felt that 1 year was an unreasonable period of time for filing a petition, thus this was cut to 60 days in subsection 4.

Section 49: This section is basically a re-write except for the inclusion of a penalty for the willfull failure to report or pay NRS 463.385, which is the slot tax.

Section 50: Again, this section increases the rate of interest from 7% to 12 % and increases the penalty from \$25 to \$50.

Section 51: This is an attempt to cover those situations where the licensee, who is required to pay an entertainment tax, does not actually operate the cabaret and does not have a contractual relationship with the cabaret. In the past neither the GCB nor the licensee had access to the cabaret's records for auditing purposes in these instances, thus verification that the proper tax amount had been paid was very difficult. This permits the licensee access to these records.

(Committee Minutes)

Sections 53 and 54: These are technical changes.

Section 55: Again the words "because of a lack of good character, honesty or integrity" are deleted.

Section 56: This refers to a "gaming device" now, since that has been defined in the statute, and it states that all licenses--federal, state, county and municipal--have to be maintained.

Regarding subsection 3, in the past it has been GCB policy to allow an operator going out of business to have a one-time, bulk sale for gaming devices, although this is not allowed by statute unless the individual obtains a distributor's license. This subsection would eliminate the need for such a license in these specific cases.

There followed a discussion as to why this had to be a one-time, bulk sale rather than allowing the owner to sell part of his equipment to one person and part to another. One reason cited was that it would be more difficult to keep track of the equipment if it was sold off in bits and pieces. It was suggested that a single bulk sale was too restrictive, and that it might be better to allow the GCB some discretionary leeway in this statute by amending the section to state, in effect, that it must be a sale or auction acceptable to or determined by the Board.

Subsections 5-6 simply mean that corporate licensees must comply with corporate provisions of the Gaming Control Act unless exempted by the Commission.

Section 57: Subsection 3 simply clarifies powers which the Board already has.

Section 59: This deletes the portion stating an alien cannot be issued a gaming license. In addition, the change regarding paramutual betting and wagering was missed in this portion last session, although it was deleted throughout the entire Gaming Control Act.

Section 60: Subsection 2 simply codifies what is current practice. Subsection 5 simply adds a penalty provision if the tax is not paid on time, and this is the same penalty that is in the Gaming Control Act.

Sections 61 through 63: These are technical amendments.

Section 64: This states that certain records that have been sealed by court order will be opened for the GCB. There followed a discussion of whether or not it was appropriate for the GCB to have an exemption in this matter, since the records are supposedly expunged for all purposes.

Section 67: This allows agents of the GCB to get undercover drivers' licenses, but notes that an application for such must be approved by the GCB.

Section 68: This section repeals three statutes: NRS 463.075, which mandates the divisions within the GCB; NRS 463.333, which are the current lien provisions; and NRS 463.470, which requires the Commission to set the rates for wire service disseminators, and which the Commission has requested be repealed because they do not feel they should be in the rate-setting business.

As this was the end of Ms. Becker's testimony, Senator Close announced he would stop the morning meeting at this point, and that there would be further hearings on these bills on Thursday, 16 April at 8:00 a.m. He adjourned the meeting at 11:00 a.m.

Respectfully submitted,

Pamela B. Sleeper

Pamela B. Sleeper
Assembly Attache

NOTE: Attached as EXHIBITS C and D is additional information on SB 527 which was submitted by the Gaming Control Board after the meeting.

JOINT
SENATE AND ASSEMBLY
JUDICIARY COMMITTEES
GUEST LIST

DATE: Wednesday, 15 April 1981

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO.
John H. Shattuck	Gaming Control Bd.			
Carl F. Dodge	Gaming Commission			
JERRY HIGGINS	Gaming Industry Assoc.			
KENT CLIFFORD	LVMPD	✓		S.B. 271
BARRIE BRUNET	MGM GRAND HOTEL-RENO			
HARVEY WHITTEMORE	LIONEL SAWYER & COLLINS			
FRANK SHATTUCK	HILTON HOTELS			
JOE KAHN	Gaming Control Bd.			
Harlan Elger	" "			
Patty Becker	DAG - gaming			
Dale Askew	Gaming Control Board			
Richard W. Dunken	GCB			
Wynne Carter	GCB			
David Russell	Gaming Industry Association			

EXHIBIT A

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JOINT
SENATE AND ASSEMBLY
JUDICIARY COMMITTEES
GUEST LIST

DATE: Wednesday, 15 April 1981

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO.
ROBERT PAISS	NEVADA RESORT ASS'N			
Will Deane	Receipts, Intentional, Politician			
PAT CRUZ	CAESARS PALACE			
JACK CAMPBELL	MGM GRAND HOTELS			
STEVEN MICHEL	HILTON HOTELS CORP			
DAVID SMITH	HARVEY'S WAGON WHEEL			
JOBBINS (PHILLIP)	NEVADA RESORT ASS'N			
William N. CAMPBELL	a a a			
Perry W. Hayden	city of Reno			

h888

Amendment No. 9
Date: 4/13/81

GCB AMENDMENTS TO S.B. 527

Section 2, page 1, lines 6-7: Amend as follows: "Controls, is controlled by or [engages in] is under common control with [another business organization;] a corporate licensee; and"

Section 12, page 5, lines 30-39: After the word "made" on line 30, all language through line 35 should be deleted. A new period should be added after "made" on line 30. Subsection 3 beginning on line 36 should be amended as follows:

"[3.] 2. The filing of a petition for redetermination which complies with the provisions of NRS 463.3883, or the filing of a petition for judicial review does not affect the lien or stay any action for the enforcement of the lien. If the amount due is modified upon redetermination or judicial review, the commission shall record a notice of the modification of the amount of the lien.

Section 15, page 6, line 43: Amend as follows: "[It is unlawful for any person to] No person shall operate or maintain in"

Section 31, page 15, line 22: Replace "without" with "pending" as follows: "... held [without] pending licensure or approval by the commission not longer than"

Section 42, page 26, lines 3-7: Subsection 4 on lines 3-7 should be deleted.

Section 42, page 26, lines 8 and 9: Add "463.373 or" as follows:
"Slot machines for which a fee is paid pursuant to NRS 463.373
or 463.375 are exempt from the fees prescribed in this section."

Section 43, page 27, lines 17-18: Add "463.373 or" as follows:
"Slot machines for which a fee is paid pursuant to NRS 463.373
or 463.375 are exempt from the fees prescribed in this section."

ROBERT LIST
GOVERNOR
RICHARD W. BUNKER
CHAIRMAN
JOHN H. STRATTON
MEMBER
DALE W. ASKEW
MEMBER
IRENE F. MORROS
EXECUTIVE SECRETARY

STATE OF NEVADA
GAMING CONTROL BOARD
1150 EAST WILLIAM STREET
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LAS VEGAS OFFICE:
4220 SOUTH MARYLAND PARKWAY
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RENO OFFICE:
1755 E. PLUMB LANE
RENO, NEVADA 89502
AUDIT: SUITE 110
ENFORCEMENT: SUITE 120

April 20, 1981

REPLY TO: _____

PHONE NO. _____

Senator Melvin D. Close
Chairman, Senate Judiciary Committee
Nevada State Legislature
Carson City, Nevada 89710

Assemblyman Jan Stewart
Chairman, Assembly Judiciary Committee
Nevada State Legislature
Carson City, Nevada 89710

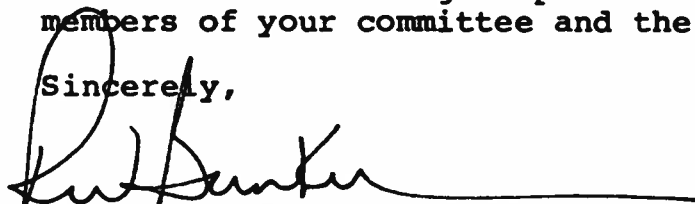
Gentlemen:

Attached please find:

1. Further Board amendments to S.B. 527 (GCB Amendment No. 10). These amendments are in addition to GCB Amendment No. 9 and were drafted as a result of testimony heard on this bill on April 15 and 16;
2. Memo dated April 14, 1981 from Deputy Chief James J. Noel;
3. Clarification of the Court's Order in the Desert Inn case.

I have attached enough copies of each document for the members of your committee and the record.

Sincerely,



RICHARD BUNKER
CHAIRMAN

RB/LC/jm
Attachments

JOINT SENATE AND ASSEMBLY JUDICIARY COMMITTEES
Wednesday, 15 April 1981



GCB FURTHER AMENDMENTS TO S.B. 527

As a result of the Joint Judiciary hearings on April 15 and 16, 1981, the following additional amendments are proposed to S.B. 527:

Section 7, page 2, line 30: When the definition of "work permit" was moved, the last sentence of the subsection was accidentally omitted. Therefore, on line 30 the following should be added: "A document issued by any authority for any employment other than gaming is not a valid work permit for the purposes of this chapter."

Section 14, page 6, lines 29-39:

Subsection 2 should be amended to read as follows: "The commission shall schedule a hearing within 5 days after [the effective date of the order pursuant to the provisions of NRS 463.312 and] receipt of the notice of defense. [f]For the purposes of this hearing, the emergency order shall be deemed the complaint."

Subsection 3 should be amended as follows: "The emergency order must state [the time and place of the hearing and] the facts upon which the finding of the necessity for the suspension is based.

Subsection 4 should be amended as follows: "The person whose work permit is summarily suspended must file a notice of defense within [3] 30 days after the effective date of the emergency order. Failure to timely file this notice waives his right to a hearing before the commission and to judicial review of the final decision."

A new subsection 6 should be added as follows: "Except as otherwise provided in this section, the procedures outlined in 463.312 shall be followed."

Section 19, page 7, lines 22-25: This section should be amended as follows: "Every sheriff , district attorney and chief of police shall furnish to the board, on forms prepared by the board, all information obtained during the course of [investigating or prosecuting any person whenever] any significant investigation or prosecution of any person if it appears that a violation of any law relating to gaming has occurred."

Section 26, page 10, lines 36-39: Additional language should be added at the end of this paragraph e as follows: "The former licensee shall be required to maintain all books, papers and records necessary for the audit for a period of one year from the date of surrender or revocation of his gaming license. If the former licensee files a petition for redetermination or

seeks judicial review of the commission's determination, then all books, papers and records must be maintained until a final determination is rendered.

Section 25, page 9, lines 14-31:

Subsection 3 on line 14 should be amended by adding at the beginning of line 14 the underscored language, "... and all information and data pertaining to an applicant's criminal antecedents and background furnished to or obtained by the board or commission from any source are confidential and must not be revealed in whole or in part except as ..."

Lines 15-17 remain unchanged.

Lines 18-31 should be deleted and replaced by: "The commission may reveal any information or data which is confidential under this section to an authorized agent of any agency of the United States government, of any state, or of a political subdivision of this state pursuant to regulations adopted by the commission."

Section 26, page 10, line 48: Add "... this state [.] and may exercise any proper law enforcement function or duty.

Section 31, page 15, lines 20-26: Amend as follows: "The board shall make its best effort to make its order upon an application for a position which cannot be held pending licensure or approval by the commission not longer than 9 months after the application and supporting data are completed and filed with the board. If denial of an application is recommended, the board shall prepare and file with the commission its written reasons upon which the order is based."

Section 56, page 33, lines 22-31: Amend as follows: "The holder of a state gaming license may, within [1 year] 2 years of cessation of business or upon specific approval by the board, dispose of by sale in a manner approved by the board, any or all of his gaming devices, including slot machines, without a distributor's license. [If the disposition is at the cessation of business, this exemption is valid for a single bulk of all gaming devices approved by the board.] In cases of bankruptcy of a state gaming licensee or foreclosure of a lien by a bank or other person holding a security interest for which gaming devices are security in whole or in part for the lien, the board may authorize [a single bulk sale] disposition of the gaming devices without requiring a distributor's license."

Section 57, page 34, line 1: The spelling of "greately" should be corrected.

MEMORANDUM

NEVADA LEGAL
APR 14 1981

DATE: April 14, 1981

TO: Patricia Becker
Deputy Attorney General

FROM: James J. Noel, Deputy Chief, Investigations
Corporate Securities

SUBJECT: Legislation

The gaming control agencies have experienced a problem created by a company offering common stock without being subject to prior approval. The company made false and misleading statements in its public relations and other offering circulars. Also, the company made gross exaggerations in other documents that were available to the investing public. This company has also had problems with the United States Securities and Exchange Commission.

Since about January 1, 1980 we have experienced a number of shell corporations coming forward for registration, and also for the making of public and private offerings. We need to review all offering circulars to protect the investing public from false and misleading statements such as indicated above.

dh/jc

Clarification of Summa Corporation, dba Desert Inn vs. State Gaming Control Board and Nevada Gaming Commission, Eighth Judicial District Court, Case No. A189417.

On January 15, 1981, Judge Goldman issued the following clarification:

In all cases where there has been compliance with the internal control procedures and in accordance with the state gaming regulations, the document is presumed to be a bona fide gaming instrument and is presumably excludable.

CASE NO. A189417 TITLE SUMA CORPORATION d/b/a DESERT INN VS. STATE GAMING CONTROL BOARD AND NEVADA GAMING COMMISSION

DATE JUDGE OFFICERS OF COURT PRESENT	APPEARANCES — HEARING
<p>12/4/80 PAUL S. GOLDMAN L. SMITH/CLERK G. LAPHORNE/ REPORTER AT THE REQUEST OF COURT - TO BE BILLED AS COST TO PARTY WHICH FAILS TO PREVAIL</p>	<p>PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT PLAINTIFF REPRESENTED BY ROBERT D. FAISS AND JERRY A. TRENBERTH, ESQUIRES DEFENDANTS REPRESENTED BY PATRICIA BECKER AND BILL HAMMER, DEP. ATTORNEY GENERAL. ARGUMENTS TO THE COURT BY MR. FAISS, MISS BECKER AND MR. TRENBERTH. COURT ORDERED, THIS MATTER TAKEN UNDER ADVISEMENT. COURT WILL NOTIFY COUNSEL OF DATE AND TIME FOR WRITTEN DECISION.</p>
<p>12/30/80 PAUL S. GOLDMAN L. SMITH/CLERK RENEE SILVAGGIO/ REPORTER AT REQUEST OF COURT</p>	<p>DECISION PLAINTIFF REPRESENTED BY ROBERT D. FAISS, ESQUIRE AND JERRY A. TRENBERTH, DEFENDANT REPRESENTED BY PATRICIA BECKER, DEP. ATTORNEY GENERAL, BILL HAMMER AND RICHARD BRYAN, ATTORNEY GENERAL. COURT READ ITS FINDINGS OF FACT, CONCLUSIONS OF LAW, OPINION AND ORDER IN OPEN COURT, THE SAME HAVING BEEN FILED 12/29/80 AT 6:22P.M. BEING PART OF THE RECORD. MR. FAISS REQUESTED A HEARING FOR POSSIBLE CLARIFICATION IN THE NEAR FUTURE, AND BY THE COURT, SO ORDERED.</p>
	<p>1/8/81 @ 9AM CLARIFICATION OF THE COURT'S ORDER</p>
<p>1/15/81 PAUL S. GOLDMAN L. SMITH/CLERK NOT REPORTED</p>	<p>CLARIFICATION OF THE COURT'S ORDER PLAINTIFF REPRESENTED BY ROBERT D. FAISS AND JERRY A. TRENBERTH. DEFENDANT REPRESENTED BY PATRICIA BECKER, DEP. A.G. THE COURT STATED THAT IN ADDITION TO THE FINDINGS OF FACTS PREVIOUSLY FILED WITH THE CLERK OF THE COURT, THE COURT DOES ADD THE FOLLOWING: IN ALL CASES WHERE THERE HAS BEEN COMPLIANCE WITH THE INTERNAL CONTROL PROCEDURES AND IN ACCORDANCE WITH THE STATE GAMING REGULATIONS, THE DOCUMENT IS PRESUMED TO BE A BONA FIDE GAMING INSTRUMENT AND IS PRESUMABLY EXCLUDABLE.</p>
<p>2-24-81 J. CHARLES THOMPSON DEPT. I FOR X P. TAYLOR L. SMITH (CLERKS)</p>	<p>PLAINTIFF'S MOTION TO AMEND JUDGMENT Plaintiff represented by Cam Ferenbach; defendant neither present nor represented by counsel. Mr. Ferenbach advised counsel have agreed to submit the matter on the briefs. BY THE COURT ORDERED, on Judge Goldman's behalf, the matter will stand submitted on the briefs.</p>

ROBERT LIST
GOVERNOR
RICHARD W. BUNKER
CHAIRMAN
JOHN H. STRATTON
MEMBER
DALE W. ASKEW
MEMBER
IRENE F. MORROS
EXECUTIVE SECRETARY

STATE OF NEVADA
GAMING CONTROL BOARD
1150 EAST WILLIAM STREET
CARSON CITY, NEVADA 89710

LAS VEGAS OFFICE:
4220 SOUTH MARYLAND PARKWAY
BUILDING D
LAS VEGAS, NEVADA 89158

RENO OFFICE:
1755 E. PLUMB LANE
RENO, NEVADA 89502
AUDIT: SUITE 110
ENFORCEMENT: SUITE 120

April 21, 1981

REPLY TO: _____

PHONE NO. _____

Senator Melvin D. Close
Chairman, Senate Judiciary Committee
Nevada State Legislature
Carson City, Nevada 89710

Assemblyman Jan Stewart
Chairman, Assembly Judiciary Committee
Nevada State Legislature
Carson City, Nevada 89710

Gentlemen:

At the April 16, 1981 joint judiciary committee hearings on S.B. 527, Harvey Whittemore, Esq. introduced an amendment concerning foreign securities exchanges. The Board had been given a copy of said amendment the previous day but time did not permit comment.

At this time the Board opposes adding this language to S.B. 527 and suggests that the language be drafted as a separate bill. Hearings on the new bill would allow time for comments from the Board and publicly traded corporations which have already been found suitable to acquire gaming licenses in this State.

Presently, the Board cannot support the concept of approving foreign exchanges as this area has not been adequately researched. This research would require, at a minimum, ascertaining how many exchanges could possibly qualify and whether or not the foreign publicly traded corporations could be approved by the SEC. In other words, if a foreign publicly traded corporation could comply with SEC requirements, would this be a better control mechanism than approving foreign exchanges? For these reasons, I suggest that the Legislature direct the Board to investigate the proposal, initiate discussion with the industry, and draft legislation, if necessary, to be submitted to the 1983 Legislature.

JOINT SENATE AND ASSEMBLY JUDICIARY COMMITTEES
Wednesday, 15 April 1981

1495



Senator Close
Assemblyman Stewart
April 21, 1981
Page 2

If the committee desires to address this issue now, the Board suggests the following amendments. The word "unreasonable" should be deleted from page 2, Section 4, Subsection 1. No threat to gaming control can be tolerated, whether reasonable or unreasonable.

Also, page 3, Section 5, Subsection 3 should be amended to read:

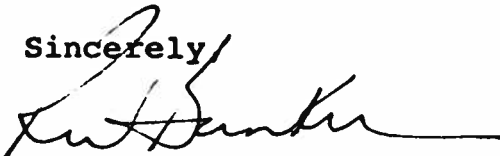
Is registered on a foreign securities exchange
that has been approved by the commission.

The Commission has the authority to deny suitability to any publicly traded corporation which is undercapitalized and could condition suitability in any manner necessary to ensure the safeguards proposed under 3(a), (b) and (c). It should be noted that publicly traded corporations do not pay tax and license fees, the corporate licensee pays these costs.

Finally, the Board suggests that some type of broad language establishing legislative intent be added along with the ability for the Commission to adopt regulations governing this area. It should be clearly stated that a publicly traded corporation which falls within this new definitional language must comply with all other provisions of the gaming control act.

These are rather simplistic comments to a complex issue. I again stress that the Board does not support the proposed language and requests time to study this proposed expansion of the gaming control act.

Sincerely,



RICHARD W. BUNKER
CHAIRMAN

RWB/PB/jm

cc: Nevada Resort Association
Gaming Industry Association of Nevada, Inc.
Harvey Whittemore, Esq.