

BEFORE THE NEVADA GAMING COMMISSION

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IN THE MATTER OF THE ADOPTION OF AMENDMENTS TO NEVADA GAMING COMMISSION REGULATIONS 5.115, 14.010, 14.030 and 14.100 GOVERNING MULTI-JURISDICTIONAL PROGRESSIVE PRIZE SYSTEMS.



PETITION FOR ADOPTION OF REGULATIONS

The Petitioners, Bally Technologies, Inc. ("Bally"), and IGT ("IGT" and collectively with Bally the "Companies"), acting by and through legal counsel, Lionel Sawyer & Collins, respectfully submit to the Nevada Gaming Commission (the "Commission"), this Petition for the adoption of amendments to Nevada Gaming Commission Regulations 5.115, 14.010, 14.030 and 14.100 pursuant to Sections 463.143, 463.145(1)(d) and 463.150(2)(j) of the Nevada Revised Statutes ("NRS"). In support of this Petition, the Companies submits the following relevant information and analysis.

I. INTRODUCTION

Each of Bally and IGT intend to deploy a proprietary network system that would facilitate play for a wide area progressive prize (a "WAP Prize"), among participating slot machines (the "Devices"),¹ located at nonrestricted gaming establishments in Nevada and Devices located at lawfully operated gambling locations in other jurisdictions within the United States (the "Multi-Jurisdictional Progressive Prize System"). The individual Devices would be operated wholly within each jurisdiction and win or loss of the game would be determined by the individual participating Devices and pursuant to the applicable law of the venue of play. The Devices in all participating jurisdictions would be interconnected to a network of computer hardware and software the purpose of which is to record and transmit information necessary to account for the amount of and changes to a WAP Prize, as well as communicate when a WAP

¹ See NEV. REV. STAT. § 463.0191.

1 Prize has been awarded by a participating Device. The existing associated equipment in-service
2 for the Companies' respective Nevada intra-state wide area progressive systems also can be
3 used to operate a Multi-Jurisdictional Progressive Prize System.

4 Similar to agreements used in Nevada, the Companies proposes that contractual
5 arrangements would be entered with each of the licensed gaming operators in Nevada, and
6 each of the lawfully operated locations in one or more other jurisdictions, participating in a
7 Multi-Jurisdictional Progressive Prize System (the "Multi-Jurisdictional Contracts"). Through
8 these Multi-Jurisdictional Contracts, Devices owned by the Companies, and that are legally
9 operating at the respective locations in Nevada and other jurisdictions, will participate in
10 contributing to a WAP Prize for which players of the specific Devices at all of the contracting
11 locations would compete and may win. The amount of the WAP Prize would be determined
12 pursuant to the Multi-Jurisdictional Contracts by a formula based on the combined volume of
13 play among all such participating locations in the respective venues.

14 The purpose of this Petition is three-fold. First, the Companies will establish that the
15 existing provisions of the Nevada Gaming Control Act (the "Act"),² permit the operation of a
16 Multi-Jurisdictional Progressive Prize System and the use of Multi-Jurisdictional Contracts to
17 administer a WAP Prize among multiple jurisdictions. Second, although new regulations are
18 not absolutely necessary, the Petition will identify the reasons why the Nevada State Gaming
19 Control Board (the "Board"), and the Commission might elect to adopt rule amendments to
20 facilitate deployment of Multi-Jurisdictional Progressive Prize Systems. Third, the Petition will
21 present and summarize the proposed rules.

22 II. IDENTIFICATION OF THE PETITIONERS

23 The Companies are licensed by the Commission as manufacturers, distributors and slot
24 route operators (a "SRO"). IGT is a wholly-owned subsidiary of International Game Technology,
25 a global gaming company specializing in the design, manufacture, and marketing of electronic
26 gaming equipment and systems products. As a leading supplier of gaming products to the
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28 ² NEV. REV. STAT. § 463.010 - .790.

1 world, IGT maintains a wide array of entertainment-inspired gaming product lines and
2 operates in target gaming markets in all legal jurisdictions worldwide. Bally is a diversified,
3 worldwide gaming company that designs, manufactures, distributes, and operates gaming
4 devices and computerized monitoring, accounting and player-tracking systems for gaming
5 devices. In addition to the sale and lease of gaming devices and related equipment, parts and
6 conversion kits, Bally also operates linked progressive systems, video lottery and centrally
7 determined systems.

8 Communications concerning this Petition should be made to and served upon the
9 following representatives of the Petitioners:

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1 III. STATUTORY AUTHORITY FOR THE PROPOSED RULE

2 A. EVALUATION OF NEVADA LAW

3 A Multi-Jurisdictional Progressive Prize System is a combination of associated
4 equipment that allows for an inter-casino linked system consisting of slot machines among
5 Nevada establishments to participate in arrangements established by a slot route operator with
6 each of the participating lawfully operated locations in other jurisdictions to create a common
7 WAP Prize. The Board and Commission can authorize and regulate a Multi-Jurisdictional
8 Progressive Prize System under existing statutory authority and pursuant to current
9 administrative regulations. The Act allows a person holding an SRO license to offer this type of
10 a system. The Nevada Legislature has already granted to the Commission rulemaking power to
11 approve and provide for Board oversight of systems and the related associated equipment.

12 (1) An SRO License Allows For Operation Of A Multi-Jurisdictional Progressive Prize
13 System.-- The Act provides in relevant part:

14 1. . . . [I]t is unlawful for any person, either as owner, lessee or employee,
15 whether for hire or not, either solely or in conjunction with others:

16 (a) To deal, operate, carry on, conduct, maintain or expose for play *in*
17 *the State of Nevada* any . . . *inter-casino linked system* . . . ,

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19 ↪ without having first procured, and thereafter maintaining in effect, all
20 federal, state, county and municipal gaming licenses as required by
21 statute, regulation or ordinance or by the governing board of any
22 unincorporated town.

23 2. The *licensure* of an operator of an inter-casino linked system is *not*
24 *required* if [a]n operator of a slot machine route is operating an inter-
25 casino linked system consisting of slot machines only.³

26 The Nevada Legislature enacted this oversight scheme for operators of inter-casino linked
27 systems ("OILS") licenses in 1995 when Assembly Bill 131 was passed.⁴

28 At the time, the Board explained that the purpose of A.B. 131 was to provide a
regulatory environment for table and counter games, in a very similar manner to the existing

³ NEV. REV. STAT. § 463.160(1)(a) & (2)(b) (emphasis added); NEV. GAMING COMM'N REG. 4.030(1)(b)(3).

⁴ See 1995 NEV. STATS., ch. 305, §§ 2-17, at 756-764.

1 regulatory environment for linked slot machines. In this regard, the Board stated the proposed
2 statute was necessary to address technological advances in the industry so that table games,
3 keno and race and sports books could be offered with progressive features just like those
4 already in use with slot machines. The Board noted that games linked by these systems were at
5 licensed establishments and emphasized that the proposal would not violate Nevada's
6 prohibition on lotteries. The Board further explained that A.B. 131 was "patterned after
7 operations currently being done by slot [route] operators, such as Megabucks" and the
8 proposed legislation "creates a new classification of . . . licensee known as an operator of an
9 inter-link system."⁵

10 The licensing provisions of NRS 463.160 specifically provides that OILS licensing is not
11 applicable to "an operator of a slot machine route operating a . . . system consisting of slot
12 machines only."⁶ The plain language of A.B. 131, and the testimony of the Board advocating its
13 passage, indicates that OILS licenses were for linked games other than slot machines and that
14 even without passage of A.B. 131, linked progressive systems connecting slot machines were
15 already permitted under existing provisions of the Act where operated by persons holding a
16 SRO license.⁷ Accordingly, a licensed slot route operator such as Bally or IGT would be eligible

18 ⁵ See Minutes of Senate Comm. on Judiciary, 68th Sess., Nev. Legis., *Hearing on Assembly Bill*
19 *131*, at 3 (Testimony of W.A. Bible, Chairman State Gaming Control Bd. May 12, 1995); Minutes of
20 *Assembly Comm. on Judiciary, 68th Sess., Nev. Legis., Hearing on Assembly Bill 131*, at 4 (Testimony of
21 W.A. Bible, Chairman State Gaming Control Bd. Mar. 21, 1995).

22 ⁶ See NEV. REV. STAT. § 463.160(2)(b). An inter-casino linked system "operator" includes
23 either a "person or entity holding a license to operate an inter-casino linked system in Nevada" or a
24 "person or entity holding a license to operate a slot machine route that operates an inter-casino linked
25 system for slot machines only . . ." NEV. GAMING COMM'N REG. 5.112(1)(e).

26 ⁷ Nevada courts apply the rules of statutory construction when interpreting both
27 legislative enactments and administrative regulations. See, e.g., Meridian Gold Company v. State ex rel.
28 Dep't of Taxation, 107 Nev. 630, 633, 81 P.3d 516 (2003). We adhere to these rules in our analysis likewise.
As the Nevada Supreme Court has frequently observed, laws must be construed holistically, see, e.g.,
McCrackin v. Elko County School Dist., 103 Nev. 655, 658, 747 P.2d 1373 (1987), and the "leading rule" of
interpretation is to ascertain the intent in enacting or adopting a law and that "ascertained intent" will
prevail over the literal sense of the enactment. See Roberts v. State ex rel. Univ. of Nevada Sys., 104 Nev.
33, 38, 752 P.2d 221 (1988). Among these maxims are that laws must not be read in a manner rendering a
part of the law redundant or meaningless when a substantive meaning can be given and when doubt
exists as to a statute's meaning resort may be had to testimony and committee action in the legislature.
See, e.g., Board of County Comm'rs of Clark County v. White, 102 Nev. 587, 590, 729 P.2d 1347 (1986). See
also note 5, *supra* & note 18, *infra*, and accompanying text.

1 to operate a Multi-Jurisdictional Progressive Prize System and enjoy the statutory exemption
2 from the requirement to have a OILS license.

3 (2) The Act Provides The Board And Commission Legal Authority To Approve And
4 Regulate A SRO Licensee's Multi-Jurisdictional Progressive Prize System Under Existing
5 Rules.-- The Act vests the Commission with very broad rule-making authority over slot routes
6 and slot route operators. In 1983, the Nevada Legislature first codified a system for licensing,
7 regulating and taxing slot route operators. Senate Bill 445, which was modified in 1985, defines
8 "operator of a slot machine route" as "a person who, *under any agreement* whereby
9 consideration is paid or payable for the right to place slot machines, engages in the business of
10 placing and operating slot machines upon the business premises of others at three or more
11 locations."⁸ This legislation also confers on the Commission the authority to "from time to time,
12 adopt, amend or repeal such regulations, consistent with the policy, objects and purposes of this
13 chapter as it may deem necessary or desirable in the public interest governing the operation of
14 slot machine routes, the licensing of their operators and the reports appropriate to such an
15 operation."⁹

16 This statutory authority has been viewed by the Board and Commission as sufficient to
17 permit those holding a SRO license to operate linked progressive systems of slot machines
18 beginning more than a decade preceding passage of A.B. 131. The Nevada Legislature accepted
19 that agency interpretation of the Act and codified it in the statute.¹⁰ This same authority is
20 likewise sufficient to permit operation of a Multi-Jurisdictional Progressive Prize System.¹¹

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22 ⁸ 1983 NEV. STATS., ch. 492, §§ 2, at 1332, 1332, *as amended by* 1985 NEV. STATS. ch. 671, §§ 1-
23 2, at 2262, 2262, *codified at* NEV. REV. STAT. § 463.018 (emphasis added). *See also* NEV. GAMING COMM'N
24 REG. 4.030(1)(b)(3). As with other aspects of the Act, S.B. 445 gave statutory legitimacy to actions the
25 Commission had already taken. When the statute passed, the Commission already had licensed and
regulated slot route operators who were defined in rule as "a nonrestricted license which authorizes the
holder to place slot machines in a licensed location and share in the profits therefrom without being on
the license issued for the location." NEV. GAMING COMM'N REG. 1.170.

26 ⁹ 1983 NEV. STATS., ch. 492, § 4, at 1332, 1333, *codified at* NEV. REV. STAT. § 463.1599.

27 ¹⁰ The Nevada Supreme Court has ruled that an administrative agency's reasonable
interpretation of its authority under a statute should not be readily disturbed and can become controlling
with legislative acquiescence. *See Hughes Properties, Inc. State*, 100 Nev. 295, 298, 680 P.2d 970 (1984).

28 ¹¹ The Commission has in place an extensive system of regulation on this subject matter.

1 (3) A Multi-Jurisdictional Progressive Prize System Falls Within The Extensive Rule-
2 Making And Oversight Powers Of The Board And Commission For Associate Equipment.-- An
3 inter-casino linked system is "a network of electronically interfaced similar *games* which are
4 located at two or more *licensed gaming establishments* that are linked to *conduct gaming*
5 activities, contests or tournaments."¹² By administrative rule the Commission has further
6 described an "inter-casino linked system" as "including the collective hardware, software,
7 communications technology *and other associated equipment* used to link and monitor games or
8 devices located at two or more licensed gaming establishments."¹³ Regulation 14.010(15)
9 indicates, therefore, that the components comprising an inter-casino linked system are simply
10 associated equipment and not the linked slot machines themselves.¹⁴ This comports with the
11 statutory definition of "associated equipment" as "[a]ny equipment or mechanical,
12 electromechanical or electronic contrivance, component or machine used remotely or directly in
13 connection with . . . any game, . . . that would not otherwise be classified as a gaming device,
14 including . . . *links which connect to progressive slot machines, [and] . . . computerized systems*
15 *for monitoring slot machines . . .*"¹⁵

16 The Nevada Legislature has directed the Commission to adopt regulations for "approval
17 and operation of inter-casino linked systems."¹⁶ The electronic interface of such an inter-casino

18 See NEV. GAMING COMM'N REG. 1.147, 3.070, 3.100, 4.030, 5.025, 5.110, 5.112, 5.115, 5.180, 5.220, 5A.125,
19 5A.145, 6.010, 6.105, 6.110, 6.150, 8.130, 14.010, 14.030, 14.045, 14.060, 14.075, 14.080, 14.100, 14.110, 14.130,
20 14.220, 14.350, 14.360, 14.370, 14.390, 14.395, 14.410, 14.420; Technical Standards 1.140, 1.060, 2.010, 2.040,
3.110, 3.140; Surveillance Standards 1-2. .

21 ¹² NEV. REV. STAT. § 463.01643 (emphasis added).

22 ¹³ NEV. GAMING COMM'N REG. 14.010(15) (emphasis added).

23 ¹⁴ The inclusion of the concluding clause "and other associated equipment" is a generic
24 reference rendering all other items listed in the same provision examples of this generic item and the
25 reference to this generic item is to the exclusion of others. See, e.g., State ex rel. Dep't of Motor Veh. &
Pub. Safety v. Brown, 104 Nev. 524, 526, 762 P.2d 882 (1988); Clark County Sports Entertainment, Inc. v.
City of Las Vegas, 96 Nev. 167, 174, 606 P.2d 171 (1980).

26 ¹⁵ NEV. REV. STAT. § 463.0136(1) (emphasis added).

27 ¹⁶ NEV. REV. STAT. § 463.15993(1). The Nevada Legislature also has delegated to the
28 Commission the authority to adopt regulations providing:

 (a) Standards for the approval and operation of an inter-casino linked
system.

1 linked system is one consisting of associated equipment existing among "licensed gaming
2 establishments" which are "premises licensed pursuant to the provisions of *this chapter*
3 wherein or whereon gaming is done . . ."¹⁷ Thus, Nevada law provides for licensing and
4 regulation of the operation of inter-casino linked systems within the territorial jurisdiction of
5 the State and among physically licensed locations within Nevada.¹⁸

6 The Multi-Jurisdictional Progressive Prize System is a collection of hardware, software,
7 and communications technology used to link and monitor slot machines located at multiple
8 casinos in Nevada and lawfully operated locations elsewhere. This system, as it relates to
9 Nevada licensed locations, is an inter-casino linked system of associated equipment as defined
10 by the Act and is subject to the current regulatory jurisdiction of the Board and Commission.
11 This regulatory jurisdiction is undiminished to the extent existing associated equipment is
12 modified or other associated equipment is added to this system to also facilitate participation in
13 a multi-jurisdictional WAP Prize. To the extent associated equipment has any interface or
14 interconnection with a Nevada inter-casino linked system connected to slot machines in
15

16 (b) Requirements for the:

17 (1) Operator of an inter-casino linked system to disclose to the Board, the
18 Commission and licensees on a confidential basis the rate of progression of the
19 primary jackpot meter; and

20 (2) Establishment of a minimum rate of progression of the primary
21 jackpot meter.

22 (c) Criteria for multiple licensing of inter-casino linked systems and the
23 operators of inter-casino linked systems.

24 (d) Procedures and criteria for the regular auditing of the regulatory
25 compliance of an operator of an inter-casino linked system.

26 NEV. REV. STAT. § 463.15993(2).

27 ¹⁷ See NEV. REV. STAT. § 463.0169.

28 ¹⁸ This reach of the statute is unremarkable because like all other States, Nevada does not
have extraterritorial authority to license and regulate commercial activity beyond its territorial
boundary. See, e.g., Healy v. Beer Institute, Inc., 491 U.S. 324, 336-337 (1989). Moreover, the Board
explained to the State law-makers, see *supra* note 5, and accompanying text, inter-casino linked systems
did not violate Nevada's lottery prohibition because by statute the slot machines or other games must all
be operated at licensed gaming establishments. Here, the Board merely invoked a long-held premise of
Nevada jurisprudence, that the operation of gambling games at authorized business locations consistent
with a state statute is not an unlawful lottery under the Nevada Constitution.¹⁸ See Ex Parte Pierotti, 43
Nev. 243, 237-252, 184 P. 209 (1919).

1 Nevada, the pre-existing authority of the Board and Commission over that system and all the
2 associated equipment is unquestioned.

3 Similarly, the fact that a Multi-Jurisdictional Progressive Prize System is subject to the
4 oversight jurisdiction of the Board and Commission does not mean that the same system may
5 not also be subject to concurrent regulatory oversight by another jurisdiction. This is no
6 different a situation than when a licensee manufactures in Nevada a slot machine for
7 distribution to numerous domestic and foreign venues, in which case the licensed distributor
8 must comply with the regulatory requirements in each affected jurisdiction.

9 Furthermore, because a Multi-Jurisdictional Progressive Prize System is associated
10 equipment,¹⁹ the rule-making powers of the Commission over inter-casino linked systems
11 under NRS 463.15993 is further enlarged by its concurrent authority to adopt rules governing
12 the "manufacture . . . of gambling devices *and equipment*,"²⁰ pursuant to which the Commission
13 has promulgated Regulation 14.030 and other rules.²¹ Regulation 14.030 states in pertinent part
14 that "[a]n operator of an inter-casino linked system shall not install and operate a new inter-
15 casino linked system in Nevada and a licensee shall not offer any gaming device or game for
16 play that is part of such a system unless operation of the inter-casino linked system and all
17 gaming devices or games that are part of or connected to the inter-casino linked system have
18 been *approved by the commission . . .*"²² This regulation makes complete Board and
19 Commission oversight of any Multi-Jurisdictional Progressive Prize System that necessarily
20 must interconnect to or be part of the inter-casino linked system operating by the slot route
21 operator among Nevada licensed locations.²³

22
23 ¹⁹ See *supra* notes 4 & 5 and accompanying text.

24 ²⁰ NEV. REV. STAT. § 463.150(2)(j) (emphasis added).

25 ²¹ See *supra* note 11.

26 ²² NEV. GAMING COMM'N REG. 14.030 (emphasis added).

27 ²³ In the event this rule were considered inadequate, the combined rule-making power of
28 the Commission over slot route operations, inter-casino linked systems and associated equipment easily
supports its jurisdiction to regulate a Multi-Jurisdictional Progressive Prize System which must
interconnect to Nevada slot machines.

1 (4) NRS 463.018 Allows A SRO Licensee To Use Multi-Jurisdictional Contracts To
2 Govern A Multi-Jurisdictional Progressive Prize.-- NRS 463.018 gives statutory sanction for
3 the use by a SRO license holder of "any agreement whereby consideration is paid or payable for
4 the right to place slot machines," as the means by which the SRO License holder "engages in the
5 business of placing and operating slot machines upon the business premises of others."
6 Among Nevada licensees, private agreements are the basis upon which inter-casino linked
7 system arrangements are currently managed, subject to Commission Regulations that govern in
8 some limited aspects those arrangements.²⁴

9 The types of agreements recognized by NRS 463.018 are the most appropriate
10 mechanism for these arrangements because an inter-governmental compact under existing
11 Nevada law could not fully achieve the same objectives as the Multi-Jurisdictional Contracts.
12 Although the State of Nevada has broad authority to enter inter-state government compacts
13 with other governments,²⁵ that statutory scheme allows for such inter-governmental agreements
14 to perform consolidated governmental services, to permit the joint exercise of powers and
15 authority of the public agencies of the participating jurisdictions, or to create an administrative
16 entity to perform concurrent governmental functions.²⁶

17 A Multi-Jurisdictional Progressive Prize System is not (i) a governmental service, like a
18 state operated lottery; (ii) operated by a State agency -- such as a lottery commission -- as a
19 power or authority of a government body; and (iii) dependent for its accomplishment upon
20 formation of a multi-jurisdictional regulatory body -- for example the Tahoe Regional Planning
21 Agency -- that would be an inter-state regulatory body. For these reasons, even if such a
22 compact was entered by Nevada, given existing Nevada law under NRS Chapter 277, the Multi-

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24 ²⁴ See, e.g., NEV. GAMING COMM'N REG. 5.112 & 5.115. Although we view existing rules as
25 adequate, see *supra* note 19, the Commission's rule-making authority over slot route operators is
26 sufficiently broad, extending to any aspect of the "operation of slot machine routes," to support the
27 promulgation of rules that in the future might be required, subject only to the touchstone that the rules
28 are "consistent with the policy, objects and purposes of [the Act] as [the Commission] may deem
necessary or desirable in the public interest." NEV. REV. STAT. § 463.1599.

²⁵ NEV. REV. STAT. §§ 277.080 - .170.

²⁶ NEV. REV. STAT. §§ 277.103 - .120.

1 Jurisdictional Contracts would still be necessary to govern the contractual arrangements
2 between the Companies and each of the participating lawfully operated locations.

3 **B. PERTINENT FEDERAL LAW**

4 **1. Summary of Federal Statutory Provisions.**

5 (a) *The Federal Wire Act.*-- The Federal Wire Act makes it illegal for commercial
6 gaming operators to offer or take bets from gamblers in the United States over telephone lines
7 or through other wired devices, unless otherwise authorized by a particular state.²⁷ The statute
8 provides in relevant part:

9 (a) Whoever being engaged in the business of betting or wagering
10 knowingly uses a wire communication facility for the transmission in
11 interstate or foreign commerce of bets or wagers or information assisting
12 in the placing of bets or wagers on any sporting event or contest, or for
13 the transmission of a wire communication which entitles the recipient to
14 receive money or credit as a result of bets or wagers, or for information
15 assisting in the placing of bets or wagers, shall be fined under this title or
16 imprisoned not more than two years, or both.

17 (b) *Nothing in this section shall be construed to prevent the*
18 *transmission in interstate or foreign commerce of information for use in*
19 *news reporting of sporting events or contests, or for the transmission of*
20 *information assisting in the placing of bets or wagers on a sporting event*
21 *or contest from a State or foreign country where betting on that sporting*
22 *event or contest is legal into a State or foreign country in which such*
23 *betting is legal.*²⁸

24 The current position of the United States Department of Justice ("USDOJ"), is that interstate
25 transmissions of wire communications that do not relate to a "sporting" event or contest fall
26 outside the reach of the Wire Act.²⁹

27 (b) *The Illegal Gambling Business Act.*-- This statute prohibits any person from
28 financing, owning or operating an illegal gambling business.³⁰ An illegal gambling business is

25 ²⁷ 18 U.S.C. § 1084(a). The Wire Act, which prohibits the use of interstate telephone lines to
26 conduct a betting or wagering business, applies to Internet wagering because the primary media of
27 Internet communications are interstate data lines using telephony.

28 ²⁸ See *id.* § 1084(a) & (b) (emphasis added).

²⁹ Op. U.S. Att'y Gen. (Sept. 20, 2011), 2011 WL 6848433.

³⁰ 18 U.S.C. § 1955.

1 defined as an operation that violates *state law*, involves five or more persons, and either is in
2 substantially continuous operation for more than thirty days or has a gross revenue of more
3 than \$2,000 in any single day. Under this statute, gambling includes pari-mutuel pools,
4 bookmaking, slot machines, roulette, dice, lotteries or numbers, or selling chances therein.

5 (b) The Travel Act.-- The Travel Act prohibits any person from using any facility
6 in interstate or foreign commerce with the intent to promote, manage, establish, carry on or
7 facilitate unlawful activity. Unlawful activity is defined as "any business enterprise involving
8 gambling" in violation of *state* or federal laws.³¹

9 (c) The Unlawful Internet Gambling Act.-- This statutory scheme is intended to
10 prevent electronic funds transfers by financial transaction providers to illegal Internet gambling
11 businesses and prohibits persons engaged in the business of betting or wagering from accepting
12 credit, electronic funds transfers, checks or other instruments or other proceeds from a person
13 participating in unlawful Internet gambling.³² For the purposes of this statute, "unlawful
14 Internet gambling" includes placing, receiving or transmitting a bet or wager -- including upon
15 a lottery -- using the Internet where the bet or wager is unlawful under *state law*.³³

16 2. Analysis of Federal Law.

17 Each of these federal statutes prohibit activities only to the extent such activities are
18 unlawful in any or each State in which the activities occur, or as to the Travel Act, also a federal
19 law. The proposed Multi-Jurisdictional Progressive Prize System will only be operated in
20 jurisdictions where the related gambling activities are lawful. Given the Federal Wire Act,
21 Illegal Gambling Business Act, and Unlawful Internet Gambling Act are not violated under
22 such circumstances, thus neither is the Travel Act. Consequently, federal law does not present
23 any impediment to operating a Multi-Jurisdictional Progressive Prize System. Such a system
24 will or will not be lawful depending on the gambling laws of the participating jurisdictions and
25 implemented depending on the gaming laws of these participating venues.

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27 ³¹ 18 U.S.C. § 1952.

³² 31 U.S.C. §§ 5361 – 5366.

³³ *Id.* at § 5362(10)(A).

1 **IV. STATEMENT OF PROPOSED REGULATIONS**

2 The Petitioners respectfully request that the Commission adopt amendments to Nevada
3 Gaming Commission Regulations 5.115, 14.010, 14.030 and 14.100 to facilitate the operation of
4 Multi-Jurisdictional Progressive Prize Systems. The proposed regulation amendments
5 accompany this Petition as **Exhibit A**.

6 **A. REASONS FOR ADOPTION OF NEW RULES**

7 As the Companies have established in the legal summary above, new rules are not
8 strictly necessary to provide authority for and regulation of Multi-Jurisdictional Progressive
9 Prize Systems. There are, however, three important reasons that justify the adoption of specific
10 regulations on this subject matter.

11 First, there should be transparency within the Nevada gaming industry that the
12 operation of Multi-Jurisdictional Progressive Prize Systems is lawful and the basis upon which
13 this product can be offered to the public. No single operator should have a "first mover"
14 advantage based on regulatory knowledge in introducing this product and system. Through
15 the rule-making process, the entire Nevada gaming industry will be apprised of the new
16 product and system. With that disclosure, the innovation that competition fosters will be
17 achieved consistent with the public policy of the state as articulated in NRS 463.0129.

18 Second, given Multi-Jurisdictional Progressive Prize Systems require acceptance and
19 coordination with other state and tribal jurisdictions, the adoption of specific authorizing rules
20 will eliminate any doubt or confusion as to whether and on what basis such systems can and
21 will be available. The proposed rules will provide the mechanism for other governments to
22 publicly determine whether Nevada law, technology and logistics will be compatible to
23 interface with that of another jurisdiction's comparable system. Because Multi-Jurisdictional
24 Progressive Prize Systems come within a long-standing regulatory system for associated
25 equipment and inter-casino linked systems, Nevada can provide leadership on quickly bringing
26 this product to market.

27 Third, the proposed rules are in the public interest. Nevada will benefit from the
28 availability of this product because many of the operators of such systems will be licensees in

1 this state and maintain either their principal places of business or significant operating units
2 within Nevada. These systems will be a major technological enhancement and Nevada should
3 take steps to preserve the state's preeminence as an innovator. Our state will also benefit
4 because through the operation of Multi-Jurisdictional Progressive Prize Systems, the
5 progressive prizes that will be available to the gaming public will increase, providing a further
6 patron attraction for Nevada. Additionally, the availability of Multi-Jurisdictional Progressive
7 Prize Systems in Nevada will improve the state's competitive position relative to Native
8 American gaming markets where this type of product already is available to the gaming public.

9 **B. SYNOPSIS OF PROPOSED REGULATIONS**

10 To provide Nevada regulatory oversight for Multi-Jurisdictional Progressive Prize
11 Systems, the Companies ask the Commission to make changes to four existing administrative
12 rules.

13 **1. Amendments to Regulation 14.010.** Subsection 15 of Regulation 14.010 should be
14 revise to include a definition of what is meant by the phrase "Multi-Jurisdictional Progressive
15 Prize System." Here, the definition makes clear that this type of system is simply a use of
16 associated equipment that will part of inter-casino linked systems which already is subject to
17 robust regulatory oversight by the Board and Commission. In this same subsection of
18 Regulation 14.010, the definition of inter-casino linked system is broadened to encompass any
19 Multi-Jurisdictional Progressive Prize System.

20 By including Multi-Jurisdictional Progressive Prize System within the scope of inter-
21 casino linked systems, any and all existing rules that govern inter-casino linked systems are
22 made applicable to Multi-Jurisdictional Progressive Prize Systems. This avoids any need to
23 erect a duplicative and parallel regulatory scheme for these multi-jurisdictional systems which
24 are a form of associated equipment already fully subject to the jurisdiction of the Board and
25 Commission over inter-casino linked systems. A related amendment is the rule change revising
26 the definition of "operator" in Subsection 25 Regulation 14.010 to include those persons holding
27 the license or license exemption that allows them to operate a Multi-Jurisdictional Progressive
28 Prize System.

1 **2. Amendments to Regulation 14.030.** Regulation 14.030 should be amended to require
2 that applications for the approval of Multi-Jurisdictional Progressive Prize Systems will be
3 processed under the existing inter-casino linked system procedures used by the Board and
4 Commission. In this regard, the rule proposal includes the requirement that a copy of any
5 agreement or specifications required by another jurisdiction's regulatory agency be included
6 with system approval applications. The Companies are informed that some other states that are
7 studying Multi-Jurisdictional Progressive Prize Systems are considering contractual
8 arrangements in implementing such systems to operate in conjunction with slot machines in use
9 or play in their jurisdictions. This rule ensures the Board and Commission will have this
10 information at the time any action is taken on the Nevada application.

11 **3. Amendments to Regulation 14.100.** Related to the preceding proposal, Regulation
12 14.100 should also be amended. Regulation 14.100 should provide that the Board and
13 Commission determine that any agreement or specifications required by another jurisdiction's
14 regulatory agency relative to a Multi-Jurisdictional Progressive Prize Systems is not contrary to
15 Nevada law and technical requirements. In this regard, the proposed amendment specifies
16 seven relevant technical requirements. This rule also needs to include an explicit statement as
17 to how an approval by the Commission affects the approval of such an agreement or
18 specifications and provide a method by which that can be confirmed in writing for any other
19 jurisdiction that may desire such documentation.

20 **4. Amendments to Regulation 5.115.** Regulation 5.115 should include language that
21 eliminates any ambiguity concerning the applicability of the reserve requirements to any prizes
22 offered through a Multi-Jurisdictional Progressive Prize System. This proposal places these
23 system prizes on the same footing as any other progressive prize offered to patrons in Nevada.

24 The proposed amendments here suggested should be made effective immediately on
25 Commission adoption. There are no implementation measures that would prevent the prompt
26 applicability of the rule changes. Prompt adoption of these regulation modifications will
27 facilitate deployment of a significant new product and system for the gaming industry.
28 Accordingly, the Companies request that the Regulations be adopted on or before September

1 26, 2013.

2 **V. CONCLUSION AND REQUEST FOR RELIEF**

3 Accordingly, the Companies request that the Commission commence proceedings to
4 adopt a amendments to 5.115, 14.010, 14.030 and 14.100 in the form as set forth in Exhibit A.

5 DATED and respectfully submitted this 7th day of August, 2013.

6 LIONEL SAWYER & COLLINS

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9 By: *Dan R. Reaser*

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EXHIBIT A

**PROPOSED AMENDMENTS TO
REGULATIONS 5.115, 14.010, 14.030 and 14.100**

PURPOSE: To amend applicable provisions of Regulation 5.015, Regulation 14.010, Regulation 14.030 and Regulation 14.100 to provide for the regulation and oversight of multi-jurisdictional progressive prize systems; and providing other matters properly related thereto.

(LS&C Draft Date August 5, 2013)

New
~~{Deleted}~~

REGULATION 5

OPERATION OF GAMING ESTABLISHMENTS

5.115 Periodic payments.

1. Except as provided in this regulation, a licensee shall remit the total prizes awarded to a patron as the result of conducting any game, including a race book or sports pool, tournament, contest, or promotional activity (hereinafter collectively referred to as "gaming or promotional activity") conducted in Nevada or arising from the operation of a multi-jurisdictional progressive prize system upon validation of the prize payout.

2. As used in this section of the regulation:

(a) "Approved funding sources" means cash or U.S. Treasury securities that are used for the funding of a trust pursuant to Regulation 5.115(3)(b) or the reserve method of funding periodic payments pursuant to Regulation 5.115(3)(c).

(b) "Brokerage firm" means an entity that:

(1) Is both a broker-dealer and an investment adviser;

(2) Has one or more classes of its equity securities listed on the New York Stock Exchange or American Stock Exchange, or is a wholly-owned subsidiary of such an entity; and

(3) Has assets under management in an amount of \$10 billion or more as reported in its most recent report on Form 10-K or Form 10-Q filed with the United States Securities and Exchange Commission, or is a wholly-owned subsidiary of such an entity.

(c) "Broker-dealer" means any person engaged in the business of effecting transactions in securities for the account of others or for his own account; and:

(1) Is licensed as a broker-dealer with the Nevada Secretary of State pursuant to NRS 90.310, as amended; or

(2) Is exempt from licensing pursuant to NRS 90.320, as amended, and is registered as a broker-dealer with the United States Securities and Exchange Commission and the National Association of Securities Dealers pursuant to Title 15 USC 780 as amended.

(d) "Chairman" means the chairman of the board or his designee.

(e) "Date of calculation" means the last day for which a discount rate was obtained prior to the conclusion of the validation period.

(f) "Discount rate" means the current prime rate as published in the Wall Street Journal. For those licensees using the reserve method of funding pursuant to Regulation 5.115(3)(c), "discount rate" means either: (i) the aforementioned current prime rate, or (ii) a blended rate computed from the various U.S. Treasury securities selected by the licensee for which quotes are obtained at least three times a month.

(g) "Independent financial institution" means an institution that is not affiliated through common ownership with the licensee and is either:

(1) A bank or national banking association that is authorized to do business in this state, a banking corporation formed or regulated under the laws of this state or a wholly-owned subsidiary of such a banking association or corporation that is formed or regulated under the laws of this state or a national bank with an office in Nevada; or

(2) An insurance company admitted to transact insurance in the State of Nevada with an A.M. Best Insurance rating of at least "A+" or such other equivalent rating.

(h) "Investment adviser" means any person who, for compensation, engages in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing or selling securities, or who, for

compensation and as a part of a regular business issues or promulgates analyses or reports concerning securities and:

(1) Is registered as an investment adviser with the Nevada Secretary of State pursuant to NRS 90.330, as amended; or

(2) Is registered as an investment adviser with the United States Securities and Exchange Commission pursuant to Title 15 USC 80b-3a, as amended.

(i) "Periodic payments," for purposes of this regulation only, means a series of payments that are paid at least annually for prizes awarded through gaming or promotional activity.

(j) "Present value" means the current value of a future payment or series of payments, discounted using the discount rate.

(k) "Qualified prize" means the sum of periodic payments, awarded to a patron as a result of any gaming or promotional activity, payable over a period of at least 10 years.

(l) "Qualified prize option" means an option that entitles a patron to receive from a licensee a single cash payment in lieu of receiving a qualified prize, or any remaining portion thereof, which shall be exercised no later than 60 days after validation of the qualified prize.

(m) "Reserve" means a restricted account consisting of approved funding sources used exclusively to satisfy periodic payments of prizes arising from all gaming or promotional activity conducted in Nevada, ~~and includes~~ including such prizes arising from the operation of a multi-jurisdictional progressive prize system and otherwise any existing funding methods previously approved by the board or commission. The reserve shall not be less than the sum of the following:

(1) The present value of the aggregate remaining balances owed on all prizes awarded to patrons who are receiving periodic payments. For balances previously funded using U.S. Treasury securities, the discount rate on the date of funding shall be used for calculating the present value of the reserve.

(2) An amount sufficient to pay the single cash payments offered in conjunction with qualified prize options for prizes previously awarded for which elections have not been made by the patrons;

(3) An amount sufficient to fully fund the present value of all prizes currently on public display for which periodic payments are offered;

(4) If cash is used as the approved funding source, an amount equal to satisfy the current liabilities to all patrons receiving periodic payments due and payable within 12 months; and

(5) Any additional amounts administratively required by the chairman.

As used in this paragraph, the term "multi-jurisdictional progressive prize system" shall have the meaning ascribed by subsection 15 of Regulation 14.010.

(n) "Restricted account" means an account with an independent financial institution described in Regulation 5.115(2)(g)(1), or a brokerage firm, which is to be exclusively used for the reserve method of funding of gaming or promotional activity as provided in this regulation.

(o) "Single cash payment" means a single discounted, lump-sum cash payment in the amount of the present value of the total periodic payments otherwise due and owing for a qualified prize, less the amount of any partial payment of such qualified prize previously made by the licensee to a patron.

(p) "Trust" means an irrevocable fiduciary relationship in which one person is the holder of the title to the property subject to an equitable obligation to keep or use the property for the benefit of another.

(q) "U.S. Treasury securities" means a negotiable debt obligation issued and guaranteed by the U.S. government.

(r) "Validation period" means the period of time between when a patron has met the conditions required to receive a prize, and when the prize payout is validated. The validation period shall not exceed 72 hours, unless otherwise extended by the chairman.

3. Periodic payments of prizes awarded to a patron as a result of conducting any gaming or promotional activity may be made if the method of funding the periodic payments provides such payments to a patron through the establishment of any one of the following funding methods:

(a) An irrevocable surety bond or an irrevocable letter of credit with an independent financial institution which will provide for either the periodic payments or a single cash payment for the remaining periodic payments should the licensee default on paying the scheduled periodic payments for any reason. The form of the written agreement establishing an irrevocable surety bond or the irrevocable letter of credit, and a written commitment to execute such bond or letter from the financial institution, shall be submitted to the chairman for approval no less than 45 days prior to the commencement of the gaming or promotional activity.

(b) An irrevocable trust with an independent financial institution in accordance with a written trust agreement, the form of which shall be submitted to the chairman for approval at least 45 days prior to the commencement of any

new gaming or promotional activity, and which provides periodic payments from an unallocated pool of assets to a group of patrons and which shall expressly prohibit the patron from encumbering, assigning or otherwise transferring in any way his right to receive the deferred portion of the prizes except to his estate. The assets of the trust shall consist of approved funding sources in an amount sufficient to meet the periodic payments as required.

(c) A reserve maintained at all times by a licensee, together with the continuing satisfaction of and compliance with certain financial ratios and tests, and monitoring and reporting procedures related thereto. The conditions under which a reserve method may be used shall be prescribed by the chairman in a written notice distributed to licensees and all interested persons. Licensees shall notify the chairman in writing at least 45 days prior to the commencement of any new gaming or promotional activity for which periodic payments may be used. Unless otherwise informed within such time period in writing by the chairman and assuming a stop order has not been issued during such period, the use of a reserve method for funding periodic payments shall be deemed approved.

(d) Another method of providing the periodic payments to a patron consistent with the purpose of this regulation and which is approved by the commission prior to the commencement of the gaming or promotional activity. Proposed modifications to a periodic payment plan previously approved by the commission shall be submitted to the chairman for review at least 45 days prior to the effective date of the change. The chairman, after whatever investigation or review he deems necessary, may administratively approve the modification or require the licensee to submit the requested modification to the commission for review and approval.

4. The funding of periodic payment plans shall be completed within 30 days of the conclusion of the validation period, or where a qualified prize option is offered for such prize payout, within 30 days of the date the patron makes an election thereunder. Where a single cash payment is elected, the licensee shall pay to the patron in cash, certified check or wire transfer the full amount less any prior payment(s) within 15 days after receiving the patron's written notification of such election.

5. Periodic payments shall not be used for prize payouts of \$100,000 or less. Periodic payments for total amounts won greater than \$100,000 shall be paid as follows:

(a) For amounts won greater than \$100,000, but less than \$200,000, payments shall be at least \$10,000 annually;

(b) For amounts won greater than \$200,000 or more, payments shall be no less than 1/20th of the total amount annually;

(c) For amounts won equal to or in excess of \$5,000,000, payments shall be made in the manner set forth in (b), above, or in such manner as approved by the commission upon application by the licensee; and

(d) The first installment payment shall be made upon the conclusion of the validation period, notwithstanding that a qualified prize option may be offered to the patron. In the event that a qualified prize option is offered to a patron, it shall not be construed as a requirement that the patron shall receive a single cash payment instead of periodic payments.

Waivers of subsections (a), (b) and (c) of this section that have been previously granted by the commission shall remain in full force and effect pursuant to the current terms and provisions of such waivers.

6. The licensee shall provide the chairman with an appropriate, signed legal document, prior to the commencement of any gaming or promotional activity for which periodic payments are to be offered, that shall irrevocably and unconditionally remise, release, indemnify and forever discharge the State of Nevada, the commission, the board, and their members, employees, agents and representatives, including those of the Attorney General's Office, of and from any and all claims, actions, causes of actions, losses, damages, liabilities, costs, expenses and suits of any nature whatsoever, in law or equity, including reasonable attorney's fees, arising from any act or omission of the commission and the board, and their members, employees, agents and representatives.

7. For any gaming or promotional activity for which periodic payments are used, the licensee shall provide a notice on each gaming device or, if no gaming device is used, then in each gaming or promotional area specifically setting forth the terms of the periodic payment plan, and include in all radio, television, other electronic media, or print advertising that such prizes will be awarded using periodic payments.

8. Notwithstanding any other regulation to the contrary, if a licensee offers a qualified prize option to a patron who is awarded a qualified prize, the licensee shall provide the option to the patron in writing within five days after the conclusion of the validation period. Such written option shall explain the method used to compute the single cash payment, including the discount rate as of the date of calculation, and shall state that the patron is under no obligation to accept the offer of a single cash payment and may nevertheless elect to receive periodic payments for the qualified prize.

9. The licensee shall maintain the following amounts, as applicable, related to each gaming or promotional activity that uses periodic payments in calculating its minimum bankroll requirement for the purpose of complying with Regulation 6.150:

(a) For periodic payment plans approved in accordance with Regulation 5.115(3)(a), the installment payments due within the next 12-month period for all amounts won or on public display for which the licensee will be making periodic payments.

(b) For periodic payment plans approved in accordance with Regulation 5.115(3)(b), the first installment payment, if not yet paid, and the present value of all future payments:

(1) For amounts won or awarded but for which the funding has not been completed; and

(2) For all prizes which have not been won or awarded but are on public display, including a progressive meter.

(c) An alternative amount and/or method required by the chairman to satisfy the minimum bankroll requirement for other approved funding plans used for periodic payments.

10. At all times the licensee is responsible for the payment of all prizes resulting from any gaming or promotional activity upon conclusion of the validation period, regardless of the method used to fund the periodic payments allowed under this regulation. In the event of a default by any financial institution with which the licensee has contracted to guarantee or make periodic payments, the licensee will be liable for the periodic payments owed to patrons.

11. At least annually, the licensee shall verify that the independent financial institution and brokerage firm being used to guarantee or remit periodic payments to patrons or to hold approved funding sources related thereto continues to meet the applicable qualifications required by Regulation 5.115(2). In the event that such entities are found to no longer meet the defined requirements, the licensee shall immediately notify the chairman of the change in status and within 30 days provide a written plan to comply with these requirements.

12. At least 60 days prior to the cessation of operations, a licensee responsible for remitting periodic payments to patrons shall submit a plan to satisfy the liability for approval. The chairman, after whatever investigation or review he deems necessary, may approve the plan.

13. Copies of the related contracts and agreements executed pursuant to Regulation 5.115(3)(a), (3)(b) and (3)(d) shall be submitted to the board within 30 days after execution. For all methods of funding periodic payments, the licensee must maintain documents, executed contracts and agreements for a period no less than the duration of the periodic payments plus five years thereafter.

14. Where a licensee is found to be in noncompliance with the funding requirements provided in this regulation, the chairman may require the licensee to immediately cease offering any gaming or promotional activity for which periodic payments are used or he may require other corrective action.

15. Any failure of the licensee to maintain full compliance with each and every provision set forth in this regulation, including the chairman's requirements established pursuant to Regulation 5.115(3)(c), or any failure of the licensee to immediately notify the chairman of any noncompliance thereof, shall constitute an unsuitable method of operation. Such noncompliance may subject the licensee to disciplinary action.

16. The commission may waive one or more of the requirements of this regulation if it makes a written finding that such waiver is consistent with the public policy set forth in NRS 463.0129.

(Adopted: 2/91. Amended: 11/18/99; 2/22/01.)

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REGULATION 14

**MANUFACTURERS, DISTRIBUTORS, OPERATORS OF
INTER-CASINO LINKED SYSTEMS, GAMING
DEVICES, NEW GAMES, INTER-CASINO
LINKED SYSTEMS, ON-LINE SLOT METERING SYSTEMS, CASHLESS
WAGERING SYSTEMS AND ASSOCIATED
EQUIPMENT**

14.010 Definitions. As used in this regulation, unless the context otherwise requires:

1. "Assume Responsibility" means to acquire complete control over, or ownership of, a gaming device, cashless wagering system, mobile gaming system or interactive gaming system.

2. "Cashless wagering system" means the collective hardware, software, communications technology, and other associated equipment used to facilitate wagering on any game or gaming device including mobile gaming systems and interactive gaming systems with other than chips, tokens or legal tender of the United States. The term does not include any race and sports computerized bookmaking system that accepts pari-mutuel wagers, or any other race and sports book systems that do not accept wagering instruments or process electronic money transfers.

This type of associated equipment is further defined in NRS 463.014.

3. "Chairman" means the chairman of the state gaming control board or his designee.

4. "Control Program" means any software, source language or executable code which affects the result of a wager by determining win or loss. The term includes, but is not limited to, software, source language or executable code associated with the:

(a) Random number generation process;

(b) Mapping of random numbers to game elements displayed as part of game outcome;

(c) Evaluation of the randomly selected game elements to determine win or loss;

(d) Payment of winning wagers;

(e) Game recall;

(f) Game accounting including the reporting of meter and log information to on-line slot metering system;

(g) Monetary transactions conducted with associated equipment;

(h) Software verification and authentication functions which are specifically designed and intended for use in a gaming device;

(i) Monitoring and generation of game tilts or error conditions; and

(j) Game operating systems which are specifically designed and intended for use in a gaming device.

5. "Conversion" means a change in a gaming device from one pre-approved configuration to another pre-approved configuration or from one approved mode of play to another approved mode of play.

6. "Distribution" or "distribute" means:

(a) The sale, offering for sale, lease, offering for lease, licensing or other offer of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system for use or play in Nevada; or

(b) The sale, offering for sale, lease, offering for lease or other offer of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system from a location within Nevada.

7. "Distributor" means a person or entity that distributes any gaming device, cashless wagering system, mobile gaming system or interactive gaming system.

8. "Distributor of associated equipment" is any person that sells, offers to sell, leases, offers to lease, licenses, markets, offers, or otherwise offers associated equipment in Nevada for use by licensees.

9. "Equipment associated with interactive gaming" means associated equipment as defined within NRS 463.0136.

10. "Interactive gaming system" is a gaming device and means the collective hardware, software, communications technology, and proprietary hardware and software specifically designed or modified for, and intended for use in, the conduct of interactive gaming. The core components of an interactive gaming system, including servers and databases running the games on the interactive gaming system and storing game and interactive gaming account information, must be located in the State of Nevada except as otherwise permitted by the chairman or his designee.

11. "Game outcome" is the final result of the wager.

12. "Game variation" means a change or alteration in a game or gambling game that affects the manner or mode of play of an approved game. This includes, but is not limited to, the addition or removal of wagering opportunities or a change in the theoretical hold percentage of the game. The term game or gambling game is defined in NRS 463.0152.

13. "Independent contractor" means any person who:

(a) Is not an employee of a licensed manufacturer; and

(b) Pursuant to an agreement with a licensed manufacturer:

(1) Designs, develops, programs, produces or composes a control program on behalf of the licensed manufacturer; or

(2) Designs, develops, produces or composes software, source language or executable code intended to be compiled into a control program by the licensed manufacturer.

↳ As used in this regulation "licensed manufacturer" includes any affiliate that is owned or controlled by or under common control with the licensee.

14. "Independent testing laboratory" means a private laboratory that is registered by the commission to inspect and certify games, gaming devices, associated equipment, cashless wagering systems, inter-casino linked systems, mobile gaming systems or interactive gaming systems, and any components thereof and modifications thereto, and to perform such other services as the board and commission may request.

15. "Inter-casino linked system" means ~~{an inter-casino linked system including}~~ a network of electronically interfaced similar games which are located at two or more licensed gaming establishments that are linked to conduct gaming activities, contests or tournaments and the collective hardware, software, communications technology and other associated equipment used in such system to link and monitor games or devices located at two or more licensed gaming establishments, including any associated equipment used to operate a multi-jurisdictional progressive prize system. Systems that solely record a patron's wagering activity among affiliated properties are not inter-casino linked systems. ~~[This term is further defined in NRS 463.01643.]~~ As used in this regulation, the term "multi-jurisdictional progressive prize system" means the collection of hardware, software, communications technology and other associated equipment used to link and monitor progressive slot machines among licensed gaming establishments in this state participating in an inter-casino linked system and one or more lawfully operated gaming locations in other jurisdictions in the United States that participate in a similar system.

16. "Inter-casino linked system modification" means a change or alteration to an inter-casino linked system made by an operator who has been previously approved by the commission to operate that system. With regard to inter-casino linked systems that link progressive payout schedules, the term includes, but is not limited to:

(a) A change in a system name or theme; or

(b) A change in gaming device denomination.

17. "Manufacture" means:

(a) To manufacture, produce, program, design, control the design of, maintain a copyright over or make modifications to a gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware;

(b) To direct, control or assume responsibility for the methods and processes used to design, develop, program, assemble, produce, fabricate, compose and combine the components and other tangible objects of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware; or

(c) To assemble, or control the assembly of, a gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware.

18. "Manufacturer" means a person who operates, carries on, conducts or maintains any form of manufacture.

19. "Manufacturer of associated equipment" is any person that manufactures, assembles, or produces any associated equipment, including inter-casino linked systems, for use in Nevada by licensees.

20. "Manufacturer of Equipment Associated with Interactive Gaming" means any person that manufactures, assembles, or produces any equipment associated with interactive gaming.

21. "Mobile gaming system" or "system" means a system that allows for the conduct of games through mobile communications devices operated solely within a licensed gaming establishment by the use of

communications technology that allows a patron to bet or wager, and corresponding information related to the display of the game, gaming outcomes or other similar information.

22. "Mobile gaming system modification" means any change or alteration to a mobile gaming system made by a manufacturer from its approved configuration.

23. "Modification" means a change or alteration in a gaming device previously approved by the commission for use or play in Nevada that affects the manner or mode of play of the device. The term includes a change to control or graphics programs and, except as provided in paragraphs (d) and (e), in the theoretical hold percentage. The term does not include:

(a) A conversion;

(b) Replacement of one component with another, pre-approved component;

(c) The rebuilding of a previously approved device with pre-approved components;

(d) A change in the theoretical hold percentage of a mechanical or electro-mechanical device, provided that the device as changed meets the standards of Regulation 14.040(1); or

(e) A change in the theoretical hold percentage of an electronic device which is the result of a top award jackpot or bonus jackpot payment which is paid directly by an attendant and which is not accounted for by the device.

24. "On-line slot metering system" means the collective hardware, software and other associated equipment used to monitor, accumulate, and record meter information from gaming devices within a licensed establishment.

25. "Operator" means, *as the context requires*, any person or entity holding a license to operate:

~~(a) [a] An inter-casino linked system or mobile gaming system in Nevada[.];~~

~~(b) [a person or entity holding a license to operate a] A slot machine route that operates an inter-casino linked system for slot machines only[.];~~

~~(c) [a person or entity holding a license to operate a] A nonrestricted gaming operation that operates an inter-casino linked system of affiliates; or~~

~~(d) An inter-casino linked system under the preceding paragraphs (a) or (b) of this section which system also is linked to or otherwise incorporates a multi-jurisdictional progressive prize system.~~

26. "Private residence" means a noncommercial structure used by a natural person as a place of abode and which is not used for a commercial purpose.

27. "Proprietary hardware and software" means hardware or software specifically designed for use in a gaming device including a mobile gaming system and interactive gaming system.

28. "Randomness" is the observed unpredictability and absence of pattern in a set of elements or events that have definite probabilities of occurrence.

29. "Theme" means a concept, subject matter and methodology of design.

14.030 Approval of gaming devices and the operation of new inter-casino linked systems; applications and procedures.

1. A manufacturer or distributor shall not distribute a gaming device in Nevada and a licensee shall not offer a gaming device for play unless it has been approved by the commission or is offered for play pursuant to a field test ordered by the chairman.

2. An operator of an inter-casino linked system shall not install and operate a new inter-casino linked system in Nevada and a licensee shall not offer any gaming device or game for play that is part of such a system unless operation of the inter-casino linked system and all gaming devices or games that are part of or connected to the inter-casino linked system have been approved by the commission or are offered for play pursuant to a field test ordered by the chairman.

3. Applications for approval of a new gaming device or to operate a new inter-casino linked system shall be made and processed in such manner and using such forms as the chairman may prescribe. Only licensed manufacturers may apply for approval of a new gaming device. Only operators may apply for approval to operate a new inter-casino linked system.

4. At the chairman's request an applicant for a manufacturer's or inter-casino linked system operator's license shall, or upon the chairman's prior approval an applicant for a manufacturer's or operator's license may, apply for a preliminary determination that a new gaming device or new inter-casino linked system meets the standards required by this regulation.

5. Each application shall include, in addition to other items or information as the chairman may require:

(a) A complete, comprehensive, and technically accurate description and explanation in both technical and lay language of the manner in which the device or inter-casino linked system operates and complies with all applicable statutes, regulations and technical standards, signed under penalty of perjury;

(b) A statement under penalty of perjury that, to the best of the manufacturer's knowledge, the gaming device meets the standards of section 14.040 or, in the case of an inter-casino linked system, that to the best of the operator's knowledge the system meets the standards of section 14.045;

(c) In the case of a gaming device, a copy of all executable software, including data and graphic information, and a copy of all source code for programs that cannot be reasonably demonstrated to have any use other than in a gaming device, submitted on electronically readable, unalterable media;

(d) In the case of a gaming device, a copy of all graphical images displayed on the gaming device including, but not limited to, reel strips, rules, instructions and paytables;

(e) In the case of an inter-casino linked system:

(1) An operator's manual;

(2) A network topology diagram;

(3) An internal control system;

(4) A hold harmless agreement;

(5) A graphical representation of the system theme and all related signage; and

(6) Information sufficient to calculate a theoretical payoff schedule amount including, but not limited to, the base and reset amounts, the total contribution percentage and a breakdown of that percentage including contribution rates to all progressive payoff schedules and all reset funds, the odds of winning the progressive payoff schedule and the amount of the wager required to win the progressive payoff schedule;

(7) The form of any agreement or written specifications required of an operator by any other state or tribal government and affecting a multi-jurisdictional progressive prize system.

(f) In the case of a mobile gaming system:

(1) An operator's manual;

(2) A network topology diagram;

(3) An internal control system; and

(4) A description of the method used to isolate game function to the areas listed in Regulation 5.220(1)(i);

and

(g) All materials relating to the results of the registered independent testing laboratory's inspection and certification process that are required under section 14.400.

14.100 Final approval of new gaming devices and new inter-casino linked systems.

1. After completing its evaluation of the new gaming device or the operation of a new inter-casino linked system, the board shall recommend to the commission whether the application for approval of the new gaming device or operation of a new inter-casino linked system should be granted.

2. In considering whether a new gaming device or operation of a new inter-casino linked system will be given final approval, the board and commission shall consider whether:

(a) Approval of the new gaming device or operation of a new inter-casino linked system is consistent with the public policy of this state.

(b) The terms of any agreement or written specifications required of an operator by any other state or tribal government and affecting a multi-jurisdictional progressive prize system comply with the provisions of these regulations and include procedures satisfactory to the Commission for:

(1) Ensuring the mathematical probability of winning the progressive prize and the minimum rate of progression for the primary jackpot meter are identical for all gaming devices connected to such system;

(2) Resolution of patron disputes under procedural and substantive requirements equal to or greater than the standards applied by the Commission;

(3) Surveillance and security of gaming devices connected to such system;

(4) Record-keeping and record-retention;

(5) Control of access to any internal mechanism of gaming devices connected to such system;

(6) Prior administrative approval of the Chairman for any adjustments to progressive meters; and

(7) Access by the Board to audit compliance with the requirements of this subparagraph.

3. Commission approval of a gaming device or inter-casino linked system does not constitute certification of the device's or inter-casino linked system's safety. **Commission approval of a multi-jurisdictional progressive prize system shall include approval of any agreement or written specifications required by any other state**

or tribal government and affecting such system. The chairman will complete any written acknowledgement necessary to document the commission's approval of any such agreement or written specifications.

1 BEFORE THE NEVADA GAMING COMMISSION

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3 IN THE MATTER OF THE ADOPTION OF
4 AMENDMENTS TO NEVADA GAMING
5 COMMISSION REGULATIONS 5.115, 14.010,
6 14.030 and 14.100 GOVERNING MULTI-
7 JURISDICTIONAL PROGRESSIVE PRIZE
8 SYSTEMS.



8 SUPPLEMENT TO PETITION FOR ADOPTION OF REGULATIONS

9 The Petitioners, Bally Technologies, Inc. ("Bally"), and IGT ("IGT" and
10 collectively with Bally the "Companies"), acting by and through legal counsel, Lionel
11 Sawyer & Collins, respectfully submit to the Nevada Gaming Commission (the
12 "Commission"), this Supplement to Petition (the "Petition Supplement"), for the
13 adoption of amendments to Nevada Gaming Commission Regulations 5.115, 14.010,
14 14.030 and 14.100 pursuant to Sections 463.143, 463.145(1)(d) and 463.150(2)(j) of the
15 Nevada Revised Statutes ("NRS"). By this Petition Supplement, Bally and IGT provide
16 the following additional information in support of the Petition filed by the Companies
17 on August 7, 2013, namely:

18 1. As requested by the Nevada State Gaming Control Board during the
19 Regulation Workshop conducted on September 11, 2013, copies of the following public
20 documents:

21 (a) Minutes of Senate Comm. on Judiciary, 68th Sess., Nev. Legis.,
22 *Hearing on Assembly Bill (May 12, 1995)(Exhibit 1, *infra*);*

23 (b) Minutes of Assembly Comm. on Judiciary, 68th Sess., Nev. Legis.,
24 *Hearing on Assembly Bill 131 (Mar. 21, 1995)(Exhibit 2, *infra*); and*

25 2. In response to matters raised and discussed before the Nevada State
26 Gaming Control Board during the Regulation Workshop conducted on September 11,
27 2013, a revised draft dated October 1, 2013, of the Proposed Amendments to 5.115,

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14.010, 14.030 and 14.100 (Exhibit 3, *infra*).

DATED and respectfully submitted this 7th day of October, 2013.

LIONEL SAWYER & COLLINS

By: Dan R. Reaser

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Attorneys for Petitioners.



MINUTES OF THE
ASSEMBLY COMMITTEE ON JUDICIARY

Sixty-eighth Session
March 21, 1995

The Committee on Judiciary was called to order at 8:18 a.m., on Tuesday, March 21, 1995, Chairman Humke presiding in Room 332 of the Legislative Building, Carson City, Nevada. Exhibit A is the Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

Mr. Bernie Anderson, Chairman
Mr. David E. Humke, Chairman
Ms. Barbara E. Buckley, Vice Chairman
Mr. Brian Sandoval, Vice Chairman
Mr. Thomas Batten
Mr. John C. Carpenter
Mr. David Goldwater
Mr. Mark Manendo
Mrs. Jan Monaghan
Ms. Genie Ohrenschall
Mr. Richard Perkins
Mr. Michael A. (Mike) Schneider
Mrs. Dianne Steel
Ms. Jeannine Stroth

GUEST LEGISLATORS PRESENT:

Assemblyman Vivian L. Freeman, District No. 24

STAFF MEMBERS PRESENT:

Dennis Neilander, Research Analyst
Patty Hicks, Committee Secretary

OTHERS PRESENT:

Mr. Orland T. Outland
Mr. Chris C. Fortier

OTHERS PRESENT: (Continued)

Mr. John G. Breeding, President, Shuffle Master, Inc.
P. Gregory Giordana, Esq., Lionel, Sawyer and Collins/Shuffle Master, Inc.
Mrs. Diane Breeding, Shuffle Master, Inc.
Mr. David Bennum
Mrs. Leilani Bennum
Ms. Perla DeCastro
Ann Price McCarthy, Esq., Nevada Trial Lawyers Association
Ms. Ande Engleman, Nevada Press Association
Ms. Kathleen Shane, Washoe County Social Services
Ms. Laurel Stadler, MADD
Honorable Scott Jordan, Second Judicial District Court, Washoe County
Ms. Barbara Pinkston
Mr. Jerry P. Nims, CASA, Washoe City Chapter, Nevada State Psychologists
Association
Ms. Lucille K. Lusk, Nevada Concerned Citizens
Deputy Attorney General Donald W. Winne, Jr.
Barry Frank, M.D.
William Torch, M.D.
Deputy Attorney General Cyndy Pizel

Ms. Julie Foley, VP Public Affairs, International Technical Systems
Ms. Ellen Whittemore, Esq., Lionel, Sawyer and Collins/International
Technical Systems
Mr. John Sarb, Administrator, Nevada Department of Human Resources,
Division of Child and Family Services
Ms. Bobbie Gang, Nevada Chapter, National Association of Social Workers
Ms. Diane Loper, Nevada Women's Lobby
Ms. Shirley Perkins, Counselor, Washoe County School District
Ms. Sheila Leslie, Action for Nevada's Children
Mr. Robert Barengo, Leroy's Horse & Sports Place
Mr. Steve Ghiglieri
Ms. Debra Ballew
Mr. William A. Bible, Chairman, Nevada Gaming Board
Robert D. Faiss, Esq., Lionel, Sawyer and Collins Law Firm

ASSEMBLY BILL NO. 177 - Revises provisions governing best interests
of child in termination of parental rights.

ASSEMBLY BILL NO. 302 - Makes best interests of child determining
factor in cases concerning termination of
parental rights.

Assemblyman Vivian L. Freeman, District No. 24, sponsor, testified the
vulnerability of deserted and abused children in Nevada are the focus of this
legislation. She stated the bill was endorsed by family court judges and urged
consideration of its merits. The Honorable Scott Jordan, Second Judicial District
Court, Washoe County, was requested to give testimony, attached as (Exhibit C).

Judge Jordan advised most cases involve parents with addiction problems making
them incapable of providing proper parental care. He further advised A.B. 177 and
A.B. 302 are the result of collaboration between individuals and agencies involved
in working with children. Currently, if the parents fail to comply with a case plan
for a six months period, termination of parental rights may be appropriate.
Amendments proposed are if a child has been removed from the home for 18
consecutive months, presumption is made parents have not made efforts toward
reunification. Therefore, termination of parental rights is in the best interests of the
child. He also supported proposed amendments by Deputy Attorney General
Donald W. Winne, Jr.

Chairman Humke announced that both bills will be referred to a subcommittee for
consideration.

Deputy Attorney General Donald W. Winne, Jr., testified as counsel to Division of
Child and Family Services and offered the proposed amendments to A.B. 177
attached as (Exhibit D). For the record, Assemblyman Vivian L. Freeman, District
No. 24, sponsor, agreed with the proposed amendments.

Mr. John H. Sarb, Administrator, Nevada Department of Human Resources,
Division of Child and Family Services, testified in support of A.B. 177 attached as
(Exhibit F). Approximately eight hundred children are in custody for 18 months.
The state makes a lousy parent. Teenagers are less likely candidates for
termination of parental rights and adoption proceedings. Adoptive parents are
easily found even for terminally ill children. Normally adoptions are finalized in two
to three years. In regard to mixed race adoptions, Mr. Sarb indicated 120
adoptions were finalized. Attempts are made to match the race of the child to the
adoptive parents before different race adoptive parents are considered.

Mr. Sarb stated there is no fiscal impact on this bill. Chairman Humke directed the
subcommittee to research information on fiscal impact.

This year Division of Child and Family Services received child support of approximately \$1.4 million dollars on a budget to care for children that exceeds \$21 million. Of the \$1.4 million less than \$400,000 is from parents. The remainder is from other benefits such as social security, etc.

To achieve permanent reunification, a parent must show successful completion of addiction treatment, period of sobriety, parental education, stable residence, and proof of income. Cases in excess of sixty percent are successful in reunification. Deputy Attorney General Winne clarified the division makes recommendations to the court for final disposition of returning the child back to the family.

Barry S. Frank, M.D., Director of Pediatric Intensive Care Unit, Washoe Medical Center, testified in support of A.B. 177. Yearly he has seen 150-200 deaths of children due to some form of abuse. He urged the judges be given the tools to make rational caring decisions. Dr. Frank read the following quote, "The death of a child is the single most traumatic event in medicine. To lose a child is to lose a piece of yourself."

William Torch, M.D., Director of Neurodevelopmental and Neurodiagnostic Center and Muscular Dystrophy Clinic, testified in support of A.B. 177 and A.B. 302. Nevada needs to make a change. The best interests of children have been neglected through the years in the judicial system to help children.

Deputy Attorney General Donald W. Winne, Jr., stated there is a certain time frame where there is little or no contact with a parent. A case plan was developed. The parents appeared once or twice at a hearing. If no cooperation is received from a parent after six months, parental rights may be terminated to allow for adoption. After 18 months the parents have been allowed enough time for reunification. If parents cannot accomplish reunification in 18 months, the parent has the burden of proving they complied with the court plan in order to be reunited with the child. The best interest of the child has to be shown.

Mr. Jerry P. Nims, Ph.D., CASA, Washoe City Chapter, Nevada State Psychologists Association, testified in support of A.B. 177. The CASA organization desperately wants to see the intent of the bill advanced as hundreds of children are dealt with very unfairly. For years children's lives have been impacted and he implored this body to remedy the situation.

Mr. Orland T. Outland, child abuse victim of Reno, Nevada, testified in support of A.B. 177 and his testimony was distributed as (Exhibit G). He quoted a saying, "rank has its privilege and rank also has its responsibilities."

Mr. Chris Fortier, UNR student, testified stricter measures need to be enacted in severe cases. His testimony is attached as (Exhibit H).

Mr. and Mrs. David Bennum, grandparents, testified regarding a custody suit involving their grandson due to the incarceration of their daughter and addiction problems. Mrs. Lelanie Bennum passed around photographs of the child to the committee. Mr. Bennum read Dr. Nims, psychologist report and Dr. Earl Neilsen's evaluation. The court found the child should remain in the custody of the grandparents with visitation rights to the mother. The rights and best interests of the child may become the deciding factor. Instead the Nevada Supreme Court overturned the district court ruling. The presumption of the parent being unfit has to be found. They filed for stay of execution of the order. Chairman Humke informed the grandparents Assemblyman Freeman has a bill draft which affects this area of the statute.

Ms. Ann Price McCarthy, Esq., of Nevada Trial Lawyers Association, testified in support of A.B. 177 and A.B. 302 and offered her services to the subcommittee in drafting amendments. The best interest of the child should be considered in taking care of the children of this state.

Ms. Kathleen Shane, Director Children's Services Division, testified in support of

A.B. 177 and amendments. Her testimony is attached as (Exhibit I). Similarly, she offered her services to work with the subcommittee.

Ms. Laurel Stadler of MADD testified in support of A.B. 177 and handed out a brochure attached as (Exhibit J). She proposed amending Section 3 to add "conviction of a DUI offense."

Ms. Barbara Pinkston, stalking victim, recently moved from Las Vegas to Reno, testified in support of A.B. 177, as the judge in her particular case did not grant termination of parental rights. In this process the best interest of her daughter is being lost. She was at a loss for help. Assemblyman Freeman was thanked for drafting this bill.

Ms. Lucille K. Lusk, Nevada Concerned Citizens, testified in support of A.B. 177 and proposed amendment to p. 3 to change six months to a "presumption" rather than evidence. She would be pleased to work with the subcommittee.

ASSEMBLY BILL NO. 133 - Makes various changes to provisions governing regulation of gaming.

Mr. William A. Bible, Chairman, Nevada Gaming Control Board, testified in support of A.B. 133. Proposed amendments are attached as (Exhibit K).

Mr. Bible advised the Gaming Control Board reviews every work permit. In most instances the local entities issue work permits for revenue. The state has the ability to object. There is an appellate mechanism. It is common in northern Nevada for people working in more than two jurisdictions to be required to purchase multiple cards. Southern Nevada eliminates double carding by using an updated postal card.

Robert D. Faiss, Esq., of Lionel, Sawyer & Collins Law Firm, counsel to Nevada Resort Association with President Richard Bunker, testified in support of A.B. 131 and A.B. 133. They thanked Chairman Bible for his cooperative approach.

Ms. Ande Engleman, Nevada State Press Association, Inc., testified in support of A.B. 133. Mr. Bible was commended for his work and the amendments are supported.

ASSEMBLY BILL NO. 131 - Provides for regulation of inter-casino linked systems related to gaming.

Mr. William A. Bible, Chairman, Nevada Gaming Control Board, testified in support of A.B. 131 and looks forward to working with the subcommittee. As the technology in the gaming industry advances, this legislation is needed. It is patterned after operations currently being done by slot operators, such as Megabucks. Networking of table games with progressive features, i.e., sports and race books, creates a new classification of the licensee known as an operator of an inter-link system. It would not run afoul of the lottery statute.

Robert D. Faiss, Esq., of Lionel, Sawyer & Collins Law Firm, counsel to Nevada Resort Association, testified in support of A.B. 131.

Ms. Ellen Whittemore, Esq., of Lionel, Sawyer & Collins Law Firm, testified in support of A.B. 131 and new state-of-the-art keno technology through graphics and monitors. She looked forward to working with the subcommittee.

Ms. Julie A. Foley, Vice President, Public Affairs, International Technical Systems, Inc., testified in support of A.B. 131. She indicated a desire to revive interest in a new keno game and offered to confer with the subcommittee.

P. Gregory Giordana, Esq., Lionel, Sawyer and Collins/Shuffle Master, Inc., testified in support of A.B. 131 and agreed to work in cooperation with the subcommittee.

His testimony is attached as (Exhibit L). Chairman Bible and Nevada Resort Association are commended for their support. A proposed amendments to A.B. 131 for "Let It Ride Tournament" is attached as (Exhibit M). The state is estimated to receive \$4 million dollars per year in gaming tax revenues from this game alone.

Mr. John G. Breeding, President, Shuffle Master, Inc., advised it is an electronic game and description of how to play is attached as (Exhibit N).

Chairman Humke advised proposed amendments of A.B. 185, A.B. 125, A.B. 151, A.B. 94, A.B. 92, A.B. 106, A.B. 110, A.B. 87, and S.B. 61 were distributed for review and inquiries should be directed to Mr. Neilander, research staff, or the Co-Chairmen.

Chairman Humke appointed a subcommittee on A.B. 177, A.B. 302, A.B. 131, and A.B. 133 composed of Mr. Humke, Mr. Anderson, Ms. Buckley and Mr. Sandoval.

There being no further business, the meeting was adjourned at 11:06 a.m.

RESPECTFULLY SUBMITTED:

Patty Hicks,
Committee Secretary

APPROVED BY:

Assemblyman Bernie Anderson, Chairman

Assemblyman David E. Humke, Chairman

Assembly Committee on Judiciary
March 21, 1995
Page

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MINUTES OF THE
SENATE COMMITTEE ON JUDICIARY

Sixty-eighth Session
May 12, 1995

The Senate Committee on Judiciary was called to order by Chairman Mark A. James, at 8:35 a.m., on Friday, May 12, 1995, in Room 224 of the Legislative Building, Carson City, Nevada. Exhibit A is the Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

Senator Mark A. James, Chairman
Senator Jon C. Porter, Vice Chairman
Senator Maurice Washington
Senator Mike McGinness
Senator Ernest E. Adler
Senator Dina Titus
Senator O.C. Lee

GUEST LEGISLATORS PRESENT:

Assemblywoman Jeannine Stroth

STAFF MEMBERS PRESENT:

Allison Combs, Senior Research Analyst
Marilyn Hofmann, Committee Secretary

OTHERS PRESENT:

William A. Bible, Chairman, State Gaming Control Board
Harvey Whittemore, Lobbyist, representing Nevada Resort Association
P. Gregory Giordano, Attorney at Law, representing Shuffle Master, Inc.
Ellen Whittemore, Attorney at Law, representing International Technical Systems
Julie Foley, Vice President of Public Affairs, International Technical Systems
Richard A. Wright, Attorney at Law, Nevada Attorneys for Criminal Justice
Mike Specchio, Office of the Washoe County District Attorney
Morgan Harris, Office of the Clark County District Attorney

Senator James opened the hearing on Assembly Bill (S.B.) 133.

ASSEMBLY BILL 133: Makes various changes to provisions governing regulation of gaming.

The first to appear was William A. Bible, Chairman, State Gaming Control Board. Mr. Bible indicated S.B. 133 was an "omnibus measure," which makes a number of minor changes to the Gaming Control Act. He first indicated that section 1 provides the mechanism for the Nevada Gaming Commission to remove from its records the names of individuals from whom taxes are uncollectible, principally from bankruptcy filings. Mr. Bible

stated section 2 of the bill will delete the reference to Nevada Revised Statutes (NRS) 453.500. He said section 3 will provide additional flexibility in NRS 453.172, which allows a licensee or individual who owns an interest in a gaming establishment to place that interest into a trust, without having to re-qualify with a background investigation. Mr. Bible indicated an approval would relate back to the date on which the trust was executed. He said sections 4 and 5 of the bill relate to refunds. Mr. Bible indicated section 6 contained certain bill drafting corrections in language. He indicated that section also provides in the Gaming Control Act the ability to require an individual who owns or has a beneficial ownership interest in a debt security of a publicly traded corporation, to stand for suitability. He said the definition of "debt security" appears on page 8 of the bill. Mr. Bible outlined the technical changes in the remaining sections of the bill. With respect to section 11, he indicated there were two "repealers," one being the repeal of NRS 453.500, which currently provides that articles of incorporation of a Nevada corporation engaged in gaming activities contain specific language which indicates gaming is one of the legal focuses for which the corporation was chartered. Mr. Bible stated there was "no particular reason" for that language and indicated he had discussed the matter with the secretary of state. He said the other "repealer" dealt with the issuance of work permits on a limited basis to individuals who had been convicted of misdemeanors or gross misdemeanors. Mr. Bible stated that provision was given a "sunset," and they would ask that the board retain that authority, and the changes approved during the last session of the Legislature be made permanent.

The next person to testify was Harvey Whittemore, Lobbyist, representing the Nevada Resort Association (NRA). Mr. Whittemore indicated the industry supports A.B. 133. He indicated the only unresolved issue was that regarding placement of the definitional section. Mr. Whittemore said the definition of "debt security" should have general application, because the way the bill now exists, it may be read as having "debt security" apply only to one particular section. He wanted to be sure the record was clear that the NRA would like the phrase to have general application throughout the statutes. Senator James asked why the definition would be codified elsewhere in the statutes. Mr. Whittemore answered there could be an amendment preceding a definition section, which would have application throughout the act, or in the alternative, to place the definition with respect to publicly traded corporations. However, he reiterated, to make it perfectly clear, it should be added as a definitional section to chapter 463 of NRS. Appearing to speak to this issue was P. Gregory Giordano, Attorney at Law, with Lionel, Sawyer & Collins, Las Vegas. He said in the statutes at the present time, there were a number of definitions regarding corporations and publicly traded corporations which are set forth in NRS 463.482 et seq. Mr. Giordano said the problem regarding the definition of "debt security" was that it may be limited only to NRS 463.643, and general application would be preferable. He stated, "Debt security means any instrument generally recognized as corporate security, representing money owed and reflected as debt on a financial statement of an entity, including, but not limited to,

bonds, notes and debentures."

There was no further testimony on A.B. 133. The chairman closed the hearing on the bill and opened the hearing on A.B. 131.

ASSEMBLY BILL 131: Provides for regulation of inter-casino linked systems related to gaming.

The first to speak was William A. Bible, Chairman, State Gaming Control Board. Mr. Bible stated the bill would "provide a regulatory environment for table games, in a very similar manner to the existing regulatory environment for linked slot machines." He used as an example of a "linked slot machine," the "Megabucks" machines. Mr. Bible said when a person plays the machine in one casino, he or she is in fact playing a network which is operated throughout the state. He said there have been requests to link table games with progressive "pots" between properties. Mr. Bible said this would increase the amount of prizes available on these games. He said the intent was to "add more sizzle" to such table games. Mr. Bible indicated table games over the years have not grown as rapidly as slot revenues. He said the technology exists today to develop a statewide Keno game, with the numbers being drawn at one location, with players being able to participate in other locations. Mr. Bible stated this would result in increased prizes because of larger participation.

Mr. Bible reviewed the bill, section-by-section. He pointed out section 9 relates to gross revenue in terms of tournament play.

Mr. Bible stated the statute would allow an operator of an inter-casino linked system to deduct losses in tournament

play to the extent of payments for that play, so there would be revenue gains to the state, but no revenue loss. He said tournaments at this time are excluded from taxation, both for revenue and payouts. Mr. Bible said this provision of the bill, which was agreed upon by the industry, states if there is a tournament entry fee of, for example, \$100, and a payout of \$10, \$90 would be subject to taxation. Also, he said, if the payout in that situation was \$100, there would be no taxation. Mr. Bible stated, however, losses could only be deducted to the extent of revenues. He said in section 10 of A.B. 131, relating to licensure requirements, indicates it will be unlawful to conduct an interlinked casino system without appropriate licensure, except for interlinked systems between affiliated properties. Mr. Bible pointed out section 12 of the bill provides that revenues from the activities, instead of being reported by the operator of the inter-casino linked system, will be reported by the licensee, which is similar to reporting requirements for slot route operators. He stated section 13 indicates when calculating gross revenue, a proportional share of losses would be distributed throughout the system.

Mr. Bible stated he had expressed concerns with respect to interlinked casino systems violating the anti-lottery provisions of the Nevada constitution, but he said he was advised by the Office of the Attorney General that was not the case.

Senator James asked a question regarding the fiscal impact of the bill, and Mr. Bible stated he believed revenue to the state

should be increased, and there should be no impact.

The next to speak were Ellen Whittemore, Attorney at Law, representing International Technical Systems (ITS) and Julie Foley, Vice President of Public Affairs for ITS. Ms. Whittemore indicated Ms. Foley would speak on the issue of interlinked Keno games.

Ms. Foley indicated ITS was fully owned by Si Redd, "a leader in gaming innovation for the past several years." She said Mr. Redd is in support of linked table games. Ms. Foley stated, "Keno is dying all over the state...in a Keno lounge where there once were 100 chairs...now there may be 10 to 14 chairs." She said Mr. Redd has developed an interlinked game in order to "spruce up the game of Keno." Ms. Foley indicated revenue would increase, while casino overhead is decreased. She thanked the NRA and the gaming control board for working on the bill to make sure it is a "win, win, win" for the casinos, for the state and the distributors of gaming devices.

Senator Washington asked if it would be advantageous to allow persons to play Keno on their "Internet" computer systems, which would allow people to play from their homes. Ms. Whittemore answered Keno play in hotel rooms has been discussed, and in the future it may be considered. Senator Adler asked why an interlinked system would increase Keno play. Ms. Foley answered they envision jackpots of \$5 to \$7 million, with jackpots being hit more frequently. Senator Adler stated he knew why people did not play Keno: "You pick 12 numbers and the casino picks 12 different numbers...I don't know why it has taken people so long to catch on."

The next person to speak was P. Gregory Giordano, Attorney at Law, representing Shuffle Master, Inc. Mr. Giordano offered a prepared statement and an explanation of the game, "Let it Ride, ." and how tournament play will be structured. That statement is attached hereto as Exhibit C. Senator Adler asked for information regarding the "Shuffle Master." Mr. Giordano stated the machine deals the cards totally at random every time, and provides maximum security. He said the shuffler is part of the "Let it Ride" package, and a casino cannot run such a game without utilizing the Shuffle Master. Mr. Giordano said the "Let it Ride" tournament will offer \$1 million jackpots. He explained that people playing the game at selected casinos, will pay an extra \$1 fee per hand to qualify for entry into the tournament. Mr. Giordano stated those bets are tallied by computer, at each participating casino, as are hands high enough to qualify.

Harvey Whittemore, representing the NRA, stated the organization supports A.B. 131. He said there was an industry-supported amendment in section 11(4), wherein a sentence would be added at the end of the new language: "An inter-casino linked system shall not be used to link games other than slot machines, unless such games are located at an establishment that is licensed for games other than slot machines." Mr. Whittemore stated this language will clarify the intent and purposes of the bill.

There was no further testimony, and the chairman closed the

hearing on A.B. 131. Senator James then opened the hearing on S.B. 401.

SENATE BILL 401:Revises provisions governing regulation of gaming.

Mr. Whittemore introduced his sister, Ellen Whittemore, Attorney at Law, as someone "who is brighter and more articulate in the gaming area than I...." Ms. Whittemore provided the committee members with a packet regarding the amendments to the bill (Exhibit D. Original is on file in the Research Library.) and spoke from a prepared statement (Exhibit E).

Senator James indicated the bill includes a raise in salary for gaming commissioners, and that provision will not be heard nor voted upon in the Senate Committee on Judiciary. He stated he would later request a motion to amend and do pass all other sections without recommendation as to commissioners' salaries, and re-referral to the Senate Committee on Finance.

Ms. Whittemore read to the committee from her statement set forth as Exhibit E, which contains a section-by-section explanation of the bill.

Senator Titus asked a question regarding "debit cards." She asked for clarification that a bank automatic teller machine (ATM) card could be placed into a slot machine "...and whatever amount of money you could get from a bank machine will be forwarded to that slot machine." Senator Titus asked if a bank charge (VISA) card could be placed into the machine. Ms. Whittemore confirmed that could not be done. Mr. Whittemore confirmed with respect to an ATM transaction, that it would be subject to the bank's overdraft agreements.

Ms. Whittemore completed her review of the bill with her prepared statement (Exhibit E).

Mr. Whittemore read into the record a statement from Brian McKay, Vice President and General Counsel, International Game Technology (IGT). That statement is set forth herein as Exhibit F.

There was no further testimony on S.B. 401, and the chairman closed the hearing on the bill. He then opened the committee work session.

SENATE BILL 375:Prohibits performance of act or neglect of duty in willful or wanton disregard of safety of persons or property.

Senator James identified this as the "fan man bill." He stated the bill was to be amended to clarify the felony class as category C.

SENATOR WASHINGTON MOVED TO AMEND AND DO PASS S.B. 375.

SENATOR TITUS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR PORTER WAS ABSENT FOR THE VOTE.)

* * * * *

SENATE BILL 400:Limits civil liability of gaming licensee, its affiliate and employer for certain communications regarding employee, former employee or applicant for employment.

Senator James indicated the bill would statutorily adopt a privilege which already exists in common law regarding communication between employers in good faith, under certain circumstances which do not result in liability for defamation or constitute grounds for recovery. He stated he wished to include language indicating that it is not a legitimate purpose to exchange information unlawfully obtained or to blacklist an employee in connection with lawful union activities. The chairman said amendatory language needed to be added at line 15 which says, "...it is privileged to the extent it does not impose liability for defamation or constitute grounds for recovery." He continued, "You could take a deposition...and have them communicate to you in deposition what they said, and there would not be a privilege against that disclosure; there would just be a privilege against predicating liability upon that communication between two employers...." Senator Adler said he was unsure about the use of the word "privilege, " because it has a specific meaning in the law. Mr. Whittemore indicated they would take another look at the language when the amendment is returned from bill drafting. He added he saw no real problem with the direction the committee was going regarding this issue. Senator Adler and Mr. Whittemore disagreed on the necessity for (2) and (3) in the bill. Mr. Whittemore said if the language was watered down too much, substantive changes would be made which would lessen what is present with respect to the common law. Senator James agreed (2) and (3) should remain in the bill.

SENATOR WASHINGTON MOVED TO AMEND AND DO PASS S.B. 400.

SENATOR MCGINNESS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS ABSTAINED FROM THE VOTE.)

* * * * *

Senator James called for a motion on S.B. 401, discussed earlier.

SENATOR MCGINNESS MOVED TO AMEND AND DO PASS S.B. 401.

SENATOR LEE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

The chairman referenced A.B. 133. He reminded the committee of

amendatory language regarding "debt security, which should have general application and appear in the definitional sections of the bill.

SENATOR ADLER MOVED TO AMEND AND DO PASS A.B. 133.

SENATOR LEE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Senator James stated the next bill to be discussed was S.B. 314.

SENATE BILL 314:Abolishes criminal defense of insanity.

Senator James indicated the bill had been approved with an amend and do pass vote on April 13, 1995. He said he wished to discuss the amendment at this time. He asked Ben Graham, Nevada District Attorneys Association, to explain the amendment. Mr. Graham stated a defendant will be able to enter a plea of "guilty, but mentally ill." However, he said, prior to that plea being accepted by the court, there would be a hearing to determine whether or not there was sufficient evidence to accept the plea. Mr. Graham said if the plea was accepted, the sentencing process would continue, with a presentence report, advice from the Division of Parole and Probation, input from the defendant and his counsel. He indicated if the defendant were incarcerated, he would be sent either to a mental health facility or to a correctional institution. Mr. Graham stated the defendant would be subject to treatment within that correctional institution to the extent it exists. He said the insanity aspect was still available, and evidence could be offered in order to reduce the mens rea in specific intent crimes. Mr. Graham stated the insanity defense as a "complete defense" has been removed from the bill. Senator James pointed out there was no mandate in the bill for development of new treatment.

Senator James said he would request an interim study of criminal insanity and the treatment available. Senator Adler stated the mental health institute in Reno was "on the edge of losing its accreditation," but the mental health treatment provided in the Department of Prisons is fully accredited and has been approved by the courts. He continued, "Ironically, these people would, I believe, receive as good or better treatment in the Department of Prisons...so this bill puts them where they should go."

There were no further questions regarding the amendment, and the chairman announced S.B. 314 would be reported to the floor of the Senate.

Senator James requested committee introduction of two bill draft requests (BDRs).

BILL DRAFT REQUEST 3-1965: Revises provisions governing civil liability for wrongful acts and revises provisions relating to punitive damages.

BILL DRAFT REQUEST 14-1852: Provides for release of presentencing reports to Immigration and Naturalization Service of United States Department of Justice.

SENATOR ADLER MOVED FOR COMMITTEE INTRODUCTION OF BDR 3-1965 AND BDR 14-1852.

SENATOR PORTER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Senator James opened the work session to a discussion of A.B. 151.

ASSEMBLY BILL 151: Requires criminal defendant to serve notice to district attorney of witnesses defendant intends to call at trial and allows criminal defendant and district attorney to discover certain matters.

Senator James stated the bill had been voted out of the committee, but was brought back based upon a question regarding the fiscal impact concerns. Appearing in front of the committee was Assemblywoman Jeannine Stroth, the bill's sponsor. Ms. Stroth presented suggested amendatory language, set forth on Exhibit G. She indicated that amendment was agreed upon by the Office of the Clark County Public Defender. Ms. Stroth referenced an article appearing in the Las Vegas Sun regarding the same issue as set forth in A.B. 151. A copy of the article is attached as Exhibit H. She referred to the trial mentioned in the article as "trial by ambush." Ms. Stroth said the witness set forth in the matter should have been disclosed to the prosecution prior to the trial.

Senator Porter stated he knew there were many discussions between the public defender's office and the district attorney's office, in order to develop a compromise. He pointed out there was no agreement on the part of the public defender's office.

Senator Porter said he was on record as supporting the bill, but he had fiscal concerns. Ms. Stroth pointed out the language of the amendment, "...shall be on or before calendar call...", and stated that should address any fiscal concerns. She said she felt this was "more than fair and more than a compromise."

Senator Adler stated he still had problems with the bill, because it requires a defense attorney to supply information, but does not require the prosecution to do the same. Ms. Stroth said the bill was amended to say that "upon request, the prosecution will provide information, and upon request the defendant will provide...." Ms. Stroth also made a reference to the amendment to S.B. 166, a bill linked to A.B. 151. (See Exhibit I).

SENATE BILL 166:Requires notice of expert witnesses who are

expected to testify at criminal trial and allows criminal defendant and district attorney to discover certain matters.

Senator Lee stated in light of making a motion to bring the bill back to the committee with reference to a fiscal impact, he was personally satisfied there would be no such impact in the bill, as amended.

Senator James asked if there was anyone present from the Office of the Clark County Public Defender's Office. Mr. Morgan Harris was present. Mr. Richard Wright, Nevada Attorneys for Criminal Justice (NACJ) approached the committee. He said considering the amendments he heard concerning "calendar cali" for Clark County and "10 days" for Washoe County, as the date witness information must be turned over, there was a problem with the "equal protection clause." Mr. Wright stated there could not be a criminal procedure that differs between the accused and the prosecution. He said there was also a problem with Article 4, sections 20 and 21 of the Nevada constitution, which state "you can't have special legislation for criminal procedure...you can't have a defendant having one set of rights in Washoe County and another set of rights in Clark County." Mr. Wright added an opinion by the Nevada Office of the Attorney General stated, "Criminal law must be of general application."

Mr. Wright stated the reality of the dynamics of criminal trial practice, is that the Clark County Public Defender has 39 trials set every week. He said of those 39 trials which are set, one-third of the defendants plead guilty, two-thirds are continued and only 2 cases go to trial. Mr. Wright stated the public defender will not know at the time of trial setting, which cases will actually go to trial. He said under the "calendar call rule" a defense attorney would have to have the case fully prepared, all witnesses interviewed, and ready to turn over at calendar call, "...when [the case] probably isn't going to go to trial." Mr. Wright reiterated, "When you take the public defender's office...tell him to be trial ready on 39 cases...this financial impact is going to remain." He said if at the time the defense case begins, the names and addresses of defense witnesses who will testify are turned over, there will be no fiscal impact. Senator James asked if those names were originally submitted, and other witnesses were discovered, could those names be turned over within 24 hours of a trial beginning. Mr. Wright answered, "Yes...if you have prepared and interviewed them...and gone over with your client. The first time you turn over the name of a witness...and he provides evidence detrimental to your client...you are going to have a constitutional problem...a malpractice problem...and an ethics problem."

Senator Porter asked Mr. Wright if he would support A.B. 151 if there was no fiscal impact. Mr. Wright answered he believed the bill was unconstitutional, even as amended. Senator Porter indicated there were "at least 15 attorneys in the room...and 7 1/2 agree with one side, and 7 1/2 agree with the other." He added, "We are at a definite disadvantage...we put our trust and faith in the opinions that are put before us...when 7 1/2 say one thing, and 7 1/2 say another, we have to make a judgment

call." Senator Porter indicated there was support for the bill to go forward, but he felt it was incumbent upon him to bring forward the financial information which was presented to him. He said he would like to further discuss that point.

Responding to Senator Porter was Mike Specchio, Washoe County Public Defender. Mr. Specchio stated the impact on Washoe County would be as follows: "It would require...whether 10 days or 21 days...our office to interview witnesses for all cases that are going to be set for trial...that means we would have to hire additional investigators." He said he "did not have the bodies" to send to interview witnesses that are set for trials, which he would have to do under the provisions of the bill. Mr. Specchio stated he would need three or four more investigators, at a minimum, and "...probably another attorney or two...or three." He reiterated, "The financial impact is...I cannot comply." Mr. Specchio said the public defender's office does not have the luxury of preparing cases months ahead of time. He said each attorney in the office has approximately 200 defendants in the county jail that they are working with.

Mr. Specchio stated Washoe County utilized a "motion to confirm trial," which is held approximately four days before trial. Senator Porter asked, "So you are comfortable with 24 hours, but you are not comfortable with 3 or 4 days?" Mr. Specchio answered there were many trials "...in which you don't know who you are going to call until the state rests their case...sometimes you may be forced to give up a name which is not going to help you, but is going to help the state."

Mr. Specchio indicated he agreed with Mr. Wright that there were "all kinds of constitutional problems...but if I were forced to give it up, I would love to give it up 24 hours before I put the witness on the stand...and I could probably live with giving them up the Friday before." Mr. Specchio continued, "The 10 days that is proposed is really of no benefit...I can't comply with the statute...we cannot provide those names. He pointed to a statement by Ms. Stroth that a district attorney advised her "it only takes a secretary 20 minutes to type a list." Mr. Specchio stated, "That is not the point...it is not the issue of typing up the name and delivering it over...it's having to interview those people..."

Morgan Harris, Clark County Public Defender, stated:

It is interesting to me that the Clark County delegation, the Clark County Manager's Office, and Clark County lobbyists...we all say there is a fiscal impact. Mr. Bell [Stewart Bell, Clark County District Attorney] does not run my office. I confronted Mr. Bell with that and he said, 'I am not going to say any more.' Mr. Bell is not saying there is not a financial impact at this time.

Mr. Morgan said he had 2,097 trials set last year, and 78 of those cases actually went to trial. He stated, "If this bill goes in...even at calendar call...the financial impact will require at a minimum seven attorneys and seven investigators...with their supplies it is \$844,000." Mr. Morgan

stated they can "live with 24 hours," because 24 hours...there is no fiscal impact."

Senator Titus stated:

I want to put this into perspective. This committee has probably been the toughest on crime than any in recent history. We have enhanced penalties...we have created new crimes...we have added aggravated to the death penalty...we have tightened up for habitual criminals...there is no bill that has come before this committee we haven't passed to be tough on crime. A number of those have been sponsored by Ms. Stroth...so we certainly have been receptive to those...but let's look at this one bill. Only two...maybe one other state in the country does it...that is California. Let's look at California's court system...we see it every day on TV...we know how that is going. We hear this is going to cost over \$1 million, from the public defender's point of view...we have heard from Washoe County that it is not a problem in 90 percent of the cases...only in the other 10 percent do they want this information. The origin of this comes from a case that didn't even occur in Nevada...and on top of that, you have the possibility that it is unconstitutional. This seems to me to be a number of pretty clear-cut reasons why we wouldn't want to go forward with this bill. I will vote against the bill unless we have that 24-hour compromise. Otherwise, I won't vote for the bill and I will argue against for all of those very obvious reasons.

Senator Adler asked if there was agreement on the issue of documentary exchange, and Mr. Specchio and Mr. Wright answered they had no problem with that provision. Senator Adler specified there was agreement regarding documents and expert witnesses. He indicated the issue remaining had to do with prospective witnesses, and disagreement regarding the 24-hour compromise.

Senator James stated he agreed with testimony that it was wrong to have different rules for different parts of the state, such as "calendar call" in one place and "10 business days" in another. He said those on the committee who supported the bill needed to make a motion to move the bill with the 21-day requirement, the 10-day requirement, the 24-hour requirement or "calendar call" requirement.

SENATOR LEE MOVED TO AMEND AND DO PASS A.B. 151, TO INCLUDE THE CALENDAR CALL REQUIREMENT.

SENATOR PORTER SECONDED THE MOTION.

Senator Adler brought up the fact that some of the rural counties did not have a "calendar call."

THE MOTION CARRIED. (SENATORS ADLER, JAMES AND TITUS VOTED "NO.")

* * * * *

There being no further business to come before the committee,
the hearing was adjourned.
RESPECTFULLY SUBMITTED:

Marilyn Hofmann,
Committee Secretary

APPROVED BY:

Senator Mark A. James, Chairman

DATE:

Senato Committee on Judiciary
May 12, 1995
Page

**PROPOSED AMENDMENTS TO
REGULATIONS 5.115, 14.010, 14.030 and 14.100**

PURPOSE: To amend applicable provisions of Regulation 5.015, Regulation 14.010, Regulation 14.030 and Regulation 14.100 to provide for the regulation and oversight of multi-jurisdictional progressive prize systems; and providing other matters property related thereto.

(LS&C Draft Date October 1, 2013)

~~New~~
~~[Deleted]~~

**REGULATION 5
OPERATION OF GAMING ESTABLISHMENTS**

5.115 Periodic payments.

1. Except as provided in this regulation, a licensee shall remit the total prizes awarded to a patron as the result of conducting any game, including a race book or sports pool, tournament, contest, or promotional activity (hereinafter collectively referred to as "gaming or promotional activity") conducted in Nevada ~~or arising from the operation of a multi-jurisdictional progressive prize system~~ upon validation of the prize payout.

2. As used in this section of the regulation

(a) "Approved funding sources" means cash or U.S. Treasury securities that are used for the funding of a trust pursuant to Regulation 5.115(3)(b) or the reserve method of funding periodic payments pursuant to Regulation 5.115(3)(c).

(b) "Brokerage firm" means an entity that:

(1) Is both a broker-dealer and an investment adviser;

(2) Has one or more classes of its equity securities listed on the New York Stock Exchange or American Stock Exchange, or is a wholly-owned subsidiary of such an entity; and

(3) Has assets under management in an amount of \$10 billion or more as reported in its most recent report on Form 10-K or Form 10-Q filed with the United States Securities and Exchange Commission, or is a wholly-owned subsidiary of such an entity

(c) "Broker-dealer" means any person engaged in the business of effecting transactions in securities for the account of others or for his own account, and:

(1) Is licensed as a broker-dealer with the Nevada Secretary of State pursuant to NRS 90.310, as amended; or

(2) Is exempt from licensing pursuant to NRS 90.323, as amended, and is registered as a broker-dealer with the United States Securities and Exchange Commission and the National Association of Securities Dealers pursuant to Title 15 USC 780 as amended

(d) "Chairman" means the chairman of the board or his designee.

(e) "Date of calculation" means the last day for which a discount rate was obtained prior to the conclusion of the validation period.

(f) "Discount rate" means the current prime rate as published in the Wall Street Journal. For those licensees using the reserve method of funding pursuant to Regulation 5.115(3)(c), "discount rate" means either: (i) the aforementioned current prime rate, or (ii) a blended rate computed from the various U.S. Treasury securities selected by the licensee for which quotes are obtained at least three times a month.

(g) "Independent financial institution" means an institution that is not affiliated through common ownership with the licensee and is either:

(1) A bank or national banking association that is authorized to do business in this state, a banking corporation formed or regulated under the laws of this state or a wholly-owned subsidiary of such a banking association or corporation that is formed or regulated under the laws of this state or a national bank with an office in Nevada; or

(2) An insurance company admitted to transact insurance in the State of Nevada with an A.M. Best Insurance rating of at least "A+" or such other equivalent rating.

(h) "Investment adviser" means any person who, for compensation, engages in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing or selling securities, or who, for

compensation and as a part of a regular business issues or promulgates analyses or reports concerning securities and:

(1) Is registered as an investment adviser with the Nevada Secretary of State pursuant to NRS 90.330, as amended, or

(2) Is registered as an investment adviser with the United States Securities and Exchange Commission pursuant to Title 15 USC 80b-3a, as amended.

(i) "Periodic payments," for purposes of this regulation only, means a series of payments that are paid at least annually for prizes awarded through gaming or promotional activity.

(j) "Present value" means the current value of a future payment or series of payments, discounted using the discount rate.

(k) "Qualified prize" means the sum of periodic payments, awarded to a patron as a result of any gaming or promotional activity, payable over a period of at least 10 years.

(l) "Qualified prize option" means an option that entitles a person to receive from a licensee a single cash payment in lieu of receiving a qualified prize, or any remaining portion thereof, which shall be exercised no later than 60 days after validation of the qualified prize.

(m) "Reserve" means a restricted account consisting of approved funding sources used exclusively to satisfy periodic payments of prizes arising from all gaming or promotional activity conducted in Nevada, including such prizes arising from the operation of a multi-jurisdictional progressive prize system, and includes any existing funding methods previously approved by the board or commission. The reserve shall not be less than the sum of the following:

(1) The present value of the aggregate remaining balances owed on all prizes awarded to patrons who are receiving periodic payments. For balances previously funded using U.S. Treasury securities, the discount rate on the date of funding shall be used for calculating the present value of the reserve.

(2) An amount sufficient to pay the single cash payments offered in conjunction with qualified prize options for prizes previously awarded for which elections have not been made by the patrons;

(3) An amount sufficient to fully fund the present value of all prizes currently on public display for which periodic payments are offered

(4) If cash is used as the approved funding source, an amount equal to satisfy the current liabilities to all patrons receiving periodic payments due and payable within 12 months; and

(5) Any additional amounts administratively required by the chairman.

- As used in this paragraph, the term "multi-jurisdictional progressive prize system" shall have the meaning ascribed by subsection 15 of regulation 14.010.

(n) "Restricted account" means an account with an independent financial institution described in Regulation 5.115(2)(g)(1), or a brokerage firm, which is to be exclusively used for the reserve method of funding of gaming or promotional activity as provided in this regulation.

(o) "Single cash payment" means a single discounted lump-sum cash payment in the amount of the present value of the total periodic payments otherwise due and owing for a qualified prize, less the amount of any partial payment of such qualified prize previously made by the licensee to a patron.

(p) "Trust" means an irrevocable fiduciary relationship in which one person is the holder of the title to the property subject to an equitable obligation to keep or use the property for the benefit of another.

(q) "U.S. Treasury securities" means a negotiable debt obligation issued and guaranteed by the U.S. government.

(r) "Validation period" means the period of time between when a patron has met the conditions required to receive a prize, and when the prize payout is validated. The validation period shall not exceed 72 hours, unless otherwise extended by the chairman.

3 Periodic payments of prizes awarded to a patron as a result of conducting any gaming or promotional activity may be made if the method of funding the periodic payments provides such payments to a patron through the establishment of any one of the following funding methods:

(a) An irrevocable surety bond or an irrevocable letter of credit with an independent financial institution which will provide for either the periodic payments or a single cash payment for the remaining periodic payments should the licensee default on paying the scheduled periodic payments for any reason. The form of the written agreement establishing an irrevocable surety bond or the irrevocable letter of credit, and a written commitment to execute such bond or letter from the financial institution, shall be submitted to the chairman for approval no less than 45 days prior to the commencement of the gaming or promotional activity.

(b) An irrevocable trust with an independent financial institution in accordance with a written trust agreement, the form of which shall be submitted to the chairman for approval at least 45 days prior to the commencement of any

Comment [DRRL]: Revision 1

new gaming or promotional activity, and which provides periodic payments from an unallocated pool of assets to a group of patrons and which shall expressly prohibit the patron from encumbering, assigning or otherwise transferring in any way his right to receive the deferred portion of the prizes except to his estate. The assets of the trust shall consist of approved funding sources in an amount sufficient to meet the periodic payments as required.

(c) A reserve maintained at all times by a licensee, together with the continuing satisfaction of and compliance with certain financial ratios and tests, and monitoring and reporting procedures related thereto. The conditions under which a reserve method may be used shall be prescribed by the chairman in a written notice distributed to licensees and all interested persons. Licensees shall notify the chairman in writing at least 45 days prior to the commencement of any new gaming or promotional activity for which periodic payments may be used. Unless otherwise informed within such time period in writing by the chairman and assuming a stop order has not been issued during such period, the use of a reserve method for funding periodic payments shall be deemed approved.

(d) Another method of providing the periodic payments to a patron consistent with the purpose of this regulation and which is approved by the commission prior to the commencement of the gaming or promotional activity. Proposed modifications to a periodic payment plan previously approved by the commission shall be submitted to the chairman for review at least 45 days prior to the effective date of the change. The chairman, after whatever investigation or review he deems necessary, may administratively approve the modification or require the licensee to submit the requested modification to the commission for review and approval.

4. The funding of periodic payment plans shall be completed within 30 days of the conclusion of the validation period, or where a qualified prize option is offered for such prize payout, within 30 days of the date the patron makes an election thereunder. Where a single cash payment is elected, the licensee shall pay to the patron in cash, certified check or wire transfer the full amount less any prior payment(s) within 15 days after receiving the patron's written notification of such election.

5. Periodic payments shall not be used for prize payouts of \$100,000 or less. Periodic payments for total amounts won greater than \$100,000 shall be paid as follows:

(a) For amounts won greater than \$100,000, but less than \$200,000, payments shall be at least \$10,000 annually;

(b) For amounts won greater than \$200,000 or more, payments shall be no less than 1/20th of the total amount annually;

(c) For amounts won equal to or in excess of \$5,000,000, payments shall be made in the manner set forth in (b), above, or in such manner as approved by the commission upon application by the licensee; and

(d) The first installment payment shall be made upon the conclusion of the validation period, notwithstanding that a qualified prize option may be offered to the patron. In the event that a qualified prize option is offered to a patron, it shall not be construed as a requirement that the patron shall receive a single cash payment instead of periodic payments.

Waivers of subsections (a), (b) and (c) of this section that have been previously granted by the commission shall remain in full force and effect pursuant to the current terms and provisions of such waivers.

6. The licensee shall provide the chairman with an appropriate, signed legal document, prior to the commencement of any gaming or promotional activity for which periodic payments are to be offered, that shall irrevocably and unconditionally remise, release, indemnify and forever discharge the State of Nevada, the commission, the board, and their members, employees, agents and representatives, including those of the Attorney General's Office, of and from any and all claims, actions, causes of actions, losses, damages, liabilities, costs, expenses and suits of any nature whatsoever, in law or equity, including reasonable attorney's fees, arising from any act or omission of the commission and the board, and their members, employees, agents and representatives.

7. For any gaming or promotional activity for which periodic payments are used, the licensee shall provide a notice on each gaming device or, if no gaming device is used, then in each gaming or promotional area specifically setting forth the terms of the periodic payment plan, and include in all radio, television, other electronic media, or print advertising that such prizes will be awarded using periodic payments.

8. Notwithstanding any other regulation to the contrary, if a licensee offers a qualified prize option to a patron who is awarded a qualified prize, the licensee shall provide the option to the patron in writing within five days after the conclusion of the validation period. Such written option shall explain the method used to compute the single cash payment, including the discount rate as of the date of calculation, and shall state that the patron is under no obligation to accept the offer of a single cash payment and may nevertheless elect to receive periodic payments for the qualified prize.

9. The licensee shall maintain the following amounts, as applicable, related to each gaming or promotional activity that uses periodic payments in calculating its minimum bankroll requirement for the purpose of complying with Regulation 6.150.

(a) For periodic payment plans approved in accordance with Regulation 5.115(3)(a), the installment payments due within the next 12-month period for all amounts won or on public display for which the licensee will be making periodic payments.

(b) For periodic payment plans approved in accordance with Regulation 5.115(3)(b), the first installment payment, if not yet paid, and the present value of all future payments:

(1) For amounts won or awarded but for which the funding has not been completed; and

(2) For all prizes which have not been won or awarded but are on public display, including a progressive meter.

(c) An alternative amount and/or method required by the chairman to satisfy the minimum bankroll requirement for other approved funding plans used for periodic payments.

10. At all times the licensee is responsible for the payment of all prizes resulting from any gaming or promotional activity upon conclusion of the validation period, regardless of the method used to fund the periodic payments allowed under this regulation. In the event of a default by any financial institution with which the licensee has contracted to guarantee or make periodic payments, the licensee will be liable for the periodic payments owed to patrons.

11. At least annually, the licensee shall verify that the independent financial institution and brokerage firm being used to guarantee or remit periodic payments to patrons or to hold approved funding sources related thereto continues to meet the applicable qualifications required by Regulation 5.115(2). In the event that such entities are found to no longer meet the defined requirements, the licensee shall immediately notify the chairman of the change in status and within 30 days provide a written plan to comply with these requirements.

12. At least 60 days prior to the cessation of operations, a licensee responsible for remitting periodic payments to patrons shall submit a plan to satisfy the liability for approval. The chairman, after whatever investigation or review he deems necessary, may approve the plan.

13. Copies of the related contracts and agreements executed pursuant to Regulation 5.115(3)(a), (3)(b) and (3)(d) shall be submitted to the board within 30 days after execution. For all methods of funding periodic payments, the licensee must maintain documents, executed contracts and agreements for a period no less than the duration of the periodic payments plus five years thereafter.

14. Where a licensee is found to be in noncompliance with the funding requirements provided in this regulation, the chairman may require the licensee to immediately cease or suspend any gaming or promotional activity for which periodic payments are used or he may require other corrective action.

15. Any failure of the licensee to maintain full compliance with each and every provision set forth in this regulation, including the chairman's requirements established pursuant to Regulation 5.115(3)(c), or any failure of the licensee to immediately notify the chairman of any noncompliance thereof, shall constitute an unsuitable method of operation. Such noncompliance may subject the licensee to disciplinary action.

16. The commission may waive one or more of the requirements of this regulation if it makes a written finding that such waiver is consistent with the public policy set forth in NRS 463.0129.

(Adopted: 2/91. Amended: 11/18/99, 2/22/01.)

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REGULATION 14

**MANUFACTURERS, DISTRIBUTORS, OPERATORS OF
INTER-CASINO LINKED SYSTEMS, GAMING
DEVICES, NEW GAMES, INTER-CASINO
LINKED SYSTEMS, ON-LINE SLOT METERING SYSTEMS, CASHLESS
WAGERING SYSTEMS AND ASSOCIATED
EQUIPMENT**

14.010 Definitions. As used in this regulation, unless the context otherwise requires:

1. "Assume Responsibility" means to acquire complete control over, or ownership of, a gaming device, cashless wagering system, mobile gaming system or interactive gaming system.

2. "Cashless wagering system" means the collective hardware, software, communications technology, and other associated equipment used to facilitate wagering on any game or gaming device including mobile gaming systems and interactive gaming systems with other than chips, tokens or legal tender of the United States. The term does not include any race and sports computerized bookmaking system that accepts pari-mutuel wagers, or any other race and sports book systems that do not accept wagering instruments or process electronic money transfers.

This type of associated equipment is further defined in NRS 463.014.

3. "Chairman" means the chairman of the state gaming control board or his designee.

4. "Control Program" means any software, source language or executable code which affects the result of a wager by determining win or loss. The term includes, but is not limited to, software, source language or executable code associated with the:

(a) Random number generation process;

(b) Mapping of random numbers to game elements displayed as part of game outcome;

(c) Evaluation of the randomly selected game elements to determine win or loss;

(d) Payment of winning wagers;

(e) Game recall;

(f) Game accounting including the reporting of meter and log information to on line slot metering system;

(g) Monetary transactions conducted with associated equipment;

(h) Software verification and authentication functions which are specifically designed and intended for use in a gaming device;

(i) Monitoring and generation of game tilts or error conditions; and

(j) Game operating systems which are specifically designed and intended for use in a gaming device.

5. "Conversion" means a change in a gaming device from one pre-approved configuration to another pre-approved configuration or from one approved mode of play to another approved mode of play.

6. "Distribution" or "distribute" means:

(a) The sale, offering for sale, lease, offering for lease, licensing or other offer of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system for use or play in Nevada; or

(b) The sale, offering for sale, lease, offering for lease or other offer of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system from a location within Nevada.

7. "Distributor" means a person or entity that distributes any gaming device, cashless wagering system, mobile gaming system or interactive gaming system.

8. "Distributor of associated equipment" is any person that sells, offers to sell, leases, offers to lease, licenses, markets, offers, or otherwise offers associated equipment in Nevada for use by licensees.

9. "Equipment associated with interactive gaming" means associated equipment as defined within NRS 463.0136.

10. "Interactive gaming system" is a gaming device and means the collective hardware, software, communications technology, and proprietary hardware and software specifically designed or modified for, and intended for use in, the conduct of interactive gaming. The core components of an interactive gaming system, including servers and databases running the games on the interactive gaming system and storing game and interactive gaming account information, must be located in the State of Nevada except as otherwise permitted by the chairman or his designee.

11. "Game outcome" is the final result of the wager.

12. "Game variation" means a change or alteration in a game or gambling game that affects the manner or mode of play of an approved game. This includes, but is not limited to, the addition or removal of wagering opportunities or a change in the theoretical hold percentage of the game. The term game or gambling game is defined in NRS 463.0152.

13. "Independent contractor" means any person who:

- (a) Is not an employee of a licensed manufacturer; and
- (b) Pursuant to an agreement with a licensed manufacturer:

(1) Designs, develops, programs, produces or composes a control program on behalf of the licensed manufacturer; or

(2) Designs, develops, produces or composes software, source language or executable code intended to be compiled into a control program by the licensed manufacturer.

As used in this regulation "licensed manufacturer" includes any affiliate that is owned or controlled by or under common control with the licensee.

14. "Independent testing laboratory" means a private laboratory that is registered by the commission to inspect and certify games, gaming devices, associated equipment, cashless wagering systems, inter-casino linked systems, mobile gaming systems or interactive gaming systems, and any components thereof and modifications thereto, and to perform such other services as the board and commission may request.

15. "Inter-casino linked system" means ~~[an inter-casino linked system including]~~

(a) A network of electronically interfaced similar games which are located at two or more licensed gaming establishments that are linked to:

(1) Conduct gaming activities, contests or tournaments; or

(2) Facilitate participation in a common progressive prize system.

and the collective hardware, software, communications technology and other associated equipment used in such system to link and monitor games or devices located at two or more licensed gaming establishments, including any associated equipment used to operate a multi-jurisdictional progressive prize system.

(b) Systems that solely record a patron's wagering activity among affiliated properties are not inter-casino linked systems. [This term is further defined in NRS 463.01643.]

(c) The term "multi-jurisdictional progressive prize system" means the collection of hardware, software, communications technology and other associated equipment used to link and monitor progressive slot machines or other games among licensed gaming establishments in this state participating in an inter-casino linked system and one or more lawfully operated gaming locations in other jurisdictions in the United States that participate in a similar system for the purpose of participation in a common progressive prize system.

16. "Inter-casino linked system modification" means a change or alteration to an inter-casino linked system made by an operator who has been previously approved by the commission to operate that system. With regard to inter-casino linked systems that link progressive payout schedules, the term includes, but is not limited to:

- (a) A change in a system name or theme; or
- (b) A change in gaming device denomination.

17. "Manufacture" means:

(a) To manufacture, produce, program, design, control the design of, maintain a copyright over or make modifications to a gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware;

(b) To direct, control or assume responsibility for the methods and processes used to design, develop, program, assemble, produce, fabricate, compose and combine the components and other tangible objects of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware; or

(c) To assemble, or control the assembly of, a gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware.

18. "Manufacturer" means a person who operates, carries on, conducts or maintains any form of manufacture

19. "Manufacturer of associated equipment" is any person that manufactures, assembles, or produces any associated equipment, including inter-casino linked systems, for use in Nevada by licensees.

Comment [DRR2]: Revision 2

Comment [DRR3]: Revision 3

Comment [DRR4]: Revision 4.

Comment [DRR5]: Revision 5.

Comment [DRR6]: Revision 6

20. "Manufacturer of Equipment Associated with Interactive Gaming" means any person that manufactures, assembles, or produces any equipment associated with interactive gaming.

21. "Mobile gaming system" or "system" means a system that allows for the conduct of games through mobile communications devices operated solely within a licensed gaming establishment by the use of communications technology that allows a patron to bet or wager, and corresponding information related to the display of the game, gaming outcomes or other similar information.

22. "Mobile gaming system modification" means any change or alteration to a mobile gaming system made by a manufacturer from its approved configuration.

23. "Modification" means a change or alteration in a gaming device previously approved by the commission for use or play in Nevada that affects the manner or mode of play of the device. The term includes a change to control or graphics programs and, except as provided in paragraphs (d) and (e), in the theoretical hold percentage. The term does not include:

- (a) A conversion;
- (b) Replacement of one component with another, pre-approved component;
- (c) The rebuilding of a previously approved device with pre-approved components;
- (d) A change in the theoretical hold percentage of a mechanical or electro-mechanical device, provided that the device as changed meets the standards of Regulation 14.040(1); or
- (e) A change in the theoretical hold percentage of an electronic device which is the result of a top award jackpot or bonus jackpot payment which is paid directly by an attendant and which is not accounted for by the device.

24. "On-line slot metering system" means the collective hardware, software and other associated equipment used to monitor, accumulate, and record meter information from gaming devices within a licensed establishment.

25. "Operator" means, except as otherwise provided, any person or entity holding a license to operate,

- (a) An inter-casino linked system or mobile gaming system in Nevada;
- (b) A person or entity holding a license to operate a slot machine route that operates an inter-casino linked system for slot machines only; or
- (c) A person or entity holding a license to operate a nonrestricted gaming operation that operates an inter-casino linked system of affiliates; or
- (d) An inter-casino linked system under the preceding paragraphs (a) or (b) of this section which system also is linked to or otherwise incorporates a multi-jurisdictional progressive prize system.

26. "Private residence" means a noncommercial structure used by a natural person as a place of abode and which is not used for a commercial purpose.

27. "Proprietary hardware and software" means hardware or software specifically designed for use in a gaming device including a mobile gaming system and interactive gaming system.

28. "Randomness" is the observed unpredictability and absence of pattern in a set of elements or events that have definite probabilities of occurrence.

29. "Theme" means a concept, subject matter and methodology of design.

14.030 Approval of gaming devices and the operation of new inter-casino linked systems; applications and procedures.

1. A manufacturer or distributor shall not distribute a gaming device in Nevada and a licensee shall not offer a gaming device for play unless it has been approved by the commission or is offered for play pursuant to a field test ordered by the chairman.

2. An operator of an inter-casino linked system shall not install and operate a new inter-casino linked system in Nevada and a licensee shall not offer any gaming device or game for play that is part of such a system unless operation of the inter-casino linked system and all gaming devices or games that are part of or connected to the inter-casino linked system have been approved by the commission or are offered for play pursuant to a field test ordered by the chairman.

3. Applications for approval of a new gaming device or to operate a new inter-casino linked system shall be made and processed in such manner and using such forms as the chairman may prescribe. Only licensed manufacturers may apply for approval of a new gaming device. Only operators may apply for approval to operate a new inter-casino linked system.

4. At the chairman's request an applicant for a manufacturer's or inter-casino linked system operator's license shall, or upon the chairman's prior approval an applicant for a manufacturer's or operator's license may, apply for

Comment [DRR7]: Revision 7.

a preliminary determination that a new gaming device or new inter-casino linked system meets the standards required by this regulation

5. Each application shall include, in addition to other items or information as the chairman may require:

(a) A complete, comprehensive, and technically accurate description and explanation in both technical and lay language of the manner in which the device or inter-casino linked system operates and complies with all applicable statutes, regulations and technical standards, signed under penalty of perjury;

(b) A statement under penalty of perjury that, to the best of the manufacturer's knowledge, the gaming device meets the standards of section 14.040 or, in the case of an inter-casino linked system, that to the best of the operator's knowledge the system meets the standards of section 14.045;

(c) In the case of a gaming device, a copy of all executable software, including data and graphic information, and a copy of all source code for programs that cannot be reasonably demonstrated to have any use other than in a gaming device, submitted on electronically readable, unalterable media;

(d) In the case of a gaming device, a copy of all graphical images displayed on the gaming device including, but not limited to, reel strips, rules, instructions and paytables;

(e) In the case of an inter-casino linked system:

- (1) An operator's manual;
- (2) A network topology diagram;
- (3) An internal control system;
- (4) A hold harmless agreement;
- (5) A graphical representation of the system theme and all related signage, ~~and~~;

(6) Information sufficient to calculate a theoretical payoff schedule amount including, but not limited to, the base and reset amounts, the total contribution percentage and a breakdown of that percentage including contribution rates to all progressive payoff schedules and all reset funds, the odds of winning the progressive payoff schedule and the amount of the wager required to win the progressive payoff schedule; ~~and~~

(7) The form of any agreement or written specifications permitted or required of an operator by any other state or tribal government and affecting a multi-jurisdictional progressive prize system;

(f) In the case of a mobile gaming system:

- (1) An operator's manual;
- (2) A network topology diagram;
- (3) An internal control system; and
- (4) A description of the method used to isolate game function to the areas listed in Regulation 5.220(1)(i),

and

(g) All materials relating to the results of the registered independent testing laboratory's inspection and certification process that are required under section 14.400.

14.100 Final approval of new gaming devices and new inter-casino linked systems.

1. After completing its evaluation of the new gaming device or the operation of a new inter-casino linked system, the board shall recommend to the commission whether the application for approval of the new gaming device or operation of a new inter-casino linked system should be granted.

2. In considering whether a new gaming device or operation of a new inter-casino linked system will be given final approval, the board and commission shall consider whether:

~~(a) the~~ approval of the new gaming device or operation of a new inter-casino linked system is consistent with the public policy of this state.

(b) The terms of any agreement or written specifications permitted or required of an operator by any other state or tribal government and affecting a multi-jurisdictional progressive prize system comply;

- (1) With the provisions of these regulations; and
- (2) Include procedures satisfactory to the commission for:

(A) Ensuring compliance with the requirements of subsection 4 of regulation 14.040(4);

(B) Resolution of patron disputes under procedural and substantive requirements equal to or greater than the standards applied by the board;

(C) Surveillance and security of gaming devices connected to such system;

(D) Record-keeping and record-retention;

(E) Control of access to any internal mechanism of gaming devices connected to such system;

(F) Prior administrative approval of the chairman for any adjustments to progressive meters;

(G) Access by the board to audit compliance with the requirements of this subparagraph; and

Comment [DRR9]: Revision 9.

Comment [DRR9]: Revision 9.

Comment [DRR10]: Revision 10.

Comment [DRR11]: Revision 11.

Comment [DRR12]: Revision 12.

(H) Any special procedures necessary for a multi-jurisdictional progressive prize system with lawfully operated gaming locations participating outside the United States, including without limitation matters of currency conversion and the availability of English translations of all relevant and material documentation and information.

3. Commission approval of a gaming device or inter-casino linked system does not constitute certification of the device's or inter-casino linked system's safety. Commission approval of a multi-jurisdictional progressive prize system shall include approval of any agreement or written specifications permitted or required by any other state or tribal government and affecting such system. The chairman will complete any written acknowledgement necessary to document the commission's approval of any such agreement or written specifications. The prior administrative approval of the chairman is required of any modification to such agreement or written specifications.

Comment [DRR13]: Revision 13.

Comment [DRR14]: Revision 14.

Comment [DRR15]: Revision 15.

Draft

**PROPOSED AMENDMENTS TO
REGULATIONS 5.115, 14.010, 14.030 and 14.100**

PURPOSE: To amend applicable provisions of Regulation 5.015, Regulation 14.010, Regulation 14.030 and Regulation 14.100 to provide for the regulation and oversight of multi-jurisdictional progressive prize systems; and providing other matters properly related thereto.

(LS&C Draft Date October 9, 2013)

New
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REGULATION 5

OPERATION OF GAMING ESTABLISHMENTS

5.115 Periodic payments.

1. Except as provided in this regulation, a licensee shall remit the total prizes awarded to a patron as the result of conducting any game, including a race book or sports pool, tournament, contest, or promotional activity (hereinafter collectively referred to as "gaming or promotional activity") conducted in Nevada or arising from the operation of a multi-jurisdictional progressive prize system upon validation of the prize payout.

2. As used in this section of the regulation:

(a) "Approved funding sources" means cash or U.S. Treasury securities that are used for the funding of a trust pursuant to Regulation 5.115(3)(b) or the reserve method of funding periodic payments pursuant to Regulation 5.115(3)(c).

(b) "Brokerage firm" means an entity that:

(1) Is both a broker-dealer and an investment adviser;

(2) Has one or more classes of its equity securities listed on the New York Stock Exchange or American Stock Exchange, or is a wholly-owned subsidiary of such an entity; and

(3) Has assets under management in an amount of \$10 billion or more as reported in its most recent report on Form 10-K or Form 10-Q filed with the United States Securities and Exchange Commission, or is a wholly-owned subsidiary of such an entity.

(c) "Broker-dealer" means any person engaged in the business of effecting transactions in securities for the account of others or for his own account; and:

(1) Is licensed as a broker-dealer with the Nevada Secretary of State pursuant to NRS 90.310, as amended; or

(2) Is exempt from licensing pursuant to NRS 90.320, as amended, and is registered as a broker-dealer with the United States Securities and Exchange Commission and the National Association of Securities Dealers pursuant to Title 15 USC 780 as amended.

(d) "Chairman" means the chairman of the board or his designee.

(e) "Date of calculation" means the last day for which a discount rate was obtained prior to the conclusion of the validation period.

(f) "Discount rate" means the current prime rate as published in the Wall Street Journal. For those licensees using the reserve method of funding pursuant to Regulation 5.115(3)(c), "discount rate" means either: (i) the aforementioned current prime rate, or (ii) a blended rate computed from the various U.S. Treasury securities selected by the licensee for which quotes are obtained at least three times a month.

(g) "Independent financial institution" means an institution that is not affiliated through common ownership with the licensee and is either:

(1) A bank or national banking association that is authorized to do business in this state, a banking corporation formed or regulated under the laws of this state or a wholly-owned subsidiary of such a banking association or corporation that is formed or regulated under the laws of this state or a national bank with an office in Nevada; or

(2) An insurance company admitted to transact insurance in the State of Nevada with an A.M. Best Insurance rating of at least "A+" or such other equivalent rating.

(h) "Investment adviser" means any person who, for compensation, engages in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing or selling securities, or who, for

compensation and as a part of a regular business issues or promulgates analyses or reports concerning securities and:

(1) Is registered as an investment adviser with the Nevada Secretary of State pursuant to NRS 90.330, as amended; or

(2) Is registered as an investment adviser with the United States Securities and Exchange Commission pursuant to Title 15 USC 80b-3a, as amended.

(i) "Periodic payments," for purposes of this regulation only, means a series of payments that are paid at least annually for prizes awarded through gaming or promotional activity.

(j) "Present value" means the current value of a future payment or series of payments, discounted using the discount rate.

(k) "Qualified prize" means the sum of periodic payments, awarded to a patron as a result of any gaming or promotional activity, payable over a period of at least 10 years.

(l) "Qualified prize option" means an option that entitles a patron to receive from a licensee a single cash payment in lieu of receiving a qualified prize, or any remaining portion thereof, which shall be exercised no later than 60 days after validation of the qualified prize.

(m) "Reserve" means a restricted account consisting of approved funding sources used exclusively to satisfy periodic payments of prizes arising from all gaming or promotional activity conducted in Nevada, including such prizes arising from the operation of a multi-jurisdictional progressive prize system, and includes any existing funding methods previously approved by the board or commission. The reserve shall not be less than the sum of the following:

(1) The present value of the aggregate remaining balances owed on all prizes awarded to patrons who are receiving periodic payments. For balances previously funded using U.S. Treasury securities, the discount rate on the date of funding shall be used for calculating the present value of the reserve.

(2) An amount sufficient to pay the single cash payments offered in conjunction with qualified prize options for prizes previously awarded for which elections have not been made by the patrons;

(3) An amount sufficient to fully fund the present value of all prizes currently on public display for which periodic payments are offered;

(4) If cash is used as the approved funding source, an amount equal to satisfy the current liabilities to all patrons receiving periodic payments due and payable within 12 months; and

(5) Any additional amounts administratively required by the chairman.

As used in this paragraph, the term "multi-jurisdictional progressive prize system" shall have the meaning ascribed by subsection 15 of regulation 14.010.

(n) "Restricted account" means an account with an independent financial institution described in Regulation 5.115(2)(g)(1), or a brokerage firm, which is to be exclusively used for the reserve method of funding of gaming or promotional activity as provided in this regulation.

(o) "Single cash payment" means a single discounted, lump-sum cash payment in the amount of the present value of the total periodic payments otherwise due and owing for a qualified prize, less the amount of any partial payment of such qualified prize previously made by the licensee to a patron.

(p) "Trust" means an irrevocable fiduciary relationship in which one person is the holder of the title to the property subject to an equitable obligation to keep or use the property for the benefit of another.

(q) "U.S. Treasury securities" means a negotiable debt obligation issued and guaranteed by the U.S. government.

(r) "Validation period" means the period of time between when a patron has met the conditions required to receive a prize, and when the prize payout is validated. The validation period shall not exceed 72 hours, unless otherwise extended by the chairman.

3. Periodic payments of prizes awarded to a patron as a result of conducting any gaming or promotional activity may be made if the method of funding the periodic payments provides such payments to a patron through the establishment of any one of the following funding methods:

(a) An irrevocable surety bond or an irrevocable letter of credit with an independent financial institution which will provide for either the periodic payments or a single cash payment for the remaining periodic payments should the licensee default on paying the scheduled periodic payments for any reason. The form of the written agreement establishing an irrevocable surety bond or the irrevocable letter of credit, and a written commitment to execute such bond or letter from the financial institution, shall be submitted to the chairman for approval no less than 45 days prior to the commencement of the gaming or promotional activity.

(b) An irrevocable trust with an independent financial institution in accordance with a written trust agreement, the form of which shall be submitted to the chairman for approval at least 45 days prior to the commencement of any

new gaming or promotional activity, and which provides periodic payments from an unallocated pool of assets to a group of patrons and which shall expressly prohibit the patron from encumbering, assigning or otherwise transferring in any way his right to receive the deferred portion of the prizes except to his estate. The assets of the trust shall consist of approved funding sources in an amount sufficient to meet the periodic payments as required.

(c) A reserve maintained at all times by a licensee, together with the continuing satisfaction of and compliance with certain financial ratios and tests, and monitoring and reporting procedures related thereto. The conditions under which a reserve method may be used shall be prescribed by the chairman in a written notice distributed to licensees and all interested persons. Licensees shall notify the chairman in writing at least 45 days prior to the commencement of any new gaming or promotional activity for which periodic payments may be used. Unless otherwise informed within such time period in writing by the chairman and assuming a stop order has not been issued during such period, the use of a reserve method for funding periodic payments shall be deemed approved.

(d) Another method of providing the periodic payments to a patron consistent with the purpose of this regulation and which is approved by the commission prior to the commencement of the gaming or promotional activity. Proposed modifications to a periodic payment plan previously approved by the commission shall be submitted to the chairman for review at least 45 days prior to the effective date of the change. The chairman, after whatever investigation or review he deems necessary, may administratively approve the modification or require the licensee to submit the requested modification to the commission for review and approval.

4. The funding of periodic payment plans shall be completed within 30 days of the conclusion of the validation period, or where a qualified prize option is offered for such prize payout, within 30 days of the date the patron makes an election thereunder. Where a single cash payment is elected, the licensee shall pay to the patron in cash, certified check or wire transfer the full amount less any prior payment(s) within 15 days after receiving the patron's written notification of such election.

5. Periodic payments shall not be used for prize payouts of \$100,000 or less. Periodic payments for total amounts won greater than \$100,000 shall be paid as follows:

(a) For amounts won greater than \$100,000, but less than \$200,000, payments shall be at least \$10,000 annually;

(b) For amounts won greater than \$200,000 or more, payments shall be no less than 1/20th of the total amount annually;

(c) For amounts won equal to or in excess of \$5,000,000, payments shall be made in the manner set forth in (b), above, or in such manner as approved by the commission upon application by the licensee; and

(d) The first installment payment shall be made upon the conclusion of the validation period, notwithstanding that a qualified prize option may be offered to the patron. In the event that a qualified prize option is offered to a patron, it shall not be construed as a requirement that the patron shall receive a single cash payment instead of periodic payments.

Waivers of subsections (a), (b) and (c) of this section that have been previously granted by the commission shall remain in full force and effect pursuant to the current terms and provisions of such waivers.

6. The licensee shall provide the chairman with an appropriate, signed legal document, prior to the commencement of any gaming or promotional activity for which periodic payments are to be offered, that shall irrevocably and unconditionally remise, release, indemnify and forever discharge the State of Nevada, the commission, the board, and their members, employees, agents and representatives, including those of the Attorney General's Office, of and from any and all claims, actions, causes of actions, losses, damages, liabilities, costs, expenses and suits of any nature whatsoever, in law or equity, including reasonable attorney's fees, arising from any act or omission of the commission and the board, and their members, employees, agents and representatives.

7. For any gaming or promotional activity for which periodic payments are used, the licensee shall provide a notice on each gaming device or, if no gaming device is used, then in each gaming or promotional area specifically setting forth the terms of the periodic payment plan, and include in all radio, television, other electronic media, or print advertising that such prizes will be awarded using periodic payments.

8. Notwithstanding any other regulation to the contrary, if a licensee offers a qualified prize option to a patron who is awarded a qualified prize, the licensee shall provide the option to the patron in writing within five days after the conclusion of the validation period. Such written option shall explain the method used to compute the single cash payment, including the discount rate as of the date of calculation, and shall state that the patron is under no obligation to accept the offer of a single cash payment and may nevertheless elect to receive periodic payments for the qualified prize.

9. The licensee shall maintain the following amounts, as applicable, related to each gaming or promotional activity that uses periodic payments in calculating its minimum bankroll requirement for the purpose of complying with Regulation 6.150:

(a) For periodic payment plans approved in accordance with Regulation 5.115(3)(a), the installment payments due within the next 12-month period for all amounts won or on public display for which the licensee will be making periodic payments.

(b) For periodic payment plans approved in accordance with Regulation 5.115(3)(b), the first installment payment, if not yet paid, and the present value of all future payments:

(1) For amounts won or awarded but for which the funding has not been completed; and

(2) For all prizes which have not been won or awarded but are on public display, including a progressive meter.

(c) An alternative amount and/or method required by the chairman to satisfy the minimum bankroll requirement for other approved funding plans used for periodic payments.

10. At all times the licensee is responsible for the payment of all prizes resulting from any gaming or promotional activity upon conclusion of the validation period, regardless of the method used to fund the periodic payments allowed under this regulation. In the event of a default by any financial institution with which the licensee has contracted to guarantee or make periodic payments, the licensee will be liable for the periodic payments owed to patrons.

11. At least annually, the licensee shall verify that the independent financial institution and brokerage firm being used to guarantee or remit periodic payments to patrons or to hold approved funding sources related thereto continues to meet the applicable qualifications required by Regulation 5.115(2). In the event that such entities are found to no longer meet the defined requirements, the licensee shall immediately notify the chairman of the change in status and within 30 days provide a written plan to comply with these requirements.

12. At least 60 days prior to the cessation of operations, a licensee responsible for remitting periodic payments to patrons shall submit a plan to satisfy the liability for approval. The chairman, after whatever investigation or review he deems necessary, may approve the plan.

13. Copies of the related contracts and agreements executed pursuant to Regulation 5.115(3)(a), (3)(b) and (3)(d) shall be submitted to the board within 30 days after execution. For all methods of funding periodic payments, the licensee must maintain documents, executed contracts and agreements for a period no less than the duration of the periodic payments plus five years thereafter.

14. Where a licensee is found to be in noncompliance with the funding requirements provided in this regulation, the chairman may require the licensee to immediately cease offering any gaming or promotional activity for which periodic payments are used or he may require other corrective action.

15. Any failure of the licensee to maintain full compliance with each and every provision set forth in this regulation, including the chairman's requirements established pursuant to Regulation 5.115(3)(c), or any failure of the licensee to immediately notify the chairman of any noncompliance thereof, shall constitute an unsuitable method of operation. Such noncompliance may subject the licensee to disciplinary action.

16. The commission may waive one or more of the requirements of this regulation if it makes a written finding that such waiver is consistent with the public policy set forth in NRS 463.0129.

(Adopted: 2/91. Amended: 11/18/99; 2/22/01.)

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REGULATION 14

**MANUFACTURERS, DISTRIBUTORS, OPERATORS OF
INTER-CASINO LINKED SYSTEMS, GAMING
DEVICES, NEW GAMES, INTER-CASINO
LINKED SYSTEMS, ON-LINE SLOT METERING SYSTEMS, CASHLESS
WAGERING SYSTEMS AND ASSOCIATED
EQUIPMENT**

14.010 Definitions. As used in this regulation, unless the context otherwise requires:

1. "Assume Responsibility" means to acquire complete control over, or ownership of, a gaming device, cashless wagering system, mobile gaming system or interactive gaming system.

2. "Cashless wagering system" means the collective hardware, software, communications technology, and other associated equipment used to facilitate wagering on any game or gaming device including mobile gaming systems and interactive gaming systems with other than chips, tokens or legal tender of the United States. The term does not include any race and sports computerized bookmaking system that accepts pari-mutuel wagers, or any other race and sports book systems that do not accept wagering instruments or process electronic money transfers.

This type of associated equipment is further defined in NRS 463.014.

3. "Chairman" means the chairman of the state gaming control board or his designee.

4. "Control Program" means any software, source language or executable code which affects the result of a wager by determining win or loss. The term includes, but is not limited to, software, source language or executable code associated with the:

(a) Random number generation process;

(b) Mapping of random numbers to game elements displayed as part of game outcome;

(c) Evaluation of the randomly selected game elements to determine win or loss;

(d) Payment of winning wagers;

(e) Game recall;

(f) Game accounting including the reporting of meter and log information to on-line slot metering system;

(g) Monetary transactions conducted with associated equipment;

(h) Software verification and authentication functions which are specifically designed and intended for use in a gaming device;

(i) Monitoring and generation of game tilts or error conditions; and

(j) Game operating systems which are specifically designed and intended for use in a gaming device.

5. "Conversion" means a change in a gaming device from one pre-approved configuration to another pre-approved configuration or from one approved mode of play to another approved mode of play.

6. "Distribution" or "distribute" means:

(a) The sale, offering for sale, lease, offering for lease, licensing or other offer of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system for use or play in Nevada; or

(b) The sale, offering for sale, lease, offering for lease or other offer of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system from a location within Nevada.

7. "Distributor" means a person or entity that distributes any gaming device, cashless wagering system, mobile gaming system or interactive gaming system.

8. "Distributor of associated equipment" is any person that sells, offers to sell, leases, offers to lease, licenses, markets, offers, or otherwise offers associated equipment in Nevada for use by licensees.

9. "Equipment associated with interactive gaming" means associated equipment as defined within NRS 463.0136.

10. "Interactive gaming system" is a gaming device and means the collective hardware, software, communications technology, and proprietary hardware and software specifically designed or modified for, and intended for use in, the conduct of interactive gaming. The core components of an interactive gaming system, including servers and databases running the games on the interactive gaming system and storing game and interactive gaming account information, must be located in the State of Nevada except as otherwise permitted by the chairman or his designee.

11. "Game outcome" is the final result of the wager.

12. "Game variation" means a change or alteration in a game or gambling game that affects the manner or mode of play of an approved game. This includes, but is not limited to, the addition or removal of wagering opportunities or a change in the theoretical hold percentage of the game. The term game or gambling game is defined in NRS 463.0152.

13. "Independent contractor" means any person who:

(a) Is not an employee of a licensed manufacturer; and

(b) Pursuant to an agreement with a licensed manufacturer:

(1) Designs, develops, programs, produces or composes a control program on behalf of the licensed manufacturer; or

(2) Designs, develops, produces or composes software, source language or executable code intended to be compiled into a control program by the licensed manufacturer.

↳ As used in this regulation "licensed manufacturer" includes any affiliate that is owned or controlled by or under common control with the licensee.

14. "Independent testing laboratory" means a private laboratory that is registered by the commission to inspect and certify games, gaming devices, associated equipment, cashless wagering systems, inter-casino linked systems, mobile gaming systems or interactive gaming systems, and any components thereof and modifications thereto, and to perform such other services as the board and commission may request.

15. "Inter-casino linked system" means **[an inter-casino linked system including]:**

(a) A network of electronically interfaced similar games which are located at two or more licensed gaming establishments that are linked to:

(1) Conduct gaming activities, contests or tournaments; or

(2) Facilitate participation in a common progressive prize system.

↳ **and** the collective hardware, software, communications technology and other associated equipment used **in such system** to link and monitor games or devices located at two or more licensed gaming establishments, **including any associated equipment used to operate a multi-jurisdictional progressive prize system.**

(b) Systems that solely record a patron's wagering activity among affiliated properties are not inter-casino linked systems. **[This term is further defined in NRS 463.01643.]**

(c) The term "multi-jurisdictional progressive prize system" means the collection of hardware, software, communications technology and other associated equipment used to link and monitor progressive slot machines or other games among licensed gaming establishments in this state participating in an inter-casino linked system and one or more lawfully operated gaming locations in other jurisdictions that participate in a similar system for the purpose of participation in a common progressive prize system.

16. "Inter-casino linked system modification" means a change or alteration to an inter-casino linked system made by an operator who has been previously approved by the commission to operate that system. With regard to inter-casino linked systems that link progressive payout schedules, the term includes, but is not limited to:

(a) A change in a system name or theme; or

(b) A change in gaming device denomination.

17. "Manufacture" means:

(a) To manufacture, produce, program, design, control the design of, maintain a copyright over or make modifications to a gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware;

(b) To direct, control or assume responsibility for the methods and processes used to design, develop, program, assemble, produce, fabricate, compose and combine the components and other tangible objects of any gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware; or

(c) To assemble, or control the assembly of, a gaming device, cashless wagering system, mobile gaming system or interactive gaming system, including proprietary software or hardware.

18. "Manufacturer" means a person who operates, carries on, conducts or maintains any form of manufacture.

19. "Manufacturer of associated equipment" is any person that manufactures, assembles, or produces any associated equipment, including inter-casino linked systems, for use in Nevada by licensees.

20. "Manufacturer of Equipment Associated with Interactive Gaming" means any person that manufactures, assembles, or produces any equipment associated with interactive gaming.

21. "Mobile gaming system" or "system" means a system that allows for the conduct of games through mobile communications devices operated solely within a licensed gaming establishment by the use of communications technology that allows a patron to bet or wager, and corresponding information related to the display of the game, gaming outcomes or other similar information.

22. "Mobile gaming system modification" means any change or alteration to a mobile gaming system made by a manufacturer from its approved configuration.

23. "Modification" means a change or alteration in a gaming device previously approved by the commission for use or play in Nevada that affects the manner or mode of play of the device. The term includes a change to control or graphics programs and, except as provided in paragraphs (d) and (e), in the theoretical hold percentage. The term does not include:

(a) A conversion;

(b) Replacement of one component with another, pre-approved component;

(c) The rebuilding of a previously approved device with pre-approved components;

(d) A change in the theoretical hold percentage of a mechanical or electro-mechanical device, provided that the device as changed meets the standards of Regulation 14.040(1); or

(e) A change in the theoretical hold percentage of an electronic device which is the result of a top award jackpot or bonus jackpot payment which is paid directly by an attendant and which is not accounted for by the device.

24. "On-line slot metering system" means the collective hardware, software and other associated equipment used to monitor, accumulate, and record meter information from gaming devices within a licensed establishment.

25. "Operator" means, except as otherwise provided, any person or entity holding a license to operate:

(a) [a] An inter-casino linked system or mobile gaming system in Nevada [i];

(b) [a person or entity holding a license to operate a] A slot machine route that operates an inter-casino linked system for slot machines only [i-or];

(c) [a person or entity holding a license to operate a] A nonrestricted gaming operation that operates an inter-casino linked system of affiliates; or

(d) An inter-casino linked system under the preceding paragraphs (a) or (b) of this section which system also is linked to or otherwise incorporates a multi-jurisdictional progressive prize system.

26. "Private residence" means a noncommercial structure used by a natural person as a place of abode and which is not used for a commercial purpose.

27. "Proprietary hardware and software" means hardware or software specifically designed for use in a gaming device including a mobile gaming system and interactive gaming system.

28. "Randomness" is the observed unpredictability and absence of pattern in a set of elements or events that have definite probabilities of occurrence.

29. "Theme" means a concept, subject matter and methodology of design.

14.030 Approval of gaming devices and the operation of new inter-casino linked systems; applications and procedures.

1. A manufacturer or distributor shall not distribute a gaming device in Nevada and a licensee shall not offer a gaming device for play unless it has been approved by the commission or is offered for play pursuant to a field test ordered by the chairman.

2. An operator of an inter-casino linked system shall not install and operate a new inter-casino linked system in Nevada and a licensee shall not offer any gaming device or game for play that is part of such a system unless operation of the inter-casino linked system and all gaming devices or games that are part of or connected to the inter-casino linked system have been approved by the commission or are offered for play pursuant to a field test ordered by the chairman.

3. Applications for approval of a new gaming device or to operate a new inter-casino linked system shall be made and processed in such manner and using such forms as the chairman may prescribe. Only licensed manufacturers may apply for approval of a new gaming device. Only operators may apply for approval to operate a new inter-casino linked system.

4. At the chairman's request an applicant for a manufacturer's or inter-casino linked system operator's license shall, or upon the chairman's prior approval an applicant for a manufacturer's or operator's license may, apply for

a preliminary determination that a new gaming device or new inter-casino linked system meets the standards required by this regulation.

5. Each application shall include, in addition to other items or information as the chairman may require:

(a) A complete, comprehensive, and technically accurate description and explanation in both technical and lay language of the manner in which the device or inter-casino linked system operates and complies with all applicable statutes, regulations and technical standards, signed under penalty of perjury;

(b) A statement under penalty of perjury that, to the best of the manufacturer's knowledge, the gaming device meets the standards of section 14.040 or, in the case of an inter-casino linked system, that to the best of the operator's knowledge the system meets the standards of section 14.045;

(c) In the case of a gaming device, a copy of all executable software, including data and graphic information, and a copy of all source code for programs that cannot be reasonably demonstrated to have any use other than in a gaming device, submitted on electronically readable, unalterable media;

(d) In the case of a gaming device, a copy of all graphical images displayed on the gaming device including, but not limited to, reel strips, rules, instructions and paytables;

(e) In the case of an inter-casino linked system:

(1) An operator's manual;

(2) A network topology diagram;

(3) An internal control system;

(4) A hold harmless agreement;

(5) A graphical representation of the system theme and all related signage; ~~and~~

(6) Information sufficient to calculate a theoretical payoff schedule amount including, but not limited to, the base and reset amounts, the total contribution percentage and a breakdown of that percentage including contribution rates to all progressive payoff schedules and all reset funds, the odds of winning the progressive payoff schedule and the amount of the wager required to win the progressive payoff schedule; and

(7) The form of any agreement or written specifications permitted or required of an operator by any other state or tribal government and affecting a multi-jurisdictional progressive prize system.

(f) In the case of a mobile gaming system:

(1) An operator's manual;

(2) A network topology diagram;

(3) An internal control system; and

(4) A description of the method used to isolate game function to the areas listed in Regulation 5.220(1)(i);

and

(g) All materials relating to the results of the registered independent testing laboratory's inspection and certification process that are required under section 14.400.

14.100 Final approval of new gaming devices and new inter-casino linked systems.

1. After completing its evaluation of the new gaming device or the operation of a new inter-casino linked system, the board shall recommend to the commission whether the application for approval of the new gaming device or operation of a new inter-casino linked system should be granted.

2. In considering whether a new gaming device or operation of a new inter-casino linked system will be given final approval, the board and commission shall consider whether:

(a) ~~(a)~~ Approval of the new gaming device or operation of a new inter-casino linked system is consistent with the public policy of this state.

(b) The terms of any agreement or written specifications permitted or required of an operator by any other state or tribal government and affecting a multi-jurisdictional progressive prize system:

(1) Comply with the provisions of these regulations; and

(2) Include procedures satisfactory to the commission for:

(A) Ensuring compliance with the requirements of subsection 4 of regulation 14.040(4);

(B) Resolution of patron disputes under procedural and substantive requirements equal to or greater than the standards applied by the board;

(C) Surveillance and security of gaming devices connected to such system;

(D) Record-keeping and record-retention;

(E) Control of access to any internal mechanism of gaming devices connected to such system;

(F) Prior administrative approval of the chairman for any adjustments to progressive meters;

(G) Access by the board to audit compliance with the requirements of this subparagraph; and

(H) Any special procedures necessary for a multi-jurisdictional progressive prize system with lawfully operated gaming locations participating outside the United States, including without limitation matters of currency conversion and the availability of English translations of all relevant and material documentation and information.

3. Commission approval of a gaming device or inter-casino linked system does not constitute certification of the device's or inter-casino linked system's safety. Commission approval of a multi-jurisdictional progressive prize system shall include approval of any agreement or written specifications permitted or required by any other state or tribal government and affecting such system. The chairman will complete any written acknowledgement necessary to document the commission's approval of any such agreement or written specifications. The prior administrative approval of the chairman is required of any modification to such agreement or written specifications.