

Regulatory Trends from Nevada Gaming Commission Dispositions

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Introduction

The Nevada Gaming Control Board (NGCB) and the Nevada Gaming Commission (NGC) conduct monthly meetings with parties that appear before them for regulatory approvals. Parties that appear before the NGCB and NGC try to get a variety of matters approved including matters related to licensing, financial transactions, and corporate structure changes. Decisions made in a monthly NGC meeting are published on the NGCB websites as “NGC disposition.”¹ The purpose of this research is to identify any notable trends and patterns related to outcomes before the NGCB and NGC.

Objectives

1. Develop and define categories that represent the types of matters brought before the NGCB and NGC.
2. Allocate each disposition to a category.
3. Analyze disposition trends to understand the frequency with which the NGCB and NGC hear various types of matters.
4. Uncover other noticeable trends in the data collected.

Methodology

This research uses preexisting data to form a new study of NGC dispositions. The research is limited to nonrestricted matters and new game or new gaming devices from January 2016 to December 2020. A nonrestricted gaming license permits the operation of gaming operation of more than 15 slot machines or any live game. A restricted gaming license permits the operation of maximum of 15 slot machines in an establishment where the operation of such slot machines is incidental to the primary purpose of the business. The focus of this research is nonrestricted gaming matters because they take up the bulk of the Board’s time and resources.

An NGC disposition contains a matter number, month and year of the disposition, party code, name, address, what the party is seeking to get approved, NGCB recommendation, and NGC disposition.² This research first identifies each component of a disposition published from January 2016 to December 2020 in a spreadsheet.

Below are the variables on the spreadsheet:

1. Matter number
2. Party (company and individuals that brings forth the matter)
3. Disposition month and year
4. Category of Disposition
5. Type of Application

¹ Nevada Gaming Commission Dispositions may be obtained here: <https://gaming.nv.gov/index.aspx?page=145>.

² See Attachment A for a sample NGC disposition.

6. NGCB recommendation
7. Conditions or other comments, if any
8. NGC Disposition
9. Conditions or other comments, if any
10. New Game (when applicable)
11. New gaming device (when applicable)

Step by step of how this research was performed.

- 1) Go to NGCB website to locate Commission dispositions.
- 2) Conceptualize categories for similar disposition subjects and name each conceptualized category.
- 3) Sort disposition topics into named categories.
- 4) Arrange all disposition variables, as identified on page 1, as column headings in Excel.
- 5) Input data from dispositions occurring from January 2016 to December 2020 (amounting to a total of 60 dispositions and 2075 rows) into corresponding cells.
- 6) Use “sort” function in Excel to sort and extract data.

Discussions

A. Categorizations of Dispositions

Categories were created by grouping similar topic matter of dispositions together. By coming up with categories and allocating each disposition in a category we were able to see what subject matters came up frequently.

A total of 7 categories were created. The first category is dispositions that requests for more time and delays. These are dispositions on request for more time and/or delays. The second category is approval of corporations and/or locations. These are dispositions on requests for approval of a new corporation or additional business location. The third category is approval of individuals. These are dispositions on requests of individuals seeking a nonrestricted gaming license. The fourth category is financial engineering. These are dispositions on requests to approve change in financing agreement within the company or with a third party investor. The fifth category is corporate restructuring. These are dispositions on requests to approve a change in company structure. The sixth category is approval of new game or platform. These are dispositions on requests to approve a new game or new gaming platform. The seventh category is miscellaneous. Over 96% of dispositions fit in the aforementioned categories but around 4% of dispositions do not fit neatly in these categories. All matters that don't fit in the six categories are allocated in the miscellaneous category.

Examples of Disposition Topics in Each Category

1. Request for more time and delays

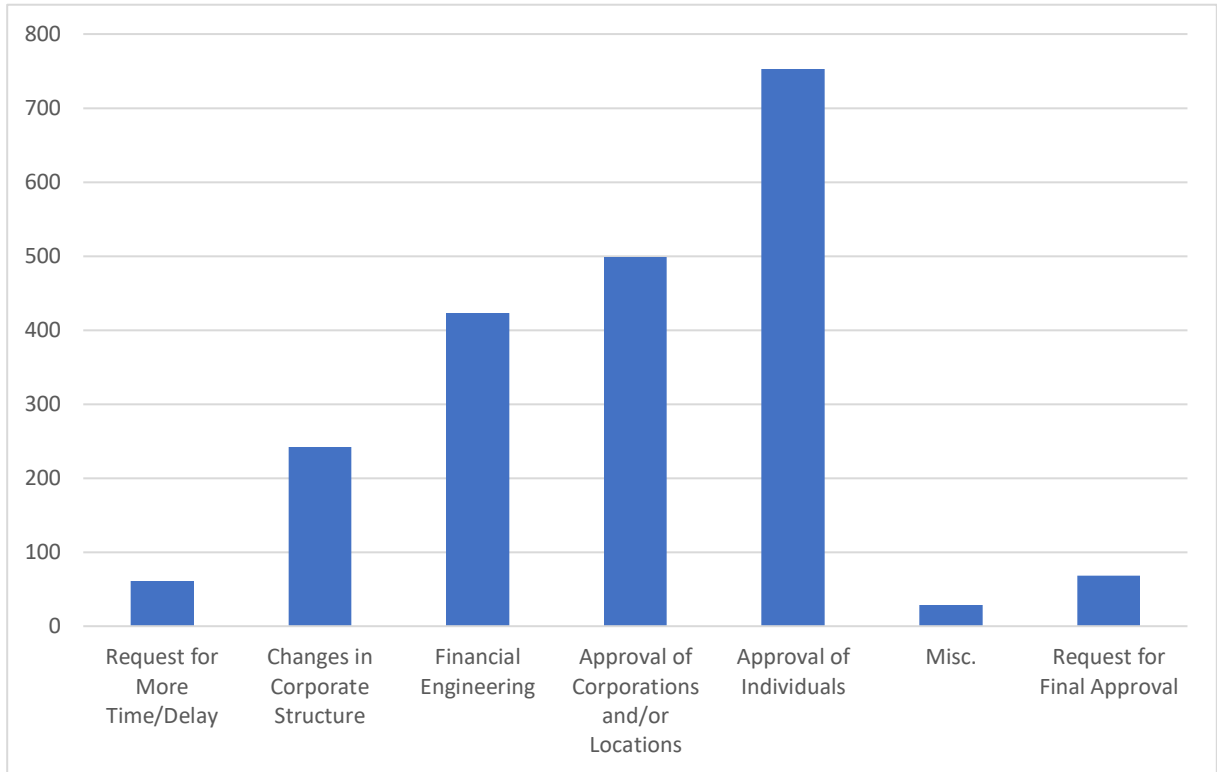
- a. Waiver of NGC Reg. 4.080 (imposes 6-month time limitation within which commission action is active)
- b. Delays in public offering
- 2. Approval of corporations and locations**
 - a. Nonrestricted gaming license
 - b. Licensure as a manufacturer and distributor
 - c. Finding of suitability as sole shareholder
 - d. Preliminary finding of suitability as an intermediary company and sole shareholder
 - e. Registration as a private investment company
- 3. Approval of individuals**
 - a. Finding of suitability as officers
 - b. Finding of suitability as officer, director and key employee
 - c. Finding of suitability of licensure as key executive
 - d. Licensure as a key employee
- 4. Financial Engineering**
 - a. Transfer of interest
 - b. Deregistration as a PTC
 - c. Registration as a PTC
 - d. Approval to receive a percentage from a sports book
 - e. Pledge its membership interest in a casino to a bank as collateral agent, in conjunction with a credit agreement
 - f. Approval of Class C Membership units
- 5. Corporate Restructuring**
 - a. Amendment to order of registration
 - b. Acquisition of control of Station Casinos
 - c. Registration as a holding company
 - d. Registration as an intermediary company
 - e. Name change of a gaming venue
- 6. Approval of new game or platform**
- 7. Miscellaneous**
 - a. Awarding of Race Dates
 - b. Licensure to operate two gaming salons
 - c. To add, remove, or modify condition to license

This table shows the number of dispositions in each category. Approval of individuals and corporations account for more than 60% of NGC dispositions. Financial engineering makes up for more than 20% of dispositions. More than 80% of NGC dispositions deal with approval of

an individual and approval of a new corporation or location and financial engineering. There are only 29 out of 2,075 dispositions that do not fit in the six categories that were created.

Application Type Category	Count	Percentage
Request for more time/ delay	61	2.9%
Corporate restructuring	242	11.6%
Financial engineering	423	20.3%
Approval of corporations	499	24.2%
Approval of individuals	753	36.3%
Miscellaneous	29	1.4%
Approval of new games and gaming devices	68	3.3%
Total	2075	100%

This chart illustrates the frequency of dispositions in each category. The NGC issued dispositions related to approval of individuals the most, accounting for 753 applications and 36.3% of total applications.



B. Number of times the NGC dispositions did not follow NGCB recommendations.

NGCB recommendations for approval were referred back to the Board by the Commission four times in five years. “Refer back” means the Commission sent the matter back to the Board for further investigation. There were three “refer backs” between 2016 and 2018, The final “refer back” was in 2020. Thus, from 2018 to 2020, for more than two years, the NGC did not refer back any items to the Board.

C. Number of times an approval was conditioned.

The Commission placed a condition(s) on 608 dispositions out of 2,075 dispositions. Around 30% of dispositions by the Commission came with a condition from 2016 to 2020.

D. Number of times the Commission added to or removed a condition or restriction recommended by the Board.

At times, the Commission changed a condition or restriction recommended by the Board. This happened 51 times out of 2075 dispositions or 4 times out of 759 matters brought forward.³ If the count is based on the number of matters brought forward, it would be four times, but if the count is based on the number of dispositions, it would be 51 times.⁴

E. Number of times a matter was continued to a future NGC meeting.

The Commission sometimes continues a matter to a future meeting due to time constraints, additional investigation, or for other reasons the Commission sees fit. The Commission continued 26 out of 759 matters or 59 out of 2075 dispositions to a future meeting.

F. Number of denials of application on the Commission level.

The NGC denied two applications in the past five years. In other words, less than 0.001% of applications were denied at the Commission level. The NGCB recommended the applications for denial in both of those instances.

G. Number of nonrestricted and new game and device approvals each month.

The table below shows the number of dispositions the Commission published each month for the past five years related to nonrestricted and new game or device approvals. This table reveals that historically, July, August, and September had more than two times the number of dispositions when compared to February, April, and June.

Dispositions in each month

Month	Count	Percentage
January	181	8.8%
February	83	4.0%
March	229	11%
April	97	4.7%
May	227	10.9%
June	80	3.9%
July	248	12%

³ In total, there were 2,075 dispositions and 759 matters from 2016 to 2020. There are many matters with multiple dispositions in them. This is because one or more entities can bring multiple requests for disposition in a single matter. For example, a matter brought forth by a party could contain requests for approval of a few financial transactions, along with several requests for licensing of individuals and a few requests for licensing of a new gaming location. For these matters, there would be multiple dispositions under a single matter number. Therefore this research analyzes 2,075 dispositions and 759 matters.

⁴ See Methodology and Attachment B.

August	235	11.3%
September	212	10.2%
October	109	5.1%
November	188	9.1%
December	186	9.0%
Total	2075	100%

The following table shows the average number of dispositions the Commission published during each month for the past five years.

Month	Count
January	36
February	17
March	46
April	19
May	45
June	16
July	50
August	47
September	42
October	22
November	38
December	37
Total	415

H. Number of dispositions each year.

This table shows the total number of dispositions each year. The table shows that the number of dispositions has decreased from 2016 to 2020 by 122.

Year	Count	Percentage
2016	501	24.12%
2017	503	24.22%
2018	384	18.49%
2019	310	14.94%
2020	379	18.23%
Total	2075	100%

I. Number of new games and platform/gaming devices approvals.

This table shows the total number of New Games and New Gaming Devices/Platform approved each year. There were 58 new games and 10 new gaming devices/platforms approved from 2016 to 2020. No new games or platforms were approved from May 2020 to December 2020.

Year	New Games	New Gaming Devices/Platforms
2016	19	4
2017	11	1
2018	11	1
2019	12	2
2020	5	2
Total	58	10

Conclusion

How much time does the NGC spend on approving licenses? How much time does the NGC spend on approving a proposed change in corporate structure? How many new games are approved each year? To answer questions like these, industry professionals were estimating based on experience because a research-based examination into such questions had not been undertaken.

This research reveals the topic matters that occupy the Commission’s time. The research also provides macro statistics like the number of dispositions each year, the number of times a recommendation by the Board was not accepted by the Commission, the number of denials by the Commission, and more. By understanding how the Commission spends its time, regulators may be able to better allocate their resources. Understanding these macro trends will help lawyers, licensees, and professionals in the industry obtain a clearer picture of the gaming regulatory landscape.

This research performs a study of Commission dispositions. Replicating and expanding this study to examine years before 2016 and after 2020 will allow for a deeper examination into regulatory trends. Future research should consider including more qualitative analyses to better understand why these regulatory trends are occurring. Other jurisdictions should also consider performing similar research, as a comparative analysis across jurisdictions could provide useful insight on whether particular trends are localized, in addition to other opportunities for learning as gaming regulation evolves.

Attachment A

FOR POSSIBLE ACTION:

Month and
Year of
disposition

02-01-16

N15-0404

Re:

05925-01

Party Code,

Matter Number

ARUZE GAMING AMERICA, INC.
955 GRIER DR STE A
LAS VEGAS, NV 89119

Name, Address

YUGO KINOSHITA
Treasurer/Director/Global Chief Operating Officer

**APPLICATION FOR LICENSURE AS AN OFFICER, DIRECTOR, AND KEY
EMPLOYEE**

NGCB

Recommendation

GCB RECOMMENDS: APPROVAL.

What the party is

seeking to get approved

NGC DISPOSITION: APPROVED. NGC Disposition

Attachment B

**DISPOSITION
NONRESTRICTED AGENDA
AUGUST 2017
PAGE 21**

FOR POSSIBLE ACTION:

03-08-17 N17-0255 Re: 33999-01 Single Matter
CRESCENT HR, L.L.C.
(16.92% of Neva One, LLC)
11624 SE 5TH ST STE 210
BELLEVUE, WA 89005

JEFFERY DOUGLAS GOW 50.5%
Member/Manager

APPLICATION FOR REGISTRATION AS A HOLDING COMPANY OF NEVA ONE, LLC Request for Disposition 1

APPLICATION FOR FINDING OF SUITABILITY AS A MEMBER AND MANAGER Request for Disposition 2

32644-01
NEVA ONE, LLC
(dba Hard Rock Hotel & Casino Lake Tahoe)
50 HWY 50
STATELINE, NV 89449

NEVA ONE, LLC 2,120 Class A Units
(Issuer)

CRESCENT HR, L.L.C. 2,120 Class A Units
(Issuee)

APPLICATION TO ISSUE CLASS A MEMBERSHIP UNITS Request for Disposition 3

GCB RECOMMENDS: APPROVAL.

NGC DISPOSITION: APPROVED.