



## A CONVERSATION WITH MARK A. LIPPARELLI Chairman of the Nevada State Gaming Control Board

to locate their critical gaming technology operation centers in what will no doubt be more effective and secure environments.

### HOW ARE LICENSEES DOING FINANCIALLY? ARE WE THROUGH MOST OF THE BANKRUPTCIES AND REORGANIZATIONS?

It is difficult to predict if we are fully in a recovery pattern, but the signals are showing signs of life. This economic downturn, I believe, demonstrated that the gaming industry's fortunes, both in Nevada and elsewhere, are tied to the health of the consumer. That was not as obvious a decade ago. From a timing perspective, it seems as if we have been processing bankruptcies since I joined the Board in early 2009. We just completed the Black Gaming restructuring and it would appear, for now, that may be one of the last sizable matters on our docket involving bankruptcy. I would add that, without exception, each of these bankruptcies/restructurings has resulted in a substantially better capitalized entity/licensee. From the state's perspective, that is a major positive. No doubt these events have been disruptive and painful for employees and former owners, but the economic backdrop today is far different than what existed four years ago.

### DID THE TOUGH LEGISLATIVE SESSION HAVE AN IMPACT ON THE BOARD?

Similar to other state agencies, we did sustain another round of cuts as part of a statewide effort to shrink costs. I believe this is the third consecutive legislative session where we have reduced the budget of the Board. While it is always healthy to

### WHAT IS YOUR ASSESSMENT OF THIS PAST LEGISLATIVE SESSION?

This was an active session for gaming matters. There were a number of bills ultimately signed by the governor that have become new gaming law in Nevada including SB 218, which was a bill originated from our agency. Several of these new bills include added flexibility for existing licensees as well as prospective applicants.

As an example, there has not historically been a legal mechanism for prospective applicants to apply for a finding of suitability without making an investment in a licensee or being employed in a key position. With the passage of AB 213, prospective applicants may now seek a preliminary finding of suitability. The standards for a preliminary finding of suitability will not be different than the stringent requirements required of any other nonrestricted license applicant, but will not require any investment or employment as a condition for eligibility. The tradeoff for the applicant will be that their application will not enjoy any priority over any other application where action is required.

Another important change to our gaming law makes it legally permissible for gaming licensees to establish a "hosting center" in a location other than on the premises of a casino establishment. Signed into law, SB 218 creates a mechanism for licensees



reconsider our mission and the way we have our resources deployed, these limitations are beginning to negatively impact our core functions. We have always been conservative with our resources in Nevada when compared to most other regulatory bodies, but I do not believe our core Audit and Enforcement functions have much more to give when set against their coverage requirements and activity levels. We appreciate the legislature's support as well as Governor Sandoval's, who worked with us in preparing a budget that minimized the impact of the reduction. Our IT functions at the Board need substantial investment and we keep putting that off for brighter days. I am not sure that is a good decision and it may end up costing more than expected.

**YOU WERE JOINED WITH TWO NEW BOARD MEMBERS IN JANUARY. HOW HAS THE TRANSITION WORKED OUT?**

Working with Chairman Neilander and Member Sayre was a big benefit when I joined as it allowed me the ramp-up time to get familiar with our complex processes. Both had such strong backgrounds and Dennis was a great Chairman. That said, I can say the same of my colleagues today. Both came through the ranks of the Board and have great rapport with the staff, which made the transition easier than it may have been otherwise. They have hit the ground running and I have enjoyed their new perspectives. I can see them getting stronger each month. They have also demonstrated good care and respect for the Board, the Commission and the industry.

I would add the Board and Commission have always imposed rigorous standards, but the industry benefits from a backdrop of regulatory certainty. I will advocate for good diversity on the Board and Commission, but also think attracting members who can bring a level of continuity is vital.

**WHAT IS THE LATEST ON iGAMING?**

I made an effort two years ago to become much more educated on the development of internet gaming. It is another life example of realizing how much you don't know. This is a business that is beginning to mature after a period of explosive growth in multiple markets. It is not obvious that national legislation will pass (or when), but it appears to me that the U.S. Congress is becoming more aware that a smartly structured, regulated industry is far better than one where offshore unregulated entities continue to exploit patrons under the cloak of existing questionable legal authority. As more regulated markets around the globe set higher licensing standards and enforce suitability rules, those licensees who have invested in their reputations should emerge, in my view, as the winners. In Nevada, we intend to lead by adopting a set of interactive regulations that will attract leading reputable operators and technology providers and enhance our reputation as a place patrons and operators can count on for integrity. Internet poker is our current focus, and we intend to proceed with sufficient flexibility to react to any national legislation that might develop. This was also a part of the charge given to us by the legislature. Other forms of internet gaming may come later in time but it is best for us to get internet poker right.



**HOW HAS YOUR PRIVATE INDUSTRY EXPERIENCE IMPACTED YOUR ROLE AS A BOARD MEMBER AND CHAIRMAN?**

My personal view is that it has helped a great deal. While we need strong regulatory professionals represented on the Board and Commission, it is also critical for regulatory agencies to understand that gaming industry licensees, generally, have developed a very strong sense of compliance. This has come about over a long span of time, and credit is due to those who had the foresight to build the

credibility and integrity of the industry. That said, markets and industries evolve and some perspectives about regulatory policy should also shift. One of the best ways to do that is to start with a notion that the industry participants may have a good deal to contribute. With their help, we can design more effective and less costly regulatory schemes that do not diminish our high regulatory standards. We have done a lot of that in my tenure on the Board and we will continue to do so.

I also think my technology and product experience has given a boost of confidence to the agency with respect to a greater sense of urgency around product approvals. There may have been a regulatory view that moving faster through the approval process meant that we, as an agency, were letting our guard down. I think I have helped to show that is not always true.

**YOU HAVE BEEN ACTIVE IN FORMING RELATIONSHIPS WITH OTHER REGULATORY BODIES INCLUDING ALDERNEY AND SINGAPORE, DO YOU SEE THAT CONTINUING?**

I do. Many of our licensees are expanding far beyond our borders, and our state laws and regulations set out guidelines with respect to our role in analyzing those actions. Formalizing our relations with fellow regulators pays off in several ways, including reducing costs. I have developed great respect for the many jurisdictions we have come to know. In the case of internet gaming, we have greatly benefited from the contributions of our friends in, among others, the U.K., Alderney, Gibraltar, and the Isle of Man. Opening these channels reduces the investigative cost burden that might otherwise have been borne by a single applicant. We have also formed close ties to Singapore and we are working with the Vietnam government as they contemplate the regulatory structure they intend to adopt. I expect that will end up being a great benefit to the licensees who expand into the Pacific Rim.

Most importantly, the cooperation and trust established among regulators could lead to a much greater likelihood that we can come to grips with some number of sensible worldwide standards. Too often differing rules persist without good reason. I realize we will not get to overall commonality but getting even part of the way there could be a great benefit to the industry and our efforts as regulators.

*Mark A. 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. Mark 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, Mark 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., overseeing manufacturing, intellectual property, strategic planning, product compliance, human resources, and information technology from 2005 until his departure in 2007. Previously, he served as Executive Vice President and then President of Shuffle Master, Inc., the gaming industry's leading table game and automated shuffler company. 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. Mark has 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. He holds a Bachelor's degree in finance and a Master's degree in economics from the University of Nevada, Reno. [NGL](#)*

