

GAMING SUPERVISION AND CONTROL IN NEVADA

Legislative Commission of the  
Legislative Counsel Bureau  
State of Nevada

November 22, 1970

BULLETIN No. 93



# GAMING SUPERVISION AND CONTROL IN NEVADA

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## LEGISLATIVE COMMISSION

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Senate Concurrent Resolution No. 21—Committee on Judiciary

FILE NUMBER..145..

SENATE CONCURRENT RESOLUTION—Directing the legislative commission to study the organization of the Nevada gaming commission and the gaming control board and their methods of control and enforcement of gaming laws and regulations.

WHEREAS, Gaming is a major income-producing industry in the State of Nevada attendant with problems of state supervision and control; and

WHEREAS, It is proper that the legislature periodically should cause to be made a study and review of the methods and procedures created and followed pursuant to statute and administrative regulation for gaming control; and

WHEREAS, Corporate licensing of gaming establishments has brought problems which focus upon unusual and complicated methods of finance and upon disparate and highly complex methods of business organization; now, therefore, be it

*Resolved by the Senate of the State of Nevada, the Assembly concurring,* That the legislative commission is hereby directed to study the present organization of the Nevada gaming commission and the state gaming control board and their methods of control and enforcement of gaming laws and regulations to determine if such laws and regulations are adequate to insure proper and continued supervision and control of gaming licensees in this state; and be it further

*Resolved,* That the legislative commission is hereby directed to assign high priority to this study; and be it further

*Resolved,* That the legislative commission is hereby directed to make a report of such study and recommend any appropriate legislation to the 56th session of the legislature of the State of Nevada.



## REPORT OF THE LEGISLATIVE COMMISSION

TO THE MEMBERS OF THE 56TH SESSION OF THE NEVADA LEGISLATURE:

This report is submitted in compliance with Senate Concurrent Resolution No. 21 of the 55th Session, which directed the study of the present organization of the Nevada gaming commission and the state gaming control board and their methods of control and enforcement of gaming laws and regulations to determine if such laws and regulations are adequate to insure proper and continued supervision and control of gaming licensees in this state. The legislative commission appointed a subcommittee to make the study and recommend appropriate legislation to the next session of the legislature. Senator Warren L. Monroe was designated chairman of the subcommittee and the following legislators were named as members: Senators Vernon E. Bunker and Carl F. Dodge, and Assemblymen Austin H. Bowler, Joseph E. Dini, Jr., Howard F. McKissick, Jr., William D. Swackhamer, Randall V. Capurro and Keith Ashworth. Professor James S. Roberts of the University of Nevada, Reno, was the only nonlegislative member.

The subcommittee worked diligently during a period of 17 months and its report with suggested draft legislation, attached for your examination, was approved by the legislative commission on November 22, 1970.

Respectfully submitted,

Legislative Commission  
State of Nevada

November 22, 1970





REPORT OF THE LEGISLATIVE COMMISSION'S  
SUBCOMMITTEE FOR STUDY OF GAMING

I. Introduction.

This subcommittee was appointed pursuant to Senate Concurrent Resolution No. 21 of the 55th session, and consisted initially of Senators Warren L. Monroe, Chairman, Vernon E. Bunker, Carl F. Dodge and Assemblymen Austin H. Bowler, Joseph E. Dini, Jr., Howard F. McKissick, Jr., William D. Swackhamer, and Randall V. Capurro. Subsequently, Professor James S. Roberts of the College of Arts and Sciences, University of Nevada, Reno, became the only nonlegislative member on the subcommittee. Following the untimely death of the late Assemblyman Austin H. Bowler, Assemblyman Keith Ashworth was appointed to the subcommittee. Russell W. McDonald, legislative counsel, served as subcommittee counsel, and his chief assistant, Mrs. Ann Rollins, was secretary to the subcommittee.

The subcommittee conducted an in-depth study of the present organization of the Nevada gaming commission and the state gaming control board and their methods of control and enforcement of gaming laws and regulations, with particular emphasis on the corporate gaming concept, to determine if such laws and regulations are adequate to insure proper and continued supervision and control of gaming licensees in this state. The matter of local licensing and regulation of gaming was also considered insofar as it tended to affect state policies of licensing and control.

The subcommittee conducted many regular meetings during which it heard testimony from scores of witnesses intimately familiar with the subjects of the study, including present and former officials of the gaming control agencies, federal, county and city officials, industry representatives and members, attorneys and accountants expert in the fields of corporate law and finance, a highly qualified representative of the Securities and Exchange Commission, and experts in the field of administrative organization. Certain members of the subcommittee traveled to Washington, D. C., to confer with officials of the Department of Justice. In addition, individual members of the subcommittee and subcommittee counsel conducted numerous interviews. The subcommittee wishes to thank all those individuals, whose names are too numerous to mention, for the generous contributions of their talents and time to this study.

## II. Summary.

1. General conclusions. As a result of its study, the subcommittee has unanimously agreed that:
  - (a) Certain changes in the organizational structure and operational procedures of the gaming control agencies are desirable; and
  - (b) The concept of corporate gaming is basically sound and should be retained, with certain refinements.

The subcommittee's general recommendations follow.

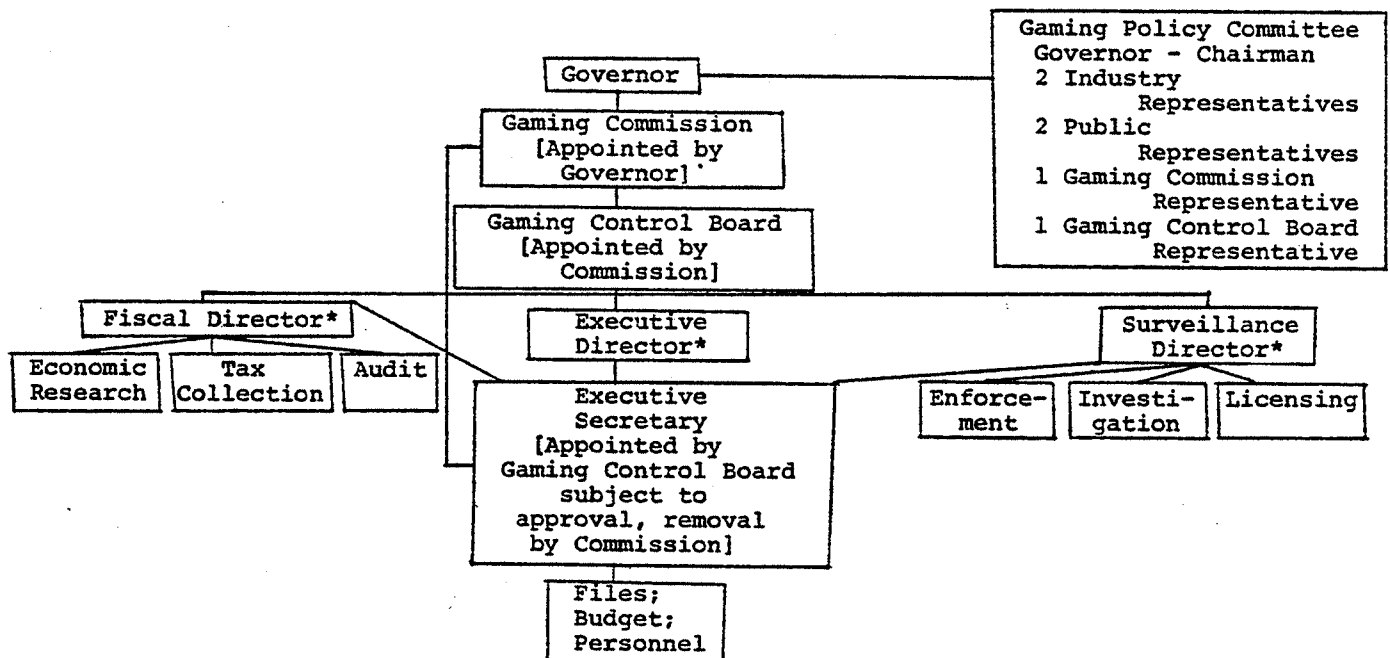
2. Need for reorganization. The subcommittee believes that the efficiency and effectiveness of the gaming control agencies in enforcement and administration of gaming laws and regulations would be increased by a plan of organization which would:
  - (a) Broaden the membership of the gaming policy board;
  - (b) Relieve the Nevada gaming commission from detailed administrative responsibilities, and permit it to concentrate on its policymaking and quasi-judicial functions, by elimination of dual reporting and duplication of effort and concentrating the administrative functions of both the state gaming control board and the Nevada gaming commission under the board in three divisions concerned with general administration, fiscal matters and surveillance;
  - (c) Provide greater expertise by establishing special qualifications for board members and permit hiring of special consultants;
  - (d) Tend to insulate the gaming control agencies from partisan political pressures; and
  - (e) Attract competent career employees by establishing a system for protection of employees against unjustified adverse actions relating to their employment.

The subcommittee has been advised that the proposed reorganization would not result in any substantial

increase in costs of administration if salaries are maintained at present levels. However, the subcommittee strongly recommends substantial increases in the salaries paid to board members. The subcommittee further recommends that the salary of the executive director be higher than that of other board members because of his additional administrative duties.

The proposal to permit the board to employ the services of expert consultants would not result in any increased expense to the state because the costs of such services would be borne by the license applicant.

3. Proposed plan of reorganization. An organization chart of the proposed plan follows:



\*Special qualifications written into law

- (a) Gaming policy board. The name of the gaming policy board is changed to gaming policy committee, and its membership expanded to seven members, and consists of the governor, as chairman; one member of the gaming commission, designated by the commission; one member of the gaming control board, designated by the board; two representatives of the general public, appointed by and serving at the pleasure of the governor; and two representatives of the gaming industry--one from southern Nevada and one from northern Nevada--who will be selected by the governor from a list of nominees submitted by recognized industry associations and groups located in each area. The functions of the gaming policy board remain unchanged.
- (b) Nevada gaming commission. The composition of the Nevada gaming commission is unchanged. However, its operating functions, as distinguished from its policymaking and quasi-judicial functions in licensing and disciplinary matters, are transferred to the gaming control board. All necessary services will be provided by the board. Implementation of commission policy decisions is preserved by new appointive and removal provisions hereinafter mentioned.
- (c) Gaming control board operations. The various operating divisions of the board will function under the general direction of the board and the immediate supervision of one member whose special qualifications are provided by law. All fiscal functions (economic research, tax collection and audit) formerly performed by both the Nevada gaming commission and the state gaming control board are combined in one division under the fiscal director, who is the board member with special qualifications in such matters. Similarly, functions relating to enforcement, investigations and licensing are concentrated under the surveillance director, who is specially qualified in that area. All general administrative and clerical functions for both the commission and the board are the responsibility of the executive director, who is the chairman of the state gaming control board, and has special qualifications as an administrator. The executive director is assisted

by the executive secretary, who serves as secretary to the gaming commission, is responsible for files, budget and personnel administration, and is required to provide all necessary clerical services to the commission and the operating divisions.

- (d) Gaming control board appointments, removals. Under the proposed plan of reorganization, the members of the state gaming control board (executive director, fiscal director and surveillance director) are to be appointed by the Nevada gaming commission and may be removed by the commission. (At present, board members are appointed by the governor, and serve at his pleasure.) The executive secretary is to be appointed by the gaming control board with the approval of the commission, and may be removed by the board with the approval of the commission. Subcommittee member Howard F. McKissick, Jr., is not in full agreement with that portion of the proposed plan of reorganization concerning the appointment and removal of the members of the state gaming control board.

The board and commission will be required to adopt suitable personnel regulations governing job qualifications and performance standards and to provide procedures for taking adverse actions against employees and for review of actions taken.

- (e) Draft Bill. Proposed legislation to accomplish the reorganization outlined above is attached as Exhibit A to this report.

4. Corporate licensing. In the area of corporate licensing, the subcommittee recommends legislation to effect the following:

- (a) Amend subsections 2, 3 and 7 of NRS 463.585 and subsection 3 of NRS 463.635, relating to holding companies and intermediary companies, to clarify the commission's continuing powers over such companies after initial registration and approval, particularly with reference to unsuitable stockholders of such companies.

- (b) Specifically authorize the gaming control board to employ the services of expert consultants in the fields of corporate organization and management.
- (c) Require the board and the commission to adopt suitable regulations to implement the provisions of NRS 563.482 to 563.641, inclusive, relating to licensing of corporations. (At present, adoption of such regulations is discretionary; and existing Regulation 15 has not been revised to conform in all respects to the present law.)
- (d) Resolve the inconsistency between NRS 463.120 and 463.565 relating to disclosure of information concerning licensees to require gaming policy committee approval with respect to information concerning all licensees.
- (e) Amend NRS 463.159 to require independent audits of all nonrestricted licensees with an annual gross revenue of \$1,000,000 or more and authorize the commission to require audits of nonrestricted licensees with an annual gross revenue of less than \$1,000,000.
- (f) Remove the power of the commission to waive certain statutory requirements by amending NRS 463.489, but authorize the commission by amending NRS 463.625 to exempt a publicly traded corporation from complying with the requirements of subsection 4 of NRS 463.510 concerning certain statements appearing in its securities.
- (g) Conform subsection 6 of NRS 463.520 to subsection 2 of NRS 463.635 so that the information to be provided the board by applicants and licensees concerning amounts of remuneration paid to certain persons is the same in dollar amounts.
- (h) Amend NRS 463.540 to authorize a change of corporate officers and directors without receipt of prior approval of the commission. The present statute is not realistic, imposes excessive investigative duties on the board, and is expensive both to the board and the licensee without achieving meritorious

results. The period of 60 days within which the commission must act on requests for approval for the issuance or transfer of securities and to approve or disapprove changes in corporate officers and directors is insufficient and should be increased to 90 days.

- (i) Delete the mandatory provision of NRS 463.550 requiring corporate licensees to furnish the board with copies of their federal income tax returns. Information adequate for the purposes of the board is contained in the required annual profit and loss statements, annual balance sheets and audits.

More detailed reasons for the subcommittee's recommendations are set forth in part III of this report, and proposed legislation to effect the changes outlined above is attached as Exhibit B to this report.

5. Outside interests. After hearing extensive testimony, the subcommittee is in unanimous agreement with the existing policy prohibiting the licensing of persons or corporations having gaming interests outside the state. Subcommittee member McKissick expressed some reservation as to whether or not the policy be enacted into law rather than be continued by more flexible existing regulation. Draft legislation which could serve as a vehicle to enact such policy into law, if desired, is attached as Exhibit C to this report.

### III. Corporate gaming.

1. Licensing and control of corporate gaming. The subject of corporate gaming is one of the most widely discussed, and least understood, issues before the public in recent years. The lack of understanding pervades at all levels and includes private citizens, members of the news media, persons in the gaming industry, attorneys and state and local officials. This is understandable because certain aspects of the subject involve highly complex matters of corporate law and finance which are extremely difficult for persons unfamiliar with the field to comprehend fully, and in most cases accounts for widespread misconceptions.

Others, who for one reason or another, are opposed to further expansion of the gaming industry or broadening its investment base do not wish to understand and seek to foster popular misconceptions. It is the purpose of this section of the report to attempt to shed some light on the matter.

Perhaps the most widespread misconception is that the concept of corporate gaming is something new. It is not!

Corporate gaming has existed in Nevada since at least as far back as 1947. At least six of the most widely known gaming establishments in the state were licensed as corporations prior to enactment of the original Gaming Control Act in 1955, and by 1967 the total was at least 30. At present, there are approximately 50 licensed Nevada corporations and one foreign corporation. Of the 50 licensed, approximately 20 are wholly owned subsidiaries of holding companies governed by the 1969 corporate gaming act. These 50 corporations account for over 95 percent of total gaming revenue.

Nor is the concept of publicly traded stock entirely new. One Nevada corporation, licensed prior to 1952, has 2,640 stockholders of which 2,633 own less than 5 percent of the total stock issued. Individual blocs of 1 percent or less of the stock of that corporation were actively traded "over the counter" down through the years.

Another misconception is that the corporate gaming act permits trading in the stock of the licensed corporation. It does not. On the contrary, no transfer of ownership of stock in the licensed corporation is permitted without prior approval of the commission. The privilege of transfer without prior approval applies only to holding companies, and then only under stringent restrictions.

Statements in news media and elsewhere frequently leave the impression that large, publicly traded corporations actually hold the gaming license and run the operations directly. This is not the case. Such corporations are merely approved as holding companies suitable to own an interest in the licensed corporation or in another holding company of which the licensed corporation is a subsidiary.



Their influence on operations can be exercised only indirectly and under strict supervision of the gaming authorities.

It has frequently been asserted that the 1969 corporate gaming act served to weaken gaming control. Actually, the converse is true. Prior to 1969, corporate gaming was regulated under the same provisions as were applicable to other forms of gaming organizations. This was satisfactory in the "horse and buggy" days of corporate gaming; but as it progressed into the "jet age" it became apparent that controls designed specifically for corporate gaming were needed in addition to the original basic controls which still exist. The 1969 act provides those additional controls which greatly strengthen the commission's powers to take appropriate actions in any particular set of circumstances. For example, consider the matter of transfers of interest in a licensed gaming corporation. Previously, transfers involving interests not exceeding 1 percent were permitted without commission approval, provided both the transferor and transferee were not nor would be "connected in any manner with management of the licensed corporation." (Regulation 8.030(2).) Such transfers were permitted under the "de minimus" principle that if the transfer would not affect the operations of the gaming establishment, it was relatively unimportant. It should be noted that over the years literally thousands of such transfers occurred without one instance of trouble. Presently, no transfer whatever of stock of the licensed corporation is permitted without prior approval. Transfers are permitted in corporations once or more removed from the licensed corporation under the established "de minimus" principle, but then only in accordance with the much more detailed and stringent provisions of NRS 463.585, et seq.

By 1969 it had become clearly evident that broadening of the investment base in the gaming industry was absolutely essential to the continued growth of the industry. Funds necessary for the construction of new establishments or expansion of those existing were simply not available from conventional sources in the form of loans. Reputable financial institutions were unwilling to lend the huge sums required to a small group of investors and there

were very few individuals who could afford the heavy personal investments necessary. With this source of money no longer available the danger of hidden interests of unsuitable persons was constantly increasing. The problem was to devise a means to provide equity capital and wider investment participation and still maintain the necessary controls over the operations of the gaming establishments. The answer was, and is, the 1969 corporate gaming law. It permits indirect investment participation by large numbers of persons in one or more holding companies but centers responsibility for operations of the licensed corporation in a small group who are thoroughly investigated and strictly controlled, whether they be officers and directors of the licensed corporation or of the holding company.

The purposes of the 1969 corporate gaming act were set forth in the act (NRS 463.489) as:

- (a) To broaden the opportunity for investment in gaming through the pooling of capital in corporate form.
- (b) To maintain effective control over the conduct of gaming by corporate licensees.
- (c) To restrain any speculative promotion of the stock or other securities of gaming enterprises.

After thorough study, the subcommittee is satisfied that the statute is adequate for the purposes intended. Such problems as have occurred, and in particular two instances of stock manipulations by insiders in holding companies, were not the result of any deficiencies in the statute. The subcommittee does not wish to judge the performance of the gaming authorities on the basis of hindsight, nor to imply any criticism of them, considering the difficulty and novelty of their task.

Instead, the subcommittee recognizes their needs for more expertise in this highly complex area and has made its recommendations accordingly.

2. Corporate landlords and percentage leases. The concept of percentage leases between a licensee and a landlord, whether corporate or otherwise, is also not new. Such arrangements were always permissible provided the landlord

was licensed. However, various subterfuges were resorted to in the past to circumvent the licensing requirement; and, to correct that abuse and to insure adequate control, NRS 463.160 was amended in 1969 to permit percentage leases between an approved holding company and its licensed subsidiary. Obviously, from the standpoint of gaming control, it is immaterial whether a holding company receives money from its subsidiary in the form of dividends or as rent.

Respectfully submitted,

Senator Warren L. Monroe, Chairman  
Senator Vernon E. Bunker  
Senator Carl F. Dodge  
Assemblyman Joseph E. Dini, Jr.  
Assemblyman Howard F. McKissick, Jr.  
Assemblyman William D. Swackhamer  
Assemblyman Randall V. Capurro  
Assemblyman Keith Ashworth  
Dr. James S. Roberts



SUMMARY--Changes organizational structure, operational procedures of state gaming control board and Nevada gaming commission. Fiscal Note: No. (BDR 41-94)

AN ACT relating to the enforcement and administration of state gaming laws and regulations; amending the Nevada Gaming Control Act by changing the organizational structure and operational procedures of the state gaming control board and the Nevada gaming commission; defining certain words and terms; changing the name and broadening the membership of the gaming policy board; providing qualifications, compensation and the manner of appointment and removal of members of the state gaming control board; requiring the establishment of an employment plan for employees of the state gaming control board and providing other details concerning board employees; exempting Nevada gaming commission members and members and employees of the state gaming control board from the provisions of chapter 284 of NRS (State Personnel System); terminating the terms of office of state gaming control board members holding office on July 1, 1971; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND  
ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 463 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 7, inclusive, of this act.

Sec. 2. "Executive director" means the chairman and executive director of the state gaming control board.

Sec. 3. "Executive secretary" means the executive secretary of the state gaming control board and ex officio executive secretary of the Nevada gaming commission.

Sec. 4. "Fiscal director" means the member of the state gaming control board designated as such in charge of the fiscal division of the state gaming control board.

Sec. 5. "Surveillance director" means the member of the state gaming control board designated as such in charge of the surveillance division of the state gaming control board.

Sec. 6. 1. The board shall be organized in three functional divisions: Administrative, fiscal and surveillance.

2. The administrative division, under the supervision of the executive director and the executive secretary, shall perform all general administrative and clerical functions of the board and the commission, including maintenance of files and records, budgeting, personnel administration and purchasing, and shall provide all necessary clerical and other services to the commission and the other divisions of the board.

3. The fiscal division, under the supervision of the fiscal director, shall perform all fiscal functions of the board, including economic research, tax collection and auditing.

4. The surveillance division, under the supervision of the surveillance director, shall perform all enforcement, investigative and licensing functions of the board.

5. The executive secretary shall assist the executive director in administrative matters, and shall also serve as executive secretary to the commission.

Sec. 7. 1. The position of executive secretary of the state gaming control board is hereby created.

2. The executive secretary shall:

(a) Be appointed by the board with the approval of the commission, and may be removed by the board with the concurrence of the commission.

(b) Have had at least 5 years of responsible administrative experience in public or business administration or shall possess broad management skills.

(c) Receive an annual salary in the amount specified by the commission within the limits of legislative appropriations or authorizations.

Sec. 8. NRS 463.0101 is hereby amended to read as follows:

463.0101 As used in this chapter, the words and terms defined in NRS 463.0102 to 463.0127, inclusive, and sections 2 to 5, inclusive, of this act, have the meanings ascribed to them in NRS 463.0102 to 463.0127, inclusive, and sections 2 to 5, inclusive, of this act, unless a different meaning clearly appears in the context.

Sec. 9. NRS 463.0105 is hereby amended to read as follows:

463.0105 "Chairman" means the chairman and executive director of the state gaming control board or the chairman of the Nevada gaming commission.

Sec. 10. NRS 463.021 is hereby amended to read as follows:

463.021 1. The gaming policy [board,] committee, consisting of the governor as chairman and [the members of the commission and of the board,] one member of the commission, one member of the board, two members to represent the gaming industry, and two members to represent the general public, is hereby created. The commission member shall be designated by the commission, and the board member shall be designated by the board. The governor shall appoint the members to represent the general public, which members shall serve at his pleasure. The members to represent the gaming industry shall be appointed by the governor as follows:

(a) One member, who shall be a resident of Clark, Lincoln or Nye Counties, from among persons nominated by recognized gaming industry associations and groups located in such counties; and

(b) One member, residing elsewhere in the state, from among persons nominated by recognized gaming industry associations and groups located elsewhere in the state.

2. The governor may, from time to time, call meetings of the gaming policy board for the exclusive purpose of discussing matters of gaming policy.

Sec. 11. NRS 463.027 is hereby amended to read as follows:

463.027 1. [The commission may:



(a) Establish, and from time to time alter, such plan of organization as it may deem expedient.

(b) Employ and discharge an executive secretary, who shall receive an annual salary in the amount specified in NRS 281.-115, and who shall perform such duties as the commission may require, and such other personnel as it may deem necessary.

(c) Acquire] The board shall furnish to the commission such administrative and clerical services and such furnishings, equipment, supplies, stationery, books, motor vehicles and all other things as [it] the commission may deem necessary or desirable in carrying out its functions.

[(d) Incur such other expenses, within the limit of funds available to it as it may deem necessary.]

2. Except as otherwise provided in this chapter, all costs of administration incurred by the board on behalf of the commission shall be paid out on claims from the general fund in the state treasury in the same manner as other claims against the state are paid.

[3. The commission shall classify its employees, the number of which is not limited, as executive, supervisory, investigative and clerical, as it shall deem appropriate. No member or employee of the commission, other than those designated as clerical employees, shall be included in the classified service nor be subject to any of the provisions of chapter

284 of NRS or any acts amendatory of or supplemental thereto except NRS 284.350 and 284.355. Employees in the unclassified service of the state shall receive annual salaries in the amounts specified in NRS 281.115.]

Sec. 12. NRS 463.040 is hereby amended to read as follows:

463.040 1. Each member of the board shall:

(a) Be a citizen of the United States.

(b) Be, or within 6 months after appointment become and remain, a resident of the State of Nevada.

2. No member of the legislature, no person holding any elective office in the state government, nor any officer or official of any political party shall be eligible to appointment to the board.

3. It is the intention of the legislature that the board shall be composed of the most qualified persons [available, preferably having training or practical experience in any of the following fields of endeavor: Accountancy, administration, investigation, law enforcement, law or gaming.] available.

4. The chairman of the board, who shall serve as its executive director, shall have had at least 5 years of responsible administrative experience in public or business administration or shall possess broad management skills.

5. One member of the board, who shall serve as its fiscal director, shall be a certified public accountant licensed

by this state or another state of the United States or a public accountant qualified to practice public accounting under the provisions of chapter 628 of NRS, have 5 years of progressively responsible experience in general accounting, and have a comprehensive knowledge of the principles and practices of corporate finance; or such person shall possess the qualifications of an expert in the fields of corporate finance and auditing, general finance, gaming or economics.

6. One member of the board, who shall serve as its surveillance director, shall be selected with special reference to his training and experience in the fields of investigation, law enforcement, law or gaming.

Sec. 13. NRS 463.050 is hereby amended to read as follows:

463.050 1. Appointments to the board, except those to fill unexpired terms, shall be for terms as follows:

- (a) Two members for 4 years.
- (b) One member for 2 years.
- (c) Thereafter, all members shall be appointed for terms of 4 years.

2. Appointments to the board shall be made by the [governor] commission and members shall serve at the pleasure of the [governor.] commission.

3. Appointments to fill vacancies on the board shall be for the unexpired term of the member to be replaced, and shall be made by the [governor.] commission.

4. The [governor] commission shall designate the member to serve as chairman and executive director, who shall coordinate the activities of the board.

Sec. 14. NRS 463.070 is hereby amended to read as follows:

463.070 1. The board members shall each receive an annual salary in the amount specified [in NRS 281.115.] by the commission within the limits of legislative appropriations or authorizations.

2. In addition to the salary set forth above, each member shall be entitled to reimbursement for necessary travel and per diem expenses in the manner provided by law.

Sec. 15. NRS 463.080 is hereby amended to read as follows:

463.080 1. [The] Subject to the provisions of section 6 of this act, the board may:

(a) Establish, and from time to time alter, such plan of organization as it may deem expedient.

(b) [Employ, discipline and discharge such personnel as it may deem necessary.

(c)] Acquire such furnishings, equipment, supplies, stationery, books, motor vehicles and all other things as it may deem necessary or desirable in carrying out its functions.

[(d)] (c) Incur such other expenses, within the limit of funds available to it, as it may deem necessary.

[(e)] 2. Except as otherwise provided in this chapter, all costs of administration incurred by the board shall be paid out on claims from the general fund in the same manner as other claims against the state are paid.

[2. The board shall classify its employees, the number of which is not limited, as executive, supervisory, investigative and clerical, as it shall deem appropriate. No member or employee of the board, other than those designated as clerical employees, shall be included in the classified service nor be subject to any of the provisions of chapter 284 of NRS or any acts amendatory of or supplemental thereto except NRS 284.350 and 284.355. Employees in the unclassified service of the state shall receive annual salaries in the amounts specified in NRS 281.115.]

3. The board shall, within the limits of legislative appropriations or authorizations employ and fix the salaries of or contract for the services of such professional, technical, clerical and operational personnel and consultants as the execution of its duties and the operation of the board and the commission may require.

4. The members of the board and all of the personnel of the board shall be exempt from the provisions of chapter 284 of NRS. They shall be entitled to such leaves of absence as the board, with the concurrence of the commission, shall

prescribe; but such leaves shall not be of lesser duration than those provided for other state employees pursuant to chapter 284 of NRS.

5. The board and the commission shall, by suitable regulations, establish a comprehensive plan governing employment, job classifications and performance standards, and retention or discharge of employees to assure that termination or other adverse action is not taken against such employees except for cause. Such regulations shall include provisions for hearings in personnel matters and for review of adverse actions taken in such matters.

Sec. 16. NRS 284.013 is hereby amended to read as follows:

284.013 [The provisions of this chapter do not apply to agencies, bureaus, commissions, officers or personnel in the legislative department or the judicial department of the state government. Terms and conditions of employment of such personnel, including salaries and leaves of absence, shall be fixed by the appointing or employing authority within the limits of legislative appropriations.] 1. The provisions of this chapter do not apply to:

(a) Agencies, bureaus, commissions, officers or personnel in the legislative department or the judicial department of state government; or

(b) Members of the Nevada gaming commission or members or other personnel of the state gaming control board.

2. Terms and conditions of employment of all persons referred to in subsection 1, including salaries and leaves of absence (including, without limitation, annual leave and sick and disability leave), shall be fixed by the appointing or employing authority within the limits of legislative appropriations or authorizations; but such leaves of absence so prescribed shall not be of lesser duration than those provided for other state officers and employees pursuant to the provisions of this chapter.

Sec. 17. The terms of office of the members of the state gaming control board appointed pursuant to statute prior to July 1, 1971, are terminated on July 1, 1971, and appointments of members to the state gaming control board shall thereafter be made by the Nevada gaming commission as provided in NRS 463.050 as amended by this act.





SUMMARY--Proposes various amendments to law concerning  
licensing, control of corporate gaming. Fiscal  
Note: No. (BDR 41-95)

AN ACT relating to the licensing and control of corporate gaming; requiring the Nevada gaming commission to adopt and maintain regulations; authorizing the state gaming control board to employ experts in the fields of corporate organization and management; requiring the approval of the gaming policy committee for the release of information pertaining to all gaming licensees; restricting the powers of the Nevada gaming commission to waive certain statutory requirements; requiring independent audits of certain nonrestricted licensees; conforming statutory requirements for information to be provided by corporate applicants and licensees; authorizing licensed corporations to change corporate officers and directors without prior approval; eliminating the requirement of filing copies of federal income tax returns; clarifying provisions concerning the Nevada gaming commission's continuing powers over holding companies; authorizing an exemption concerning the contents of securities of publicly traded corporations; repealing NRS 463.565 relating to the disclosure of certain records and documents; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND  
ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 463 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this act.

Sec. 2. The commission shall, with the advice and assistance of the board, adopt regulations to implement the provisions of NRS 463.482 to 463.641, inclusive, and shall thereafter maintain such regulations in conformity thereto.

Sec. 3. The board may employ the services of experts in the fields of corporate organization and management for the purposes of consultation or investigation without the necessity of their approval by the attorney general and without regard to their qualification to practice law or any other profession in this state.

Sec. 4. NRS 463.120 is hereby amended to read as follows:

463.120 1. The board and the commission shall cause to be made and kept a record of all proceedings had at regular and special meetings of the board and the commission, which records shall be open to public inspection.

2. The board shall keep and maintain a file of all applications for licenses under this chapter, together with a record of all action taken with respect to such applications, which file and record shall be open to public inspection.

3. The board and the commission may maintain such other files and records as they may deem desirable.

4. [All information and data required by the board or commission to be furnished to it hereunder or which may be otherwise obtained relative to the earnings or revenue of any applicant or licensee shall be considered confidential and shall not be revealed in whole or in part except as follows:

(a) In the course of the necessary administration of this chapter.

(b) Upon the lawful order of a court of competent jurisdiction.

(c) To a duly authorized agent of the Federal Bureau of Investigation, the United States Treasury Department or the Commissioner of the Internal Revenue Service of the United States.

5. All information and data pertaining to an applicant's criminal record, antecedents and background, other than financial, furnished to or obtained by the board or the commission from any source, may be considered confidential and may be withheld in whole or in part; except that any information shall be released upon lawful order of a court of competent jurisdiction.

6.] The disclosure, including the production of any document or information contained in any document filed with the board or commission, to any person outside the board or commission, or to any administrative agency or other authority except a court of record of this state, in response to any request or demand for the disclosure of such records, document or information, shall be made only with the prior approval of the gaming policy committee, pursuant to such rules and regulations as it may establish where necessary or appropriate in the public interest.

5. The files, records and reports of the board shall at all times be open to inspection by the commission and its duly authorized agents.

[7.] 6. All files, records, reports and other information pertaining to gaming matters in the possession of the Nevada tax commission shall be made available to the state gaming control board and the Nevada gaming commission as is necessary to the administration of this chapter.

Sec. 5. NRS 463.159 is hereby amended to read as follows:

463.159 1. The commission shall by regulation require audits of the financial statements of [nonrestricted licensees. Such audits shall be made not less frequently than once a year and whenever the ownership of a nonrestricted licensee changes. The audits shall be made by independent accountants holding permits to practice public accounting in the State of Nevada.

2.] all nonrestricted licensees with an annual gross revenue of \$1,000,000 or more. Such audits shall be made not less frequently than once a year and whenever the ownership of such a nonrestricted licensee changes.

2. The commission may require audits of the financial statements of nonrestricted licensees with an annual gross revenue of less than \$1,000,000 and whenever the ownership of such a nonrestricted licensee changes.

3. The audits provided for in subsections 1 and 2 shall be made by independent accountants holding permits to practice public accounting in the State of Nevada.

4. Regulations for such audits shall require, among other things, that:

(a) The independent accountants shall submit an audit report which shall express an unqualified or qualified opinion or, if appropriate, disclaim an opinion on the statements taken as a whole in accordance with standards for the accounting profession established by rules and regulations of the Nevada state board of public accountants, but the preparation of statements without audit does not constitute compliance.

(b) The examination and audit shall disclose whether the accounts, records and control procedures maintained by the licensee are as required by the regulations published by the commission pursuant to NRS 463.156 to 463.1592, inclusive.

Sec. 6. NRS 463.489 is hereby amended to read as follows:

463.489 [1.] The policy of the State of Nevada with respect to the issuance of state gaming licenses to corporations is:

[(a)] 1. To broaden the opportunity for investment in gaming through the pooling of capital in corporate form.

[(b)] 2. To maintain effective control over the conduct of gaming by corporate licensees.

[(c)] 3. To restrain any speculative promotion of the stock or other securities of gaming enterprises.

[2. The commission may waive one or more of the requirements of NRS 463.482 to 463.641, inclusive, if it makes a written finding that such waiver is consistent with the state policy set forth in NRS 463.130 and this section.]

Sec. 7. NRS 463.520 is hereby amended to read as follows:

463.520 The corporation which applies for a state gaming license shall register as a corporation with the board, and shall provide the following information to the board:

1. The organization, financial structure and nature of the business to be operated, including the names, personal history and fingerprints of all officers, directors and key employees, and the names, addresses and number of shares held by all stockholders.

2. The rights and privileges acquired by the holders of different classes of authorized securities, including debentures.

3. The terms on which securities are to be offered.

4. The terms and conditions of all outstanding loans, mortgages, trust deeds, pledges or any other indebtedness or security device.

5. The extent of the equity security holding in the corporation of all officers, directors and underwriters, and

their remuneration as compensation for services, in the form of salary, wages, fees or otherwise.

6. Remuneration to persons other than directors and officers exceeding [\$20,000] \$30,000 per annum.

7. Bonus and profit-sharing arrangements.

8. Management and service contracts.

9. Options existing, or to be created.

10. Balance sheets for at least the 3 preceding fiscal years, or, if the corporation has not been incorporated for a period of 3 years, balance sheets from the time of its incorporation. All balance sheets shall be certified by independent public accountants certified or registered in the State of Nevada.

11. Profit and loss statements for at least the 3 preceding fiscal years, or, if the corporation has not been incorporated for a period of 3 years, profit and loss statements from the time of its incorporation. All profit and loss statements shall be certified by independent public accountants certified or registered in the State of Nevada.

12. Any further financial data which the board may deem necessary or appropriate for the protection of the State of Nevada, or licensed gambling, or both.

Sec. 8. NRS 463.540 is hereby amended to read as follows:

463.540 1. [After licensing, but before the corporation may do any of the following:

- (a) Issue or transfer any security to any person;
- (b) Change any of the corporate officers; or
- (c) Change any of the members of its board of directors,

*flush* it shall file a report of its proposed action with the board and commission, which report shall request the approval of the commission. The commission shall have 60 days within which to approve or deny the request.

2. If the commission denies the request, the corporation shall not perform any of the acts set forth in paragraphs (a) to (c), inclusive, of subsection 1.] After licensing pursuant to NRS 463.530, but before the corporation may issue or transfer any security to any person, it shall file a report of its proposed action with the board and commission, which report shall request the approval of the commission. The commission shall have 90 days within which to approve or deny the request. If the commission denies the request, the corporation shall not issue or transfer any such security.

2. After licensing pursuant to NRS 463.530, the corporation shall file a report of each change of the corporate officers and the members of its board of directors with the board and commission. The commission shall have 90 days within which to approve or disapprove such change. During such 90-day period and thereafter if the commission does not disapprove the change, such officer or member of the board of



directors shall be entitled to exercise all powers of the office to which he was so elected or appointed.

Sec. 9. NRS 463.550 is hereby amended to read as follows:

463.550    1. After licensing [,] pursuant to NRS 463.530,  
the corporation shall:

[1.]    (a) Report to the board and commission in writing any change in corporate personnel who have been designated by the board or commission as key executives.

[2.]    (b) Furnish the board an annual profit and loss statement [, annual balance sheet, and a copy of its federal income tax return within 30 days after such return is filed with the Federal Government.] and an annual balance sheet.

2. The commission may require that any such corporation furnish the board with a copy of its federal income tax return within 30 days after such return is filed with the Federal Government.

Sec. 10. NRS 463.585 is hereby amended to read as follows:

463.585    1. If the corporation applying for or holding a license is or becomes a subsidiary, each holding company and each intermediary company with respect thereto must:

(a) Qualify to do business in the State of Nevada.

(b) If it is a corporation, register with the commission and furnish the board:

(1) A complete list of all stockholders when it first registers, and annually thereafter, within 30 days after the annual meeting of the stockholders of the corporation, showing the number of shares held by each.

(2) The names of all corporate officers within 30 days of their appointment.

(3) The names of all members of the board of directors within 30 days of their election.

(c) If it is a firm, partnership, trust or other form of business organization, it must register with the commission and furnish the board such analogous information as the commission may prescribe.

2. The board or the commission may in its discretion make such investigations concerning the officers, directors, underwriters, security holders, partners, principals, trustees or direct or beneficial owners of any interest in any holding company or intermediary company as it deems necessary [.] , either at the time of initial registration or at any time thereafter.

3. If at any time the commission finds that any person owning, controlling or holding with power to vote all or any part of any class of security of, or any interest in, any holding company or intermediary company is unsuitable to be connected with a licensed gaming enterprise, it shall so

notify such unsuitable person, the holding company or intermediary company, or both. Such unsuitable person shall immediately offer such security to the issuing corporation, or such interest to the firm, partnership, trust or other business organization, for purchase. The corporation shall purchase the security so offered, or the firm, partnership, trust or other business organization shall purchase the interest so offered, for cash at fair market value within 10 days after the date of the offer.

4. Beginning upon the date when the commission serves notice of a determination of unsuitability pursuant to subsection 3, it is unlawful for the unsuitable person:

(a) To receive any dividend or interest upon any such securities, or any dividend, payment or distribution of any kind from any holding company or intermediary company;

(b) To exercise, directly or indirectly or through any proxy, trustee or nominee, any voting right conferred by such securities or interest; or

(c) To receive any remuneration in any form from the corporate gaming licensee, or from any holding company or intermediary company with respect thereto, for services rendered or otherwise.

5. Every security issued by a holding company or intermediary company which directly or indirectly:

- (a) Owns;
- (b) Has the power or right to control; or
- (c) Holds with power to vote,

*flush* all or any part of the outstanding equity securities of a corporate gaming licensee shall bear a statement, on both sides of the certificate evidencing such security, of the restrictions imposed by this section.

6. A holding company or intermediary company subject to subsection 1 shall not make any public offering of any of its securities unless such public offering has been approved by the commission.

7. The commission may , at any time and from time to time, by general regulation or selectively impose on any holding company or intermediary company any requirement not inconsistent with law which it may deem necessary in the public interest. Without limiting the generality of the preceding sentence, any such requirement may deal with the same subject matter as, but be more stringent than, the requirements imposed by NRS 463.482 to 463.641, inclusive.

Sec. 11. NRS 463.625 is hereby amended to read as follows:

463.625 The commission may exempt a publicly traded corporation from compliance with [some] :

1. The provisions of subsection 4 of NRS 463.510.

2. Some or all of the provisions of NRS 463.585 to 463.-615, inclusive. To the extent of such exemption, such corporation shall comply instead with the provisions of NRS 463.635 to 463.641, inclusive.

Sec. 12. NRS 463.635 is hereby amended to read as follows:

463.635 1. If a corporation applying for or holding a state gaming license is or becomes owned in whole or in part or controlled by a publicly traded corporation, such publicly traded corporation must:

(a) Maintain a ledger in the principal office of its subsidiary which is licensed to conduct gaming in the State of Nevada, and which shall:

(1) Reflect the ownership of record of each outstanding share of any class of equity security issued by the publicly traded corporation. The ledger may initially consist of a copy of its latest list of equity security holders, and thereafter be maintained by adding a copy of such material as it regularly receives from the transfer agent for its equity securities of any class which are outstanding.

(2) Be available for inspection by the board and the commission and their authorized agents at all reasonable times without notice.

(b) Register with the commission and provide the following information to the board:

(1) The organization, financial structure and nature of the business of the publicly traded corporation, including the names of all officers, directors and any employees actively and directly engaged in the administration or supervision of the activities of the corporate gaming licensee, and the names, addresses and number of shares held of record by holders of its equity securities.

(2) The rights and privileges accorded the holders of different classes of its authorized equity securities.

(3) The terms on which its equity securities are to be, and during the preceding 3 years have been, offered by the corporation to the public or otherwise initially issued by it.

(4) The terms and conditions of all its outstanding loans, mortgages, trust deeds, pledges or any other indebtedness or security device, directly relating to the gaming activities of the corporate gaming licensee.

(5) The extent of the equity security holdings of record in the publicly traded corporation of all officers, directors, underwriters and persons owning of record equity securities of any class of the publicly traded corporation, and any payment received by any such person from the publicly traded corporation for each of its 3 preceding fiscal years for any reason whatsoever.

(6) Remuneration exceeding \$30,000 per annum to persons other than directors and officers who are actively and directly engaged in administration or supervision of the gaming activities of the corporate gaming licensee.

(7) Bonus and profit-sharing arrangements of the publicly traded corporation directly or indirectly relating to the gaming activities of the corporate gaming licensee.

(8) Management and service contracts of the publicly traded corporation directly or indirectly relating to the gaming activities of the corporate gaming licensee.

(9) Options existing or from time to time created in respect of its equity securities.

(10) Balance sheets, certified by independent public accountants, for at least the 3 preceding fiscal years, or if the publicly traded corporation has not been incorporated for a period of 3 years, balance sheets from the time of its incorporation. These balance sheets may be those filed by it with or furnished by it to the Securities and Exchange Commission.

(11) Profit and loss statements, certified by independent certified public accountants, for at least 3 preceding fiscal years, or, if the publicly traded corporation has not been incorporated for a period of 3 years, profit and loss statements from the time of its incorporation. These profit

and loss statements may be those filed by it with or furnished by it to the Securities and Exchange Commission.

(12) Any further information within the knowledge or control of the publicly traded corporation which either the board or the commission may deem necessary or appropriate for the protection of the State of Nevada, or licensed gambling, or both. The board or the commission may in its discretion make such investigation of the publicly traded corporation or any of its officers, directors, security holders or other persons associated therewith as it deems necessary.

2. If the publicly traded corporation is a foreign corporation, it must also qualify to do business in the State of Nevada.

3. The commission may , at any time and from time to time, by general regulation or selectively impose on any publicly traded corporation any requirement not inconsistent with law which it may deem necessary in the public interest. Without limiting the generality of the preceding sentence, any such requirement may deal with the same subject matter as, but be more stringent than, the requirements imposed by NRS 463.482 to 463.641, inclusive.

Sec. 13. NRS 463.565 is hereby repealed.

Sec. 14. This act shall become effective upon passage and approval.



SUMMARY--Prohibits issuance of gaming licenses to individuals, corporations with gaming interests outside Nevada. Fiscal Note: No. (BDR 41-93)

AN ACT relating to gaming; prohibiting the issuance of state gaming licenses to individuals employed in or otherwise connected with gaming establishments or games outside the State of Nevada or having financial interests therein; prohibiting the issuance of state gaming licenses to corporations with gaming interests outside the State of Nevada; providing for the revocation of state gaming licenses of such individuals and corporations; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND  
ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 463.170 is hereby amended to read as follows:

463.170 1. [Any] Except as provided in subsection 5, any  
person who the commission shall determine is a suitable  
person to receive a license under the provisions of this  
chapter, having due consideration for the proper protection  
of the public health, safety, morals, good order and general  
welfare of the inhabitants of the State of Nevada, may be  
issued a state gaming license. The burden of proving his  
qualification to receive or hold any license hereunder shall  
be at all times on the applicant or licensee.

2. [The] Except as provided in subsections 6 and 7, the  
commission may in its discretion grant a license to a corporation

which has complied with the provisions of NRS 463.490 to 463.530, inclusive.

3. No limited partnership, business trust or organization or other association of a quasi-corporate character shall be eligible to receive or hold any license under this chapter unless all persons having any direct or indirect interest therein of any nature whatsoever, whether financial, administrative, policymaking or supervisory, are individually qualified to be licensed under the provisions of this chapter.

4. The commission may, by regulation, limit the number of persons who may be financially interested and the nature of such interest in any corporation or other organization or association licensed under this chapter, and establish such other qualifications for licenses as they may, in their uncontrolled discretion, deem to be in the public interest.

5. No person who owns, controls or has any interest of any kind in any gaming establishment or game outside the State of Nevada, or is employed by or in any such game or establishment, or has any association by name or in any other manner whatsoever in or with any such game or establishment, whether such is legal or illegal, shall be eligible to receive or hold a license or continue to be licensed in the State of Nevada, and any state gaming license held by any such person may be revoked.

6. No corporation which owns, controls or has any interest of any kind in any gaming establishment or game outside the State of Nevada, whether such is legal or illegal, shall be eligible to receive or hold a license or continue to be licensed in the State of Nevada, and any state gaming license held by any such corporation may be revoked.

7. No corporation which is or becomes a subsidiary of any holding company or intermediary company which owns, controls or has any interest of any kind in any gaming establishment or game outside the State of Nevada, whether such is legal or illegal, shall be eligible to receive or hold a license or continue to be licensed in the State of Nevada, and any state gaming license held by any such corporation may be revoked.

Sec. 2. This act shall become effective upon passage and approval.