

By Mark A. Lipparelli, Chairman, State Gaming Control Board

Welcome to the 2012 edition of *Nevada Gaming Lawyer*

As the State Gaming Control Board (“Board”) and Nevada Gaming Commission (“Commission”) plan for the 2013 Legislative Session, we glance not only at our accomplishments over the past two years but also acknowledge the good opportunities for more change on the road ahead.

During the past year our staff has been quite active. We adopted regulations mandated by the 2011 Legislature including matters related to interactive gaming, independent testing laboratories, mobile gaming, preliminary findings of suitability, expired voucher revenue, and corporate ownership interests. Concurrent with the adoption of the interactive gaming regulations, we developed and adopted technical standards and minimum control standards for interactive gaming. Additionally, in response to Governor Sandoval’s Executive Order No. 2011-01, we completed a comprehensive review of our regulations and the Commission repealed those regulations that were no longer necessary. Going forward, the Board

and Commission will continue to examine our regulations to ensure they are necessary, consistent with public policy and that they properly reflect the changing environments of the gaming industry. In some cases, this could mean the elimination of some regulations and, in others, it could mean their clarification or bolstering.

As the first state in the United States (“US”) to adopt interactive gaming regulations, I am pleased to report that at our June 2012, meetings, the Board and Commission granted the first interactive gaming licenses in the US to Bally Technologies and International Game Technology. While other states consider their way ahead in legislatures and regulatory agencies, we anticipate several additional licensing actions coming before the Board and Commission throughout the 2012 calendar year, clearing the way for the startup of online poker in Nevada after rigorous technical testing.

On the federal level, the law dealing with online gaming remains complex despite the U.S. Department of Justice’s (“DOJ”) now famous December 2011, legal opinion. It is my view and the opinion of many in the industry that such a legal statement from the DOJ is insufficient. Congress should act to establish laws dealing with online gaming in the US. This framework is an imperative for those who believe uniformity is a



central element to the overall success of a multi-jurisdictional business. Such a framework would call for state/local regulatory bodies to investigate and find suitable qualified applicants to conduct online gaming, establish clear regulations and standards, and test and certify the technology underlying online gaming. Absent a federal framework, the US will have missed a golden opportunity, hobbled uniformity, and provided further upside to illegal operators at the expense of licensed operators. Moreover, the complexity now witnessed in the European Union among several distinct markets should be a lesson to all in the US, regardless of their industry position, that ring-fenced stove piped governance structures will result in suboptimal financial returns. Notwithstanding the current lack of federal progress, Nevada is poised to commence interactive gaming. In the upcoming legislative session or sooner, the Board and Commission will work closely with Governor Sandoval, state lawmakers and with the gaming industry to remove any impediments and perfect our interactive gaming laws and regulations. Additionally, the Board and Commission will advance the recommendations to the Legislature from our Gaming Policy Committee.

After a 28-year hiatus, the Nevada Gaming Policy Committee was reconvened late last year by Governor Sandoval. The Committee, which is advisory in nature, can be called by the Governor for the exclusive purpose of discussing matters of gaming policy. The Committee has provided a forum for the Governor, gaming regulators, the gaming industry, and the public to discuss gaming policy in Nevada. As of this writing, the Committee has conducted three public meetings this year to discuss online gaming and matters of online security relating to cyber-technology. The Committee is slated to meet one final time in July to develop recommendations for the upcoming legislative session on Nevada's priorities, in order to maintain its leadership position in gaming regulation as the new era of online gaming rapidly emerges and develops.

Innovation continues to play an increasingly important role in gaming entertainment, not only in cyberspace but also on the casino floor. In response, the Board and Commission must work to transform the way in which we approach the delivery of our services, while upholding strict standards and protecting the industry's integrity and stability. One way that addresses this imperative is the use of independent testing laboratories in place of state managed resources. Assembly Bill 279 from the 2011 Legislative Session authorized the Board to utilize independent testing labs for the inspection and certification of gaming equipment. In accordance with this authorization, the Commission adopted regulations in May of this year. To date, the Board has registered two independent testing labs to perform such

operations. The implementation of registered independent testing labs in our regulatory scheme enables the Board's internal technical resources to shift their focus from actual testing to analyzing what should be tested and making determinations of where risk truly lies on the horizon. Specifically, this should also lead to greater focus on field testing, installations, risk assessments, and the development of regulations and technical standards, and it also allows for more focus on exploration of emergent technologies. As we progress in our partnership with independent testing labs, we will continue to enhance the way in which we carry out our duties.

Our agency has long played a role in gaming regulation greater than our geographic boundary. This, in many ways, comes from our long history in regulating what has become a worldwide industry. We plan to continue to invest in our leadership through the good work of our employees and a healthy dialogue with our stakeholders.



Mr. Lipparelli is currently the Chairman of the Nevada State Gaming Control Board. He was elevated from serving as a Member of the Board to its Chairman by Governor Sandoval effective January 2011. Mr. Lipparelli was originally appointed as a Member to the three-member panel in January 2009. From 2007 to 2008 he served as a consultant to the gaming and investment industries and founded Gioco Ventures, LLC, a development stage technology company. Previously, Mr. Lipparelli served Bally Technologies, Inc., as the Executive Vice President of Bally Systems from 2002 until 2005, and as Executive Vice President of Operations for Bally Technologies, Inc. Previously, he served as Executive Vice President and then President of Shuffle Master, Inc. Prior to joining Shuffle Master, he was Chief Financial Officer of Camco, Inc., a retail chain holding company. From 1998 to 2000, he was Senior Vice President of Entertainment Systems for Bally Gaming and Systems. He also previously served as Vice President of Finance for Casino Data Systems and worked in staff positions for the Nevada State Gaming Control Board from 1988 to 1993. Mr. Lipparelli served on the board of directors of the Gaming Standards Association for four years, including the post of Vice Chairman, and has been a frequent presenter to the gaming industry and investment community for over 15 years. Mr. Lipparelli holds bachelor's degree in finance and a master's degree in economics from the University of Nevada, Reno.