



# STANDING ON THE SHOULDERS OF GIANTS:

## Governor Paul Laxalt and the Corporate Gaming Act of 1969

By Adam Paul Laxalt, Attorney General of Nevada

I appreciate the opportunity to introduce myself to those members of the gaming law bar who I have not had the opportunity to meet. This group provides critical guidance to our state's premier industry and functions as part of the apparatus that ensures the gaming industry is vibrant, competitive, and remains the standard of excellence around the world.

I look at the profound success of Nevada gaming with a sense of great personal pride. My grandfather, Paul Laxalt, was elected Nevada governor in 1966. He recognized that for the gaming industry to attract new investment—which would ultimately further Governor Grant Sawyer's "hang tough" directive of ridding the gaming industry of organized crime—Nevada must reform its regulatory structure to accommodate corporate gaming ownership. As the *1970 Report of the Legislative Commission Subcommittee for Study of Gaming* (the "1970 Study") articulated:

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 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.<sup>1</sup>

The 1970 Study also suggests that, “[t]he 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.”<sup>2</sup> The answer, the Legislative Commission Subcommittee maintained, was “the 1969 corporate gaming law.”<sup>3</sup> This groundbreaking provision allowed for:

[I]ndirect 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.<sup>4</sup>

The Corporate Gaming Act of 1969, passed under the leadership of Governor Laxalt, provided the practical solution of limited licensure for key executives of corporations rather than licensure of each shareholder. It was a transformative amendment to the Gaming Control Act. Governor Laxalt, together with prominent banker Parry Thomas and the Nevada legislature, solved a critical state issue by pursuing the two-part goal of ensuring the competitiveness of the Nevada gaming industry while also protecting the integrity of the regulatory structure. Shortly thereafter, Reno casino operator William Harrah took his company public in 1971, and had it listed on the American Stock Exchange in 1972. In 1973, Harrah’s became the first casino company to be listed on the New York Stock Exchange. Since that time, ownership of Nevada gaming companies has grown to include publicly traded companies, private equity firms, and even sovereign wealth funds.



In addition to changing the Gaming Control Act in a way that has opened the door to vast amounts of new capital investment and a great diversity of legal entity types owning the interests, Governor Laxalt also worked to attract respected business people into the gaming industry. His goal was to push out organized crime and to improve the reputation of the industry and, ultimately, of the state. Texas millionaire Howard Hughes moved to Las Vegas the year my grandfather was elected Governor (1966). He was already a well-respected owner of an oilfield supply company and the owner of RKO Studios and TransWorld Airlines. Hughes’ first casino purchase was the Desert Inn, followed by the Sands and New Frontier properties. Hughes went on to buy the Castaways and Silver Slipper in Las Vegas and Harold’s Club in Reno. Governor Laxalt worked to fast-track Hughes’ purchases, which initially caused some consternation. Governor Laxalt defended this action on the grounds that Nevada needed people like Howard Hughes and the legitimate capital he was willing to invest.



History has proven Governor Laxalt’s support of Hughes to be a wise decision for the state. Hughes changed the face of Nevada forever, leaving behind the Howard Hughes Medical Institute and the master-planned Summerlin community, among other important contributions. In partial achievement of Governor Laxalt’s goal, Hughes did much to professionalize the gaming industry and to improve its reputation.

Others of similar quality as Howard Hughes entered the Nevada casino market during this same period. In 1967, pilot and investor Kirk Kerkorian built The International and purchased the Flamingo. Kerkorian then built the MGM Grand, which opened in 1973. Many other brilliant and creative people entered Nevada’s gaming industry in the wake of Howard

Hughes and Kirk Kerkorian. I am proud that my grandfather had the foresight to understand the need to modernize the capital structures of Nevada casinos and to work to attract the very best people to our state.

Since the passage of the Corporate Gaming Act of 1969, Nevada's casino resorts have spread from the borders of Nevada to nearly every quarter of the globe. At the same time, technology has transformed the gaming industry. With the Nevada legislature's recent passage of Senate Bill 9, championed by Governor Brian Sandoval with support from Nevada Gaming Commission Chairman Tony Alamo and Gaming Control Board Chairman A.G. Burnett, the gaming industry is set to see major innovation through the introduction of skill-element game device technology, which may appeal to an entirely new generation of Nevada visitors. My office will work under the direction of the State Gaming Control Board and Nevada Gaming Commission to draft regulations for this exciting evolution in slot technology.

At the core of the success of Nevada gaming are the foundations of integrity and the rule of law. Illegal gambling undermines the success of the Nevada gaming industry and of the all-important regulatory process. Criminal networks rely on funds derived from illegal gambling. These funds fuel organized crime, human trafficking and other societal ills.



For my office, defending Nevada's worldwide reputation as the "Gold Standard of Gaming Integrity" is a paramount concern. This same concern is shared by gaming regulators, the tens of thousands of Nevadans employed by the gaming industry, and the tens of millions of visitors to Nevada each year. To this end, in collaboration with investigatory partners at the State Gaming Control Board, my office recently announced a prosecution against an individual accused of operating an unlicensed interactive gaming website. The

investigation and prosecution set an important precedent. Gaming regulatory authorities believe it to be the first state-level Internet gaming prosecution in Nevada's history. It also marks the first instance of state-level criminal prosecution in Nevada of an illegal Internet poker site using Bitcoin as currency.

I am honored to be Nevada's new Attorney General. Together with Governor Sandoval, the Nevada Gaming Commission and the State Gaming Control Board, I will work diligently to protect the integrity of the gaming industry and, as my grandfather did before me, to solve problems and continue to move Nevada forward.



Attorney General Adam Paul Laxalt is a fourth-generation Nevadan who previously served as a Navy and Federal Prosecutor and Judge Advocate General in the U.S. Navy. While serving in Iraq, Attorney General Laxalt assisted with the detention and prosecution of thousands of war criminals and terrorists. After serving in the Navy, he practiced as a private attorney in Nevada before being elected as Nevada's 33rd Attorney General.

<sup>1</sup> Id. at 11-12.

<sup>2</sup> Id. at 12.

<sup>3</sup> Id.

<sup>4</sup> Id. (emphasis in original).