

A PRACTICAL  
GUIDE FOR THE  
REGISTRATION OF  
MANUFACTURERS  
AND DISTRIBUTORS  
OF ASSOCIATED  
EQUIPMENT  
IN NEVADA



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## Overview

Nevada Revised Statutes 463.0136 defines “Associated Equipment” as:

1. Any equipment or mechanical, electromechanical or electronic contrivance, component or machine used remotely or directly in connection with gaming or mobile gaming, any game, race book or sports pool that would not otherwise be classified as a gaming device, including dice, playing cards, links which connect to progressive slot machines, equipment which affects the proper reporting of gross revenue, computerized systems of betting at a race book or sports pool, computerized systems for monitoring slot machines and devices for weighing or counting money; or
2. A computerized system for recordation of sales for use in an area subject to the tax imposed pursuant to NRS 368A.200

Unlike the approval process for many aspects of Nevada gaming, manufacturers and distributors of associated equipment are not required to be found suitable or licensed by the Nevada Gaming Control Board (Board) and the Nevada Gaming Commission (Commission). Instead, manufacturers and distributors of associated equipment must register with the Chair of the Board (Chair) prior to having such associated equipment made available to Nevada’s casinos. However, the lack of mandatory licensure does not infer a lax approval process. Manufacturers and distributors of associated equipment are still subject to a background investigation and the associated equipment is thoroughly reviewed by the Board. Additionally, the Chair has the discretionary authority to refer the application to the Board and to the Commission for consideration.

To register as a manufacturer and distributor of associated equipment, an applicant should complete the following three steps: (I) attend an introductory meeting with the Board’s Technology Division (Technology Division) to discuss the proposed service and ensure compliance with Nevada’s Gaming Control Act, Regulations, Technical Standards and Minimum Internal Control Standards; (II) register with the Chair as a manufacturer/distributor of associated equipment (the Registration); and (III) register the associated equipment with the Technology Division (the System Review).

This guide examines steps two and three, namely, Nevada’s Registration and System Review process. Due to the highly regulatory nature of the Registration and the System Review process, manufacturers and distributors commonly retain a gaming attorney to be actively involved in both processes. The attorney’s primary responsibility in preparing the application forms is to guide the applicant through compiling the required information and to review the application for accuracy, completeness and consistency.

Any untrue or incomplete statement is grounds for denial and could result in disciplinary action being taken. Therefore, it is important to have an experienced gaming attorney to determine if any potential regulatory concerns exist or if the information provided requires that further explanation be provided in a supplemental exhibit to the application. Once application materials are prepared, the gaming attorney serves as the main contact for the Board's investigation. The gaming attorney also guides the Applicant through the investigation process and the System Review process.

## **Registration Process**

### **Filing Requirements**

A company that seeks to manufacture and distribute associated equipment (the Applicant) must file an array of documentation with the Board. This information is divided between information specific to the Applicant and information specific to the associated equipment, which assists with the System Review Process as detailed below. Documentation specific to the Applicant includes: (I) an application for Registration by an Individual Associated with a Manufacturer/Distributor of Associated Equipment for each corporate officer (e.g., chief executive officer, chief operating officer, chief financial officer and chief technical officer), manager or equity holder of 10 percent or more<sup>1</sup> of Applicant (collectively Principal); (II) an application for Registration of a Manufacturer/ Distributor of Associated Equipment on behalf of the Applicant; (III) a personal history questionnaire for each Principal; (IV) a Request to Release Information submitted by each Principal and a fingerprint receipt (or three standard FBI fingerprint cards<sup>2</sup>) to be submitted by each Principal. The application packet must also be accompanied by a registration fee of \$2,000 per Applicant/Principal.<sup>3</sup>

The lengthiest form in the array of documentation is the personal history questionnaire, which gathers information regarding each Principal's character and fitness. Any misrepresentation or failure to disclose requested information may be deemed sufficient cause for the Principal to be called forward for a finding of suitability or for denial of the Registration.

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<sup>1</sup> Note – The Board does not mandate that intermediary or holding companies file application materials but an organizational chart must be submitted with the application.

<sup>2</sup> Due to the FBI's chain of custody requirements, the completed fingerprint cards must be mailed by the certified printing facility directly to the Nevada Gaming Control Board, Attn: Applicant Services, 1919 College Parkway, Carson City, NV 89706.

<sup>3</sup> If the Nevada Gaming Commission decides to call a person forward for a finding of suitability, additional application and investigation costs will be incurred.

The disclosures include, among others, any arrests and detentions or litigation, as well as any privileged or professional licenses the Principal holds or has held, including gaming licenses.

It is important to note that current restricted and non-restricted licensees are not required to submit such registration materials. However, such licensees must submit for approval of the associated equipment. The same applies even when the licensee holds a Manufacturer's License. In circumstances where a restricted or non-restricted licensee contracts with a third-party to develop associated equipment, the Board has the discretionary authority to require the third-party to submit registration materials.

### **The Approval Process**

Once the application for Registration has been filed, the Board will conduct a background investigation of the Applicant and its Principals. After completing the investigation, the gaming agent completes a report and submits it to the Chair for approval. If there are areas of concern, the Chair may refer the application to the Board and to the Commission for consideration.<sup>4</sup>

### **How Long Does the Application Process Take?**

The time frame for filing a complete application to review by the Chair is approximately three months. To save time, the Applicant should request that the System Review, which is detailed below, be conducted concurrently with the Registration process.

### **How Long Is Registration Effective?**

Registration is effective for three calendar years from the effective date of the Registration or renewal. At the time of renewal, the Applicant is required to file a completed application, as detailed above,<sup>5</sup> along with any additional information or documents requested by the Board. Additionally, the Applicant must pay a renewal fee of \$2,000 per Applicant/Principal.

### **Are There Ongoing Reporting Requirements?**

Each registered associated equipment manufacturer or distributor must inform the Board in writing of any changes in the ownership, officers or directors within 30 days of occurrence.

<sup>4</sup> The Board and the Commission both hold monthly public meetings. The purpose of the Board hearing is to make a recommendation to the Commission. About two weeks after the Board hearing, the Commission will hold a separate hearing for final consideration of the application. The Applicant may be requested to attend these meetings and to testify as to matters of interest to the Board or the Commission. The Applicant would be wise to be well prepared and be ready to answer any questions that may be posed. Failure to appear and testify, unless excused, constitutes grounds for denial of the application.

<sup>5</sup> The personal history form is truncated for renewal applications.

## **System Review Process**

### **Filing Requirements**

A new associated equipment submission to the Technology Division must contain the following forms and deposit: (I) a completed and signed Manufacturer's Request for Review of Associated Equipment form;<sup>6</sup> (II) a completed and signed User's Installation of Associated Equipment Approval Request form (if the Board allows or requires the new associated equipment to be trialed at a licensed gaming establishment, such establishment must submit a User's Installation of Associated Equipment Approval Request form indicating that it is going to be the triallocation); and (III) an initial deposit sufficient to cover the anticipated review charge.<sup>7</sup> The initial deposit must be no less than \$6,000. After evaluation of the submission package and determination of the scope of review, the Applicant will be notified by the Technology Division of the anticipated review cost and if necessary, will be required to make an additional deposit sufficient to cover the review cost.

The submission package must also contain the following items:

#### **a. Complete system documentation**

The documentation is to be submitted via electronic media such as a CD or DVD ROM. Examples of the required documentation include:

- i. A thorough overview of the associated equipment in both technical and lay terms outlining functionality of the product along with its intended method of operation and intended use;
- ii. Schematics;
- iii. Topology diagrams;
- iv. Release notes; and
- v. User manuals.

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<sup>6</sup> This form must be signed by a Principal who has sufficient authority to bind the company and who also has sufficient knowledge and understanding of the associated equipment being submitted.

<sup>7</sup> The Board charges manufacturers of associated equipment a fee for inspections of newly developed associated equipment. Inspection fees are charged at a rate for inspection time and for related travel time as established by the Board Chairman. The inspection and related travel time for the review of associated equipment is billed at a rate of \$150 per hour. It is the manufacturer's responsibility to ensure that its account balance is maintained at a level sufficient to cover the anticipated cost of the review. If an account has an insufficient balance, the review process will be discontinued and no additional work on the manufacturer's submissions will be performed until such time as the account balance is sufficiently funded.



**b. A comprehensive compliance report**

The submission must contain a report detailing how the associated equipment complies with the associated equipment regulatory structure. The report must list each Nevada Revised Statute, Regulation, Technical Standard and Minimum Internal Control that is applicable and must state specifically how the product complies with each requirement.

**c. A copy of all executable applications that comprise the associated equipment to be reviewed**

This includes all executable applications such as, .exe, .dll and .jar files. These files must be placed in a folder on the root of the media named “images” (e.g. D:\imagelapp.exe). This software will be kept on file with the Board and will be used to verify approved versions that have been installed in the field.

**d. A list of peripheral equipment**

A list of equipment that must be used as part of the test of the submitted associated equipment in order to evaluate specific functionality must be submitted. Examples of peripheral equipment include Voucher Redemption Terminals and Currency Counters.

**e. Completed associated equipment review checklists**

The Technology Division has issued several checklists for specific functionalities of associated equipment. The applicable checklist for the associated equipment must be completed and submitted by the Applicant.

**f. The audited results of a three-day test performed by the manufacturer**

The results of the three-day test must confirm that the associated equipment functions as represented. The three-day test must include all reports that are required to reconcile revenue and must meet the requirements of the associated equipment regulatory structure. The three-day test must also encompass all types of transactions that an operator may create during operation of the associated equipment, including exception type activities such as, voids and overrides.

The reports from the three-day test must be audited. Any and all amounts impacting reportable revenue and statistical revenue must be traced across all reports. Source documents such as vouchers or jackpot slips must be referenced and traced to detail transaction reports. Detail transaction reports must be traced in total to summary reports.

**g. A working model of the associated equipment to be reviewed**

The Board may require new associated equipment to be set up at the Technology Division's test lab or at the manufacturer's place of business. At the time of submission, the manufacturer must have a complete working model of the associated equipment available. For some applicants, the Technology Division will require remote access to the associated equipment.

**h. Provide any additional information, programming, equipment or other items deemed necessary by the Technology Division in order to evaluate the new associated equipment**

**Initial Review**

The review and approval process for new associated equipment begins with evaluating the initial submission package for completeness. The Technology Division attempts to review the submission package within 10 business days of receipt. Upon determination that a new associated equipment submission is complete, the Technology Division will coordinate a meeting with the Applicant to discuss the approval process for the submission. The objectives of this meeting are to confirm the contact information, discuss the targeted milestone dates and testing requirements and to answer any questions presented by the manufacturer.

**Testing**

The associated equipment will undergo testing by an independent laboratory to ensure it meets the requirements of the associated equipment regulatory structure. When complete, Technology Division staff will evaluate the results and provide the Applicant with a written list of issues observed during the test period. The Applicant will be required to correct any deficiencies and to provide the Technology Division with the corrections necessary to meet the requirements of the associated equipment.

The goal is for the Technology Division to recommend field trial for successfully tested and reviewed new associated equipment within 90 days of receipt of the completed submission package. The actual amount of processing time, however, will be dependent upon a number of factors, including testing requirements and the complexity of each individual submission.



**Field Trial**

When a non-binding determination is made by the Technology Division that the submitted associated equipment meets the requirements of the associated equipment regulatory structure, the Board may allow or require that the associated equipment be tested at a licensed gaming establishment for no more than 180 days. If a field trial is required, written instructions will be given to both the Applicant and to the licensed gaming establishment designated as the trial location. The instructions will detail the trial period procedures to be conducted by the trial location and by the manufacturer. During the trial period, an interim review of the associated equipment will be conducted at the trial location to evaluate the operation of the associated equipment. Prior to the completion of the field trial, a final review of the trial period procedures will be conducted at the trial location.

**Final Approval or Disapproval**

With the successful conclusion of the field trial and review period, the Applicant will receive written notice of approval or disapproval of the associated equipment. Subsequent changes to the implementation of, or modifications to, the approved associated equipment will require additional approval by the Board.

**Installation**

Prior to the installation of associated equipment, a licensed gaming establishment must comply with certain statutory and regulatory requirements—including amending their internal controls if necessary.

**How Long Does the Process Take?**

The timeframe for the System Review can be estimated at 90 days from the date of filing a complete application for review by the Technology Division and up to 180 days for a field trial with a Licensee.<sup>8</sup> The Applicant should request that the System Review be conducted concurrently with the Registration process, which is detailed above.

**How Much Does the Process Cost?**

Typically, an initial deposit of no less than \$6,000 must be made to cover the System Review. The Technology Division charges on an hourly basis, thus the cost of the System Review may vary based upon the complexity of the associated equipment and cooperation of the Applicant.

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<sup>8</sup> Any modifications to the System are subject to review by the Technology Division.

Lewis Roca has one of the largest dedicated gaming law practices in the world. The attorneys in our practice group have extensive experience in gaming law that spans several decades and includes experience in casino gaming (commercial and tribal), Internet gaming, sports betting, pari-mutuel racing, sweepstakes, lottery, bingo and compliance.

Our gaming practice group is nationally recognized across the industry and has been at the forefront of all major gaming developments for the past 25 years. We represent casino operators, gaming manufacturers and distributors, management companies, tribes, entrepreneurs, investors and governments in a variety of matters, including licensing, compliance, transactions, restructuring and regulatory adoption.

As legalized gaming continues to proliferate across the United States and throughout the world, the laws governing the gaming industry continue to evolve. Lewis Roca's gaming practice group closely monitors activity in this unique industry to provide our clients with sound and timely advice.

