

REGULATION 8: TRANSFER OF OWNERSHIP; LOANS

PROPOSED AMENDMENTS TO REGULATIONS 8.130

PURPOSE: In accordance with NRS 463.150, NRS 463.750 and S.B. 218 passed during the 2011 Legislative Session, to amend Regulation 8.130 to include operators of interactive gaming and service providers; and to take such additional action as may be necessary and proper to effectuate these stated purposes

(Draft Date: December 13, 2011)

8.130 Transaction reports. As used in this section, “licensee” means any person to whom a valid nonrestricted gaming license, including a license as an operator of a slot machine route, mobile gaming system, or an inter-casino linked system, manufacturer’s, distributor’s, or disseminator’s license, a license to engage in off-track pari-mutuel wagering, pari-mutuel systems operator license, ~~or a pari-mutuel wagering license,~~ operator of interactive gaming license, or a service provider license has been issued. The term does not include a person licensed solely as a holder of a security or other ownership interest in, as an officer, director or key employee of, or due to any other relationship with, a licensed operation.

1. Any licensee that receives, accepts, or makes use of any cash, property, credit, guaranty, benefit or any form of security loaned to, leased to, or provided for or on behalf of the licensee or an officer, director, agent, employee or stockholder of the licensee, in a transaction required to be reported under subsections 2 through 6, must report the transaction to the board in the manner required by subsections 7 and 8 within 30 days after the end of the calendar quarter in which the transaction is consummated. A transaction is considered consummated the earlier of the contract date or the date the cash, property, credit, guaranty, benefit or security is received.

2. Except as provided in subsections 3 and 5, each of the following transactions must be reported to the board, if the dollar amount of the transaction or the fair market value of the assets involved exceeds \$300,000 or the average monthly payment exceeds \$30,000:

- (a) Leases, including leaseback transactions and capital leases.
- (b) Deposits received by the licensee pursuant to an arrangement for use of space at the licensee’s establishment.
- (c) Installment purchase contracts.
- (d) Property donated to the licensee.

3. Except as provided in subsection 5, each of the following transactions must be reported to the board, if the dollar amount of the transaction exceeds \$30,000:

- (a) Loans, mortgages and trust deeds.

(b) Capital contributions and loans by a person who is a stockholder, partner or proprietor of the licensee.

(c) Safekeeping deposits which:

(1) Are made by an individual beneficially owning, directly or indirectly, a 10 percent or greater interest in the licensee;

(2) Are commingled with the licensee's funds;

(3) Are left for more than 10 days; and

(4) At any time during that period, aggregate to an amount greater than 25 percent of cash in the cage.

(d) Lines of credit.

(e) Accounts payable and accrued expenses due to unaffiliated persons where the payment terms or actual length of payments exceed 12 months.

(f) Conversions of accounts payable, accrued expenses or other liabilities to notes payable.

(g) Debts forgiven by a lender.

(h) Guaranties received by the licensee.

(i) Accruals of salary due to an individual directly or indirectly owning an interest in the licensee where the accrual period exceeds 90 days.

4. Those transactions in subsections 2 and 3 which occur no more than 7 days apart from a single source shall be considered a single transaction if they exceed the dollar amounts specified in those subsections.

5. The following transactions need not be reported to the board regardless of the dollar amount of the transaction, fair market value of the assets involved, or average monthly payment:

(a) Draws against a previously reported extension of credit.

(b) Except for items specifically described in subsections 2 or 3, goods or services which are exchanged for other goods or services of an affiliate of the licensee.

(c) Short-term cash loans which have a payback period of less than 7 days and are provided to the licensee on a regularly recurring basis, provided the terms and conditions of the arrangement have not changed, and provided the initial loan or financing arrangement has been reported.

(d) Loans and other financing activities that were reviewed during an investigation which resulted in board or commission action, provided the terms and conditions of the arrangements have not changed.

(e) Financing of gaming devices or associated equipment installed and used during a trial period authorized pursuant to Regulation 14.

(f) Funds received by the licensee in satisfaction of accounts or notes receivable.

(g) Purchases or leases of gaming devices and associated equipment where the seller or lessor is a licensed manufacturer or distributor, and the financing is not provided by a third party.

(h) Cash, property, credit, services, guaranty, benefit or any form of security loaned to or provided for or on behalf of the licensee by a licensed affiliate, licensed subsidiary or registered parent of the licensee. However, such financing

from a stockholder, partner, unlicensed affiliate or proprietor of the licensed operation must be reported.

(i) Assessments for property taxes or other improvements by, or accruals for taxes due to, a government entity.

(j) Payments of gaming winnings over time to patrons.

(k) Deposits or payments received by the licensee in conjunction with a convention or similar event.

(l) Leases, including leaseback transactions and capital leases, where the lease term, including any extensions or renewals, does not exceed 90 days.

(m) Financing activity that has been filed and administratively approved by the chairman of the Gaming Control Board pursuant to Regulations 5.115, 6.125 or 22.040, or has been approved by the commission pursuant to Regulation 5.115.

6. All renewals, changes or modifications to the terms or conditions of transactions previously reported under this section must be reported.

7. The report to the board required by this section must include the names and addresses of all parties to the transaction, the amount and source of the funds, property or credit received or applied, the nature and amount of security provided by or on behalf of the licensee, the purpose of the transaction, and any additional information the board may require. For transactions reported pursuant to requirements of subsection 4, the report must also identify the dates of each loan or contribution. The report must be made on a form provided or approved by the board, accompanied by a fully executed copy of the financing agreement, and signed by an owner or key employee (as defined by Regulation 3.110) under oath.

8. In the event a party to any transaction reportable pursuant to this regulation is a person other than the reporting licensee or a financial institution or related subsidiary, or a publicly traded company, the report must be accompanied by a supplemental filing which must include that person's federal tax identification number or social security number and date of birth, banking references, and source of funds, and any additional information the board may require.

9. If, after such investigation as the board deems appropriate, the commission finds that a reported transaction is inimical to the public health, safety, morals, good order or general welfare of the people of the State of Nevada, or would reflect, or tend to reflect, discredit upon the State of Nevada or the gaming industry, it may order the transaction rescinded within such time and upon such terms and conditions as it deems appropriate.

10. A bankruptcy filing by a licensee does not relieve that licensee of the reporting requirements of this regulation.

11. The board chairman or his designee may waive one or more of the provisions of this section or require a report of a transaction not otherwise addressed in this section or a supplemental filing, upon a finding that the waiver, reporting requirement or supplemental filing is consistent with the public policy of the State of Nevada as set forth in NRS 463.0129..