

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE BILL 523

Short Title: North Carolina Casino Gaming Act. (Public)

Sponsors: Senators Jenkins; D. Berger and Walters.

Referred to: Rules and Operations of the Senate.

April 7, 2011

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH THE NORTH CAROLINA CASINO GAMING ACT BY
3 ALLOWING CERTAIN SLOT MACHINES TO BE OPERATED BY PERMITTED AND
4 LICENSED ENTITIES WITHIN TIER 1 COUNTIES THAT BORDER ANOTHER
5 STATE AND WHICH HAVE A HIGHWAY DESIGNATED AS AN INTERSTATE
6 HIGHWAY IN THE COUNTY; TO CREATE A PERMITTING SCHEME; TO CREATE
7 AN ADMINISTRATION AND ENFORCEMENT SCHEME; TO CREATE FUNDS TO
8 DIRECT THE PAYMENT OF MONIES AND RECEIVE REVENUES; AND TO
9 ENHANCE ECONOMIC GROWTH IN ECONOMICALLY DISADVANTAGED
10 COUNTIES.

11 The General Assembly of North Carolina enacts:

12 **SECTION 1.** The General Statutes of North Carolina are amended by adding a
13 new Chapter to read:

14 **"Chapter 18D.**

15 **"North Carolina Casino Gaming Act.**

16 **"Article 1.**

17 **"General Provisions.**

18 **"§ 18D-100. Short title.**

19 This Chapter shall be known and may be cited as the "North Carolina Casino Gaming Act."

20 **"§ 18D-101. Legislative intent.**

21 The General Assembly recognizes the following public policy purposes and declares that
22 the following objectives of the State are to be served by this Chapter:

- 23 (1) The primary objective of this Chapter to which all other objectives and
24 purposes are secondary is to protect the public through the regulation and
25 policing of all activities involving gaming and practices that continue to be
26 unlawful.
- 27 (2) The authorization of limited gaming by the installation and operation of slot
28 machines as authorized in this Chapter is intended to enhance entertainment
29 and employment in this State.
- 30 (3) The authorization of limited gaming is intended to provide a significant
31 source of new revenue to the State to support public education, economic
32 development opportunities, and other similar initiatives.
- 33 (4) The authorization of limited gaming is intended to provide broad economic
34 opportunities to the citizens of this State and shall be implemented in such a
35 manner as to prevent possible monopolization by establishing reasonable
36 restrictions on the control of multiple licensed gaming facilities in this State.



- 1 (5) The authorization of limited gaming is intended to enhance the further
2 development of the tourism market throughout this State, including, but not
3 limited to, year-round recreational and tourism locations in this State.
- 4 (6) Participation in limited gaming authorized under this Chapter by any
5 licensee or permittee shall be deemed a privilege, conditioned upon the
6 proper and continued qualification of the licensee or permittee and upon the
7 discharge of the affirmative responsibility of each licensee to provide the
8 regulatory and investigatory authorities of the State with assistance and
9 information necessary to assure that the policies declared by this Chapter are
10 achieved.
- 11 (7) Strictly monitored and enforced control over all limited gaming authorized
12 by this Chapter shall be provided through regulation, licensing, and
13 appropriate enforcement actions of specified locations, persons, associations,
14 practices, activities, licensees, and permittees.
- 15 (8) Strict financial monitoring and controls shall be established and enforced by
16 all licensees or permittees.
- 17 (9) The public interest of the citizens of this State and the social effect of
18 gaming shall be taken into consideration in any decision or order made
19 pursuant to this Chapter.
- 20 (10) It is necessary to maintain the integrity of the regulatory control and
21 legislative oversight over the operation of slot machines in this State; to
22 prevent the appearance of corruption or actual corruption that may result
23 from campaign contributions; to ensure the bipartisan administration of this
24 Chapter; and to avoid actions that may erode public confidence in the system
25 of representative government.

26 **"§ 18D-102. Geographical location of gaming establishments.**

27 The provisions of this act allowing gaming establishments to engage in slot machine
28 gaming shall be restricted to counties designated as Tier 1 counties by the North Carolina
29 Department of Commerce, as of the date of application for a license or permit from the
30 Commission, that border another state and have a highway designated as an Interstate highway
31 in the county. If the Tier designation of a county in which a gaming establishment is located
32 changes as a result of economic growth, the Commission shall allow the continued operation of
33 the gaming establishment in the county.

34 **"§ 18D-103. Definitions.**

35 Unless the context requires otherwise, the following definitions apply throughout this
36 Chapter to the defined words and phrases and their cognates:

- 37 (1) Affiliate, affiliate of, or person affiliated with. – A person that directly or
38 indirectly, through one or more intermediaries, controls, is controlled by, or
39 is under common control with a specified person.
- 40 (2) ALE Division. – The Alcohol Law Enforcement Division of the Department
41 of Crime Control and Public Safety.
- 42 (3) Applicant. – Any person who, on his own behalf or on behalf of another, is
43 applying for permission to engage in any act or activity which is regulated
44 under the provisions of this Chapter. In cases in which the applicant is a
45 person other than an individual, the Commission shall determine the
46 associated persons whose qualifications are necessary as a precondition to
47 the licensing of the applicant.
- 48 (4) Approved, approval, or approve. – When used in reference to an application
49 submitted to the Commission to authorize and regulate the placement and
50 operation of slot machines, the terms refer to the date that an application to
51 the Commission is granted regardless of the pendency of any administrative

- 1 or judicial appeals or other legal action challenging the decision of the
2 Commission.
- 3 (5) Associated equipment. – Any equipment or mechanical, electromechanical,
4 or electronic contrivance, component, or machine used in connection with
5 gaming, including linking devices which connect to progressive slot
6 machines or slot machines, replacement parts, equipment which affects the
7 proper reporting of gross revenue, computerized systems for controlling and
8 monitoring slot machines, including, but not limited to, the central control
9 computer, and devices for weighing or counting money.
- 10 (6) Background investigation. – A security, criminal, credit, and suitability
11 investigation of a person as provided for in this Chapter. The investigation
12 shall include the status of taxes owed to the United States and to the State
13 and its political subdivisions.
- 14 (7) Bonds. – Bonds, notes, instruments, refunding notes and bonds, and other
15 evidences of indebtedness or obligations.
- 16 (8) Central control computer. – A central site computer controlled by the
17 Commission to which all slot machines communicate for the purpose of
18 auditing capacity, real-time information retrieval of the details of any
19 financial event that occurs in the operation of a slot machine, including, but
20 not limited to, coin in, coin out, ticket in, ticket out, jackpots, machine door
21 openings, and power failure, and remote machine activation and disabling of
22 slot machines.
- 23 (9) Cheat. – To alter without authorization the elements of chance, method of
24 selection, or criteria which determine:
- 25 a. The result of a slot machine game.
26 b. The amount or frequency of payment in a slot machine game.
27 c. The value of a wagering instrument.
28 d. The value of a wagering credit.
- 29 The term does not include altering for required maintenance and repair.
- 30 (10) Commission. – The North Carolina State Lottery Commission established
31 pursuant to Chapter 18C of the General Statutes.
- 32 (11) Compensation. – Any thing of value, money, or a financial benefit conferred
33 on or received by a person in return for services rendered, or to be rendered,
34 whether by that person or another.
- 35 (12) Complimentary service. – Any lodging, service, or item which is provided to
36 an individual at no cost or at a reduced cost which is not generally available
37 to the public under similar circumstances. Group rates, including convention
38 and government rates, shall be deemed to be generally available to the
39 public.
- 40 (13) Conduct of gaming. – The licensed placement and operation of games of
41 chance under this Chapter and approved by the Commission at a licensed
42 facility.
- 43 (14) Controlling interest. – For a publicly traded domestic or foreign corporation,
44 a controlling interest is an interest in a legal entity, applicant, or licensee if a
45 person's sole voting rights under State law or corporate articles or bylaws
46 entitle the person to elect or appoint one or more of the members of the
47 Commission of directors or other governing Commission or the ownership
48 or beneficial holding of five percent (5%) or more of the securities of the
49 publicly traded corporation, partnership, limited liability company, or other
50 form of publicly traded legal entity, unless this presumption of control or
51 ability to elect is rebutted by clear and convincing evidence. For a privately

1 held domestic or foreign corporation, partnership, limited liability company,
2 or other form of privately held legal entity, a controlling interest is the
3 holding of any securities in the legal entity, unless this presumption of
4 control is rebutted by clear and convincing evidence.

5 (15) Conviction. – A finding of guilt or a plea of guilty or nolo contendere,
6 whether or not a judgment of sentence has been imposed as determined by
7 the law of the jurisdiction in which the prosecution was held. The term does
8 not include a conviction that has been expunged or overturned or for which
9 an individual has been pardoned, or an order of Accelerated Rehabilitative
10 Disposition.

11 (16) Corporation. – Any business entity established or regulated by the North
12 Carolina Business Corporation Act.

13 (17) Financial backer. – An investor, mortgagee, bondholder, noteholder, or other
14 source of equity or capital provided to an applicant or licensed entity.

15 (18) Fund. – The North Carolina State Lottery Fund.

16 (19) Gaming employee. – Any employee of a slot machine licensee, including,
17 but not limited to:

18 a. Cashiers.

19 b. Change personnel.

20 c. Counting room personnel.

21 d. Slot attendants.

22 e. Hosts or other persons authorized to extend complimentary services.

23 f. Machine mechanics or computer machine technicians.

24 g. Security personnel.

25 h. Surveillance personnel.

26 i. Supervisors and managers.

27 The term includes employees of a person holding a supplier's license whose
28 duties are directly involved with the repair or distribution of slot machines
29 and associated equipment sold or provided to the licensed facility within this
30 State as determined by the Commission. The term does not include
31 bartenders, cocktail servers, or other persons engaged solely in preparing or
32 servicing food or beverages, clerical or secretarial personnel, parking
33 attendants, janitorial, stage, sound and light technicians, and other
34 nongaming personnel as determined by the Commission.

35 (20) Gross terminal revenue. – The total of cash or cash equivalent wagers
36 received by a slot machine minus the total of:

37 a. Cash or cash equivalents paid out to patrons as a result of playing a
38 slot machine, which are paid to patrons either manually or paid out
39 by the slot machine.

40 b. Cash paid to purchase annuities to fund prizes payable to patrons
41 over a period of time as a result of playing a slot machine.

42 c. Any personal property distributed to a patron as the result of playing
43 a slot machine. This does not include travel expenses, food,
44 refreshments, lodging, or services.

45 The term does not include counterfeit money or tokens, coins, or currency of
46 other countries which are received in slot machines, except to the extent that
47 they are readily convertible to United States currency, cash taken in
48 fraudulent acts perpetrated against a slot machine licensee for which the
49 licensee is not reimbursed, or cash received as entry fees for contests or
50 tournaments in which the patrons compete for prizes.

- 1 (21) Holding company. – A person, other than an individual, which, directly or
2 indirectly, owns or has the power or right to control or to vote any
3 significant part of the outstanding voting securities of a corporation or other
4 form of business organization. A holding company indirectly has, holds, or
5 owns any such power, right, or security if it does so through an interest in a
6 subsidiary or successive subsidiaries.
- 7 (22) Independent contractor. – A person who performs professional, scientific,
8 technical, advisory, or consulting services for the Commission for a fee,
9 honorarium, or similar compensation pursuant to a contract.
- 10 (23) Institutional investor. – Any retirement fund administered by a public
11 agency for the exclusive benefit of federal, State, or local public employees,
12 an investment company registered under the Investment Company Act of
13 1940 (15 U.S.C. § 80a-1, et seq.), a collective investment trust organized by
14 banks under Part Nine of the Rules of the Comptroller of the Currency, a
15 closed-end investment trust, a chartered or licensed life insurance company
16 or property and casualty insurance company, a banking or other chartered or
17 licensed lending institution, an investment advisor registered under the
18 Investment Advisors Act of 1940 (15 U.S.C. § 80b-1, et seq.), and such
19 other persons as the Commission may determine consistent with this
20 Chapter.
- 21 (24) Intermediary. – A person, other than an individual, which is:
22 a. A holding company with respect to a corporation or other form of
23 business organization which holds or applies for a license under this
24 Chapter; and
25 b. A subsidiary with respect to any holding company.
- 26 (25) Issued, issuance, or issue. – When used in reference to an application
27 submitted to the Commission to authorize the placement and operation of
28 slot machines, the terms refer to the date when a determination by the
29 Commission approving an application becomes final, binding, and is not
30 appealable and is not subject to a pending legal challenge.
- 31 (26) Key employee. – Any individual who is employed in a director or
32 department head capacity and who is empowered to make discretionary
33 decisions that regulate slot machine operations, including the general
34 manager and assistant manager of the licensed facility, director of slot
35 operations, director of cage and/or credit operations, director of surveillance,
36 director of marketing, director of management information systems, director
37 of security, comptroller, and any employee who supervises the operations of
38 these departments or to whom these department directors or department
39 heads report and such other positions which the Commission shall determine
40 based on detailed analyses of job descriptions as provided in the internal
41 controls of the licensee as approved by the Commission. All other gaming
42 employees unless otherwise designated by the Commission shall be
43 classified as nonkey employees.
- 44 (27) Licensed entity. – Any slot machine licensee, manufacturer licensee,
45 supplier licensee, or other person licensed by the Commission under this
46 Chapter.
- 47 (28) Licensed facility. – The physical land-based location at which a licensed
48 gaming entity is authorized to place and operate slot machines.
- 49 (29) Licensed gaming entity or slot machine licensee. – A person that holds a slot
50 machine license pursuant to this Chapter.

- 1 (30) Manufacturer. – A person who manufactures, builds, rebuilds, fabricates,
2 assembles, produces, programs, designs, or otherwise makes modifications
3 to any slot machine or associated equipment for use or play of slot machines
4 in this State for gaming purposes.
- 5 (31) Manufacturer license. – A license issued by the Commission authorizing a
6 manufacturer to manufacture or produce slot machines or associated
7 equipment for use in this State for gaming purposes.
- 8 (32) Manufacturer licensee. – A manufacturer that obtains a manufacturer
9 license.
- 10 (33) Net terminal revenue. – The net amount of the gross terminal revenue less
11 the tax and assessments imposed by this Chapter.
- 12 (34) Occupation permit. – A permit authorizing an individual to be employed or
13 to work as a gaming employee at a licensed facility.
- 14 (35) Permittee. – A holder of a permit issued pursuant to this Chapter.
- 15 (36) Person. – Any natural person, corporation, foundation, organization,
16 business trust, estate, limited liability company, licensed corporation, trust,
17 partnership, limited liability partnership, association, or any other form of
18 legal business entity.
- 19 (37) Principal. – An officer; director; person who directly holds a beneficial
20 interest in or ownership of the securities of an applicant or licensee; person
21 who has a controlling interest in an applicant or licensee, or has the ability to
22 elect a majority of the Commission of directors of a licensee or to otherwise
23 control a licensee; lender or other licensed financial institution of an
24 applicant or licensee, other than a bank or lending institution which makes a
25 loan or holds a mortgage or other lien acquired in the ordinary course of
26 business; underwriter of an applicant or licensee; or other person or
27 employee of an applicant, slot machine licensee, manufacturer licensee, or
28 supplier licensee deemed to be a principal by the Commission.
- 29 (38) Progressive payout. – A slot machine wager payout that increases in a
30 monetary amount based on the amounts wagered in a progressive system.
- 31 (39) Progressive system. – A computerized system linking slot machines in one
32 or more licensed facilities within this State and offering one or more
33 common progressive payouts based on the amounts wagered.
- 34 (40) Publicly traded corporation. – A person, other than natural person, which:
35 a. Has a class or series of securities registered under the Securities
36 Exchange Act of 1934 (15 U.S.C. § 78a, et seq.).
37 b. Is a registered management company under the Investment Company
38 Act of 1940 (15 U.S.C. § 80a-1, et seq.).
39 c. Is subject to the reporting obligations imposed by section 15(d) of the
40 Securities Exchange Act of 1934 by reason of having filed a
41 registration statement which has become effective under the
42 Securities Act of 1933 (15 U.S.C. § 77a, et seq.).
- 43 (41) Revenue- or tourism-enhanced location. – Any location within this State
44 determined by the Commission, in its discretion, which will maximize net
45 revenue to the State or enhance year-round recreational tourism within this
46 State, in comparison to other proposed facilities and is otherwise consistent
47 with the provisions of this Chapter and its declared public policy purposes.
- 48 (42) Security. – As defined in G.S. 78A-2(11).
- 49 (43) Slot machine. – Any mechanical or electrical contrivance, terminal,
50 machine, or other device approved by the Commission which, upon insertion
51 of a coin, bill, ticket, token, or similar object therein or upon payment of any

1 consideration whatsoever, including the use of any electronic payment
2 system except a credit card or debit card, is available to play or operate, the
3 play or operation of which, whether by reason of skill or application of the
4 element of chance or both, may deliver or entitle the person or persons
5 playing or operating the contrivance, terminal, machine, or other device to
6 receive cash, billets, tickets, tokens, or electronic credits to be exchanged for
7 cash or to receive merchandise or anything of value whatsoever, whether the
8 payoff is made automatically from the machine or manually. A slot machine:

9 a. May utilize spinning reels or video displays or both.

10 b. May or may not dispense coins, tickets, or tokens to winning patrons.

11 c. May use an electronic credit system for receiving wagers and making
12 payouts.

13 The term shall include associated equipment necessary to conduct the
14 operation of the contrivance, terminal, machine or other device.

15 (44) Slot machine license. – A license issued by the Commission authorizing a
16 person to place and operate slot machines pursuant to this Chapter and the
17 rules and regulations under this Chapter.

18 (45) Slot machine licensee. – A person that holds a slot machine license.

19 (46) State gaming receipts. – Revenues and receipts required by this Chapter to
20 be paid into the State Lottery Fund.

21 (47) Subsidiary. – A person other than an individual. The term includes:

22 a. A corporation, any significant part of whose outstanding equity
23 securities are owned, subject to a power or right of control, or held
24 with power to vote, by a holding company or an intermediary
25 company.

26 b. A significant interest in a person, other than an individual, which is
27 owned, subject to a power or right of control, or held with power to
28 vote, by a holding company or an intermediary company.

29 c. A person deemed to be a subsidiary by the North Carolina State
30 Lottery Commission.

31 (48) Supplier. – A person that sells, leases, offers, or otherwise provides,
32 distributes, or services any slot machine or associated equipment for use or
33 play of slot machines in this State.

34 (49) Supplier license. – A license issued by the Commission authorizing a
35 supplier to provide products or services related to slot machines or
36 associated equipment to slot machine licensees.

37 (50) Supplier licensee. – A supplier that holds a supplier license.

38 **§§ 18D-104 through 18D-199: Reserved for future codification purposes.**

39 "Article 2.

40 "Powers and Duties of the Commission.

41 **§ 18D-200. Powers of the Commission in regulating activities authorized by this Chapter.**

42 Specific powers. – The Commission shall have the specific powers and duties:

43 (1) To adopt, use, and alter a corporate seal.

44 (2) To pay or satisfy obligations of the Commission.

45 (3) To sue or be sued, implead, and be impleaded, or interplead.

46 (4) To contract and execute instruments as necessary to carry out the powers and
47 duties of the Commission.

48 (5) To sell, transfer, convey, and dispose of tangible or intangible property
49 owned by the Commission.

50 (6) To establish, charge, and collect fees and fines as authorized by this Chapter.

- 1 (7) To administer oaths, examine witnesses, and issue subpoenas compelling the
2 attendance of witnesses or the production of documents and records or other
3 evidence.
- 4 (8) To purchase insurance against a loss related to the Commission's property or
5 assets.
- 6 (9) To retain attorneys, accountants, auditors, and financial and other experts to
7 render services as necessary.
- 8 (10) To require background investigations on applicants, licensees, principals,
9 key employees, or permittees under the jurisdiction of the Commission.
- 10 (11) At its discretion, to issue, approve, renew, revoke, suspend, condition, or
11 deny issuance or renewal of slot machine licenses.
- 12 (12) At its discretion, to issue, approve, renew, revoke, suspend, condition, or
13 deny issuance or renewal of supplier and manufacturer licenses.
- 14 (13) At its discretion, to issue, approve, renew, revoke, suspend, condition, or
15 deny issuance or renewal of a license or permit for various classes of
16 employees as required under this Chapter.
- 17 (14) At its discretion, to issue, approve, renew, revoke, suspend, condition, or
18 deny issuance or renewal of any additional licenses or permits which may be
19 required by the Commission under this Chapter.
- 20 (15) At its discretion, to suspend, condition, or deny the issuance or renewal of
21 any license or permit or levy fines or other sanctions for any violation of this
22 Chapter.
- 23 (16) To require prospective and existing employees, independent contractors,
24 applicants, licensees, and permittees to submit to fingerprinting by the ALE
25 Division. The ALE Division shall submit the fingerprints to the State Bureau
26 of Investigation which shall in turn submit a copy to the Federal Bureau of
27 Investigation for purposes of verifying the identity of the individual and
28 obtaining records of criminal arrests and convictions.
- 29 (17) To require prospective and existing employees, independent contractors,
30 applicants, licensees, and permittees to provide, or allow the Commission or
31 ALE Division to capture, a current photograph in a digital format.
- 32 (18) To levy fines or other sanctions against any person who is an applicant,
33 licensed entity or other licensee, permittee, or an employee of the
34 Commission who possesses, uses, sells or offers for sale any device,
35 equipment, or material subject to this Chapter in a manner which constitutes
36 a violation of this Chapter.
- 37 (19) In addition to the power of the Commission regarding license and permit
38 applicants, to determine at its discretion the suitability of any person who
39 furnishes or seeks to furnish to a slot machine licensee directly or indirectly
40 any services or property related to slot machines or associated equipment or
41 through any arrangements under which that person receives payment based
42 directly or indirectly on earnings, profits, or receipts from the slot machines
43 and associated equipment. The Commission may require any such person to
44 comply with the requirements of this Chapter and the regulations of the
45 Commission and may prohibit the person from furnishing the services or
46 property.
- 47 (20) Except for contracts related to the central control computer, all contracts
48 entered into by the Commission during the two-year period following the
49 effective date of this Chapter shall not exceed a term of two years.
- 50 (21) The Commission shall not issue or renew a license or permit unless it is
51 satisfied that the applicant is a person of good character, honesty, and

1 integrity and is a person whose prior activities, criminal record, if any,
2 reputation, habits, and associations do not pose a threat to the public interest
3 or the effective regulation and control of slot machine operations or create or
4 enhance the danger of unsuitable, unfair, or illegal practices, methods and
5 activities in the conduct of slot machine operations or the carrying on of the
6 business and financial arrangements incidental thereto.

7 (22) To publish and maintain on the Commission's Internet Web site a complete
8 list of all persons or entities who have applied for, hold, or have held a slot
9 machine license, manufacturer license, supplier license, or racetrack license
10 at any time during the preceding calendar year and all affiliates,
11 intermediaries, subsidiaries, and holding companies thereof and the status of
12 the application or license.

13 (23) To promulgate all rules necessary for the administration and enforcement of
14 this Chapter, including rules promulgated in cooperation with the North
15 Carolina Alcoholic Beverage Control Commission relating to the sale and
16 service of alcoholic beverages by licensees or permittees.

17 **§ 18D-201. Temporary rules.**

18 (a) Promulgation. – In order to facilitate the prompt implementation of this Chapter,
19 rules promulgated by the Commission shall be deemed temporary rules which shall expire no
20 later than three years following the effective date of this Chapter. The Commission's temporary
21 rules shall not be subject to review pursuant to Chapter 150B of the General Statutes.

22 (b) Expiration. – The authority provided to the Commission by this section shall expire
23 July 1, 2014. Rules adopted after this period shall be promulgated as provided by law.

24 **§ 18D-202. License or permit application hearing process; public hearings.**

25 (a) General Rule. – The Commission's consideration and resolution of all license or
26 permit applications shall be conducted in accordance with the provisions of this Chapter and
27 the rules of the Commission. Any person aggrieved by an action or decision of the Commission
28 may file a petition for a contested case before the Office of Administrative Hearings in
29 accordance with Chapter 150B of the General Statutes. The Commission shall not file a petition
30 on behalf of an aggrieved party.

31 (b) Public Hearing Required. – Prior to licensing a facility under this Chapter, the
32 Commission shall hold at least one public hearing on the matter. All public hearings relating to
33 an application for a slot machine license shall be held in the municipality where the facility will
34 be located and shall be organized in cooperation with the municipality. A list of all witnesses
35 scheduled to testify at a public hearing shall be made public at least seven days prior to the
36 hearing. The list shall be updated at least three days prior to the hearing. Additional witnesses
37 shall be posted on the Commission's Internet Web site as they are added to the list.

38 **§ 18D-203. Commission meetings; records.**

39 (a) Open Meetings and Public Records. – Commission meetings and records shall be
40 subject to the provisions of the open meetings laws in Article 33C of Chapter 143 of the
41 General Statutes and the public records laws in Chapter 132 of the General Statutes.

42 (b) Record of Proceedings. – The Commission shall cause to be made and kept a record
43 of all proceedings held at public meetings of the Commission. The verbatim transcript of those
44 proceedings shall be the property of the Commission and shall be prepared by the Commission
45 upon the request of any Commission member or upon the request of any other person and the
46 payment by that person of the costs of preparation.

47 (c) Applicant Information. – The Commission shall maintain a list of all applicants for
48 licenses and permits. The list shall include a record of all actions taken with respect to each
49 applicant. The list shall be open to public inspection during the normal business hours of the
50 Commission. Information for any applicant whose license or permit has been denied, revoked,
51 or not renewed shall be removed from such list after seven years from the date of the action.

1 (d) Other Files and Records. – The Commission may maintain such other files and
2 records as it may deem appropriate.

3 (e) Confidentiality of Information. – All information submitted by an applicant
4 pursuant to this Chapter or obtained by the Commission or the ALE Division as part of a
5 background investigation from any source shall be considered confidential. Except as otherwise
6 provided by law, the information shall be withheld from public disclosure in whole or in part,
7 except that any information shall be released upon the lawful order of a court of competent
8 jurisdiction, to a law enforcement agency conducting an active criminal investigation, or shall
9 be released to the public, in whole or in part, to the extent that such release is requested by an
10 applicant and does not otherwise contain confidential information about another person. The
11 Commission may not require any applicant to waive any confidentiality provided for in this
12 subsection as a condition for the approval of a license or any other action of the Commission.
13 Any Commission employee who violates this subsection is subject to discharge, suspension, or
14 other formal disciplinary action as the Commission deems appropriate. Any ALE Division
15 employee who violates this subsection is subject to discharge, suspension, or other formal
16 disciplinary action as the ALE Division deems appropriate.

17 (f) Notice. – Notice of the contents of any information, except to a law enforcement
18 agency pursuant to this section, shall be given to any applicant or licensee in a manner
19 prescribed by the rules adopted by the Commission.

20 (g) Information Held by the Department of Revenue. – In order to ensure complete
21 disclosure and protect the public, files, records, reports, and other information in the possession
22 of the Department pertaining to licensees and permittees shall be made available to the
23 Commission and the ALE Division upon a written request from the Executive Director of the
24 Commission or the Director of the ALE Division unless the release of such information is
25 prohibited by federal law.

26 **§ 18D-204. Regulatory authority of Commission.**

27 The Commission shall have the power and duties to:

- 28 (1) Deny, deny the renewal, revoke, condition, or suspend any license or permit
29 provided for in this Chapter if the Commission finds in its sole discretion
30 that a licensee or permittee under this Chapter, or its officers, employees, or
31 agents have furnished false or misleading information to the Commission or
32 failed to comply with the provisions of this Chapter or the rules of the
33 Commission and that it would be in the public interest to deny, deny the
34 renewal, revoke, condition, or suspend the license or permit.
- 35 (2) Restrict access to confidential information in the possession of the
36 Commission which has been obtained under this Chapter and ensure that the
37 confidentiality of information is maintained and protected. Records shall be
38 retained by the Commission for seven years.
- 39 (3) Prescribe and require periodic financial reporting and internal control
40 requirements for all licensed entities.
- 41 (4) Require that each licensed entity provide to the Commission its audited
42 annual financial statements, with such additional detail as the Commission
43 from time to time shall require, and which information shall be submitted
44 not later than 60 days after the end of the licensee's fiscal year.
- 45 (5) Prescribe the procedures to be followed by slot machine licensees for any
46 financial event that occurs in the operation of slot machines.
- 47 (6) Prescribe criteria and conditions for the operation of slot machine
48 progressive systems. A wide area progressive slot system shall be
49 collectively administered by participating slot machine licensees in
50 accordance with the terms of a written agreement executed by each
51 participating slot machine licensee and approved by the Commission.

- 1 (7) Enforce prescribed hours for the operation of slot machines so that slot
2 machine licensees may operate slot machines on any day during the year in
3 order to meet the needs of patrons or to meet competition.
- 4 (8) Require that each licensed gaming entity prohibit any person less than 21
5 years of age from operating or using slot machines.
- 6 (9) Establish procedures for the inspection and certification of compliance of
7 each slot machine and associated equipment prior to being placed into use by
8 a slot machine licensee.
- 9 (10) Require that no slot machine may be set to pay out less than the theoretical
10 payout percentage, which shall be no less than eighty percent (80%), as
11 specifically approved by the Commission. The Commission shall adopt
12 regulations that define the theoretical payout percentage of a slot machine
13 game based on the total value of the jackpots expected to be paid by a play
14 or a slot machine game divided by the total value of slot machine wagers
15 expected to be made on that play or slot machine game during the same
16 portion of the game cycle. In so doing, the Commission shall decide whether
17 the calculation shall include the entire cycle of a slot machine game or any
18 portion thereof.
- 19 (11) Require each slot machine license applicant to provide detailed site plans of
20 its proposed licensed facility which shall be reviewed and approved by the
21 Commission for the purpose of determining the adequacy of the proposed
22 security and surveillance measures inside and outside the facility. Applicants
23 will cooperate with the Commission in making changes to the plans
24 suggested by the Commission and will ensure that the plans as modified and
25 approved are implemented.
- 26 (12) Require slot machine licensees to provide onsite facilities for use by the
27 Commission, the ALE Division, and other appropriate persons for the
28 purpose of carrying out their respective responsibilities under this Chapter.
- 29 (13) Enter into contracts with any person for the purposes of carrying out the
30 powers and duties of the Commission under this Chapter.
- 31 (14) Require each slot machine licensee to sell North Carolina State Lottery
32 tickets at its licensed facility at a location as near as practicable to the pay
33 windows.
- 34 (15) Permit, in its discretion and upon application, the use of a temporary facility
35 within which slot machines may be available for play or operation at a
36 licensed gaming facility, for a period not to exceed 24 months, provided that,
37 upon good cause shown, the Commission may extend permission to operate
38 a temporary facility for an additional 12-month period.

39 **"§ 18D-205. Collection of fees and fines.**

40 The Commission has the following powers and duties:

- 41 (1) To levy and collect fees from the various applicants, licensees, and
42 permittees to fund the operations of the Commission. The fees shall be
43 deposited into the State Lottery Fund established pursuant to G.S. 18C-160.
44 In addition to the fees set forth in G.S. 18D-206, the Commission shall
45 assess and collect fees as follows:
- 46 a. Supplier licensees shall pay a fee of twenty-five thousand dollars
47 (\$25,000) upon the issuance of a license and ten thousand dollars
48 (\$10,000) for the annual renewal of a supplier license.
- 49 b. Manufacturer licensees shall pay a fee of twenty-five thousand
50 dollars (\$25,000) upon the issuance of a license and ten thousand
51 dollars (\$10,000) for the annual renewal of a manufacturer license.

1 c. Each application for a slot machine license, supplier license, or
2 manufacturer license must be accompanied by a nonrefundable fee
3 set by the Commission for the cost of each individual requiring a
4 background investigation. The reasonable and necessary costs and
5 expenses incurred in any background investigation or other
6 investigation or proceeding concerning any applicant, licensee,
7 permittee, or registrant shall be reimbursed to the Commission by
8 those persons.

9 (2) To provide for the assessment and collection of fines and penalties for
10 violations of this Chapter. The clear proceeds of all civil fines and penalties
11 assessed pursuant to this Chapter shall be remitted to the Civil Penalty and
12 Forfeitures Fund in accordance with G.S. 115-457.2. Two years following
13 enactment of this Chapter, the Commission shall have the authority to
14 increase each year any fee, charge, cost, or administrative penalty, but not
15 any criminal fine or penalty, provided in this Chapter by an amount not to
16 exceed an annual cost-of-living adjustment calculated by applying the
17 percentage change in the Consumer Price Index for All Urban Consumers
18 (CPI-U) for the North Carolina, Georgia, South Carolina, Tennessee, and
19 Virginia area for the most recent 12-month period for which figures have
20 been officially reported by the United States Department of Labor, Bureau of
21 Labor Statistics, immediately prior to the date the adjustment is due to take
22 effect.

23 **§ 18D-206. Slot machine license fee.**

24 (a) Fee Required. – At the time of license issuance the Commission shall impose a
25 one-time slot machine license fee to be paid by each successful slot machine applicant for a
26 license in the amount of \$50,000,000 and deposited in the State Lottery Fund.

27 (b) Term. – A slot machine license, after payment of the fee, shall be in effect unless
28 suspended, revoked, or not renewed by the Commission upon good cause consistent with the
29 license requirements as provided for in this Chapter. Slot machine licensees shall be required to
30 update the information in their initial applications annually, and the license of a licensee in
31 good standing shall be updated and renewed annually. As to the renewal of a license, no
32 additional license fee pursuant to subsection (a) shall be required.

33 (c) Credit Against Tax for Slot Machine Licensees. – If the rate of the tax imposed by
34 G.S. 18D-402 is increased at any time during the term of 10 years following the initial issuance
35 of the slot machine license, the slot machine licensee shall be entitled to a credit against
36 subsequent payment of the tax equal to the difference between the tax calculated at the rate
37 when the license was issued and the tax calculated at the increased rate. This credit shall be
38 applied on a dollar-for-dollar basis as and when the tax is payable as set forth in G.S. 18D-402
39 but shall not extend beyond the 10-year period following the initial issuance of the license. The
40 aggregate amount of all credits provided shall not exceed the amount of the licensing fee paid
41 by the licensee. The Commission shall enter into a contract with each slot machine licensee
42 explicitly setting forth the terms and conditions of this credit and which also specifically
43 incorporates the requirements of subsection (f) of this section.

44 (d) Deposit of License Fee. – The total amount of all license fees imposed and collected
45 by the Commission under this section shall be deposited in the State Lottery Fund.

46 (e) Change of Ownership or Control of a License. – In the event that the ownership or
47 control of a slot machine licensee or its affiliate, intermediary, subsidiary, or holding company
48 is changed as described in G.S. 18D-323, the new owner shall be entitled to the full remaining
49 amount of the credit set forth in subsection (c) of this section or the return of the license fee in
50 accordance with subsection (f) of this section as if the new owner or controlling interest was the
51 original licensee.

1 (f) Return of Slot Machine License Fee. – The entire one-time slot machine license fee
2 of fifty million dollars (\$50,000,000) for each slot machine license shall be returned to each
3 licensee in the event this Chapter is repealed by an act of the General Assembly.

4 **"§ 18D-207. Number of slot machines.**

5 All slot machine licensees shall be permitted to operate up to 3,000 slot machines at any
6 one licensed facility and shall be required to operate and make available to play a minimum of
7 1,500 machines at any one licensed facility within one year of the issuance by the Commission
8 of a slot machine license unless otherwise extended by the Commission.

9 **"§ 18D-208. Reports of Commission.**

10 (a) Report of Commission. – On January 1, 2013, and every year thereafter, the
11 Commission shall issue a report to the Governor and each member of the General Assembly on
12 the general operation of the Commission and each slot machine licensee's performance,
13 including, but not limited to, numbers and wins per slot machine at licensed facilities during the
14 previous year, all taxes, fees, fines, and other revenues collected and, where appropriate,
15 disbursed, the costs of operation of the Commission, all hearings conducted and the results of
16 the hearings, and other information that the Commission deems necessary and appropriate.

17 (b) Reports to General Assembly. – The Commission shall conduct an ongoing review
18 of the operation of this Chapter and the impact of gaming in this State, including review of
19 other jurisdictions, federal laws, academic research, and public input. The Commission shall
20 submit an annual report to the General Assembly by January 1 of each year. The report shall
21 include recommendations for changes to this Chapter or in the operation or regulation of
22 licensed entities. The report shall be posted by the Commission on its Internet Web site.

23 **"§ 18D-209. License or permit prohibition.**

24 No applicant for a license or permit under this Chapter, including principals and key
25 employees, who has been convicted of a felony or gambling offense in any jurisdiction shall be
26 issued a license or permit unless 15 years has elapsed from the date of expiration of the
27 sentence for the offense. When determining whether to issue a license or permit to an applicant
28 who has been convicted in any jurisdiction of a felony or gambling offense, the Commission
29 shall consider the following factors:

- 30 (1) The nature and duties of the applicant's position with the licensed entity.
31 (2) The nature and seriousness of the offense or conduct.
32 (3) The circumstances under which the offense or conduct occurred.
33 (4) The age of the applicant when the offense or conduct was committed.
34 (5) Whether the offense or conduct was an isolated or a repeated incident.
35 (6) Any evidence of rehabilitation, including good conduct in the community,
36 counseling or psychiatric treatment received, and the recommendation of
37 persons who have substantial contact with the applicant.

38 **"§§ 18D-210 through 18D-299: Reserved for future codification purposes.**

39 "Article 3.

40 "Licensing.

41 **"§ 18D-300. Slot machine licenses.**

42 There shall be a slot machine license permitting a licensed person to place and operate slot
43 machines at a licensed facility. The Commission shall consider, approve, condition, or deny the
44 approval of all initial applications for each slot machine license in a uniform manner statewide,
45 within six months following the time set by the Commission at which all applications are to be
46 filed and deemed complete by the Commission. The Commission shall approve, condition, or
47 deny the issuance of a slot machine license within the time period provided for herein.
48 Following approval of an application for a slot machine license, the applicant shall provide
49 formal notification to the Commission as soon as it fulfills all required conditions for issuance
50 of the license and the Commission's decision approving the application is final and is not
51 subject to a pending legal challenge. Upon receipt of such formal notification and upon

1 conducting any necessary verification, the Commission shall issue a slot machine license to the
2 applicant.

3 **"§ 18D-301. Order of initial license issuance.**

4 In order to facilitate the timely and orderly deployment of licensed gaming operations in
5 this State, the Commission shall adopt a schedule by which applicants for slot machine,
6 manufacturer, and supplier licenses shall be filed, considered, and resolved in accordance with
7 the provisions of this Chapter. In so doing, the Commission shall consider, approve, condition,
8 or deny the approval of all filed applications for manufacturer and supplier licenses as soon as
9 administratively possible. The Commission shall ensure that an adequate number of suppliers
10 have been licensed to meet market demand.

11 **"§ 18D-302. Applications for license or permit.**

12 (a) Applications. – An application for a license or permit to be issued by the
13 Commission shall be submitted on a form and in a manner as shall be required by the
14 Commission. Before reviewing an application, the Commission shall confirm that all the
15 applicable license or permit fees have been paid in accordance with this Chapter.

16 (b) Completeness of Applications. – The Commission shall not consider an incomplete
17 application and shall notify the applicant in writing if an application is incomplete. An
18 application shall be considered incomplete if it does not include all applicable fees and all
19 information and accompanying documentation required by the Commission. Any unpaid taxes
20 identified by the Department of Revenue shall be paid before the application is considered
21 complete. A notification of incompleteness shall state the deficiencies in the application that
22 must be corrected prior to consideration of the merits of the application.

23 (c) Adverse Litigation. – Notwithstanding any law to the contrary, the Commission
24 shall not consider any application for a license if the applicant or any person affiliated with or
25 directly related to the applicant is a party in any ongoing civil proceeding in which the party is
26 seeking to overturn or otherwise challenge a decision or order of the Commission pertaining to
27 the approval, denial, or conditioning of a license to operate slot machines. This subsection shall
28 not be interpreted to affect the rights of applicants to seek judicial enforcement of mandatory
29 obligations of the Commission as may be required by this Chapter.

30 **"§ 18D-303. Slot machine license application.**

31 (a) General Requirements. – In addition to any other information required under this
32 Chapter, or required by the Commission, the application for a slot machine license shall include
33 the following:

- 34 (1) The name, address, and a photograph of the applicant and of all directors and
35 owners and key employees and their positions within the corporation or
36 organization, as well as any additional financial information required by the
37 Commission.
- 38 (2) The proposed location of the slot machine areas, if known.
- 39 (3) The number of slot machines requested.
- 40 (4) A letter from the Department of Revenue showing that no overdue tax is
41 owed to the State.
- 42 (5) In those instances where additional slot machines are being requested, the
43 justification and explanation for the number and proposed location of the
44 slot machine areas within the confines of the licensed facility.
- 45 (6) The details of any gaming, slot machine, or casino license applied for,
46 granted to, or denied to the applicant by other jurisdictions where such form
47 of gaming is legal and the consent for the Commission to acquire copies of
48 applications submitted or licenses issued in connection therewith.
- 49 (7) The details of any loans applied for and obtained from a financial institution
50 or not obtained from a financial institution for the purposes of establishing
51 operating a licensed premises.

1 (8) The consent to conduct a background investigation by the ALE Division for
2 the Commission, the scope of which shall be determined by the Commission
3 in its discretion consistent with the provisions of this Chapter, and a release
4 signed by all persons subject to the investigation of all information required
5 to complete the investigation.

6 (9) Any other information determined to be appropriate by the Commission.

7 (b) Refusal to Cooperate. – Any refusal to provide the information required under this
8 section or to consent to a background investigation shall result in the immediate denial of a
9 license or permit.

10 **"§ 18D-304. Slot machine license application character requirements.**

11 (a) Application. – Every application for a slot machine license shall include such
12 information, documentation, and assurances as may be required to establish by clear and
13 convincing evidence the applicant's good character, honesty, and integrity. Information shall
14 include, without limitation, information pertaining to family, habits, character, reputation,
15 criminal history background, business activities, financial affairs, and business, professional,
16 and personal associates, covering at least the 10-year period immediately preceding the filing
17 date of the application.

18 (b) Civil Judgments and Law Enforcement Agency Information. – Each applicant shall
19 notify the Commission of any civil judgments obtained against the applicant pertaining to
20 antitrust or security regulation laws of the federal government, this State, or any other state,
21 jurisdiction, province, or country. In addition, each applicant shall produce a letter of reference
22 from law enforcement agencies having jurisdiction in the applicant's place of residence and
23 principal place of business, which letter of reference shall indicate that the law enforcement
24 agencies do not have any pertinent information concerning the applicant or, if the law
25 enforcement agency does have information pertaining to the applicant, shall specify the nature
26 and content of that information. If no letters are received within 30 days of the request, the
27 applicant may submit a statement under oath which is subject to the penalty for perjury that the
28 applicant is, or was during the period the activities were conducted, in good standing with the
29 gaming or casino enforcement or control agency.

30 (c) Gaming or Casino Enforcement Agency Information. – If the applicant has held a
31 gaming license in a jurisdiction where gaming activities are permitted, the applicant shall
32 produce a letter of reference from the gaming or casino enforcement or control agency which
33 shall specify the experiences of that agency with the applicant, the applicant's associates, and
34 the applicant's gaming operation. If no letters are received within 30 days of the request, the
35 applicant may submit a statement under oath which is subject to the penalty for perjury that the
36 applicant is, or was during the period the activities were conducted, in good standing with the
37 gaming or casino enforcement or control agency.

38 **"§ 18D-305. Additional slot machine license requirements.**

39 (a) Additional Eligibility Requirements. – In order to be eligible for a slot machine
40 license under this Chapter, the principals and key employees of the applicant shall obtain a
41 license to meet the character requirements established by this Chapter or other eligibility
42 requirements established by the Commission.

43 (b) Classification System. – The Commission shall develop a classification system for
44 other agents, employees, or persons who directly or indirectly hold or are deemed to be holding
45 debt or equity securities or other financial interest in the applicant and for other persons which
46 the Commission considers appropriate for review.

47 (c) Related Entities. – No person shall be eligible to receive a slot machine license
48 unless the principals and key employees of each intermediary, subsidiary, or holding company
49 of the person meets the requirements of subsection (a) of this section. The Commission may
50 require that lenders and underwriters of intermediaries, subsidiaries, or holding companies of a
51 slot machine license applicant meets the requirements of subsection (a) of this section if the

1 Commission determines that the suitability of a lender or underwriter is at issue and is
2 necessary to consider a pending application for a slot machine license.

3 (d) Waiver for Publicly Traded Corporations. – The Commission may waive the
4 requirements of subsection (a) of this section for a person directly or indirectly holding
5 ownership of securities in a publicly traded corporation if the Commission determines that the
6 holder of the securities is not significantly involved in the activities of the corporation and does
7 not have the ability to control the corporation or elect one or more directors thereof.

8 (e) Waiver for Subsidiaries. – If the applicant is a subsidiary, the Commission may
9 wave the requirements of subsection (a) of this section for a holding company or intermediary
10 as follows:

11 (1) If the applicant is a publicly traded corporation, the Commission may issue a
12 waiver under this subsection if it determines that the principal or key
13 employee does not have the ability to control the holding company or
14 intermediary or to elect one or more directors of the holding company or
15 intermediary, does not have a controlling interest in the holding company or
16 its intermediary, and is not actively involved in the activities of the
17 applicant.

18 (2) If the applicant is a noncorporate organization, the Commission may issue a
19 waiver under this subsection for a person who directly or indirectly holds a
20 beneficial or ownership interest in the applicant if it determines that the
21 person does not have the ability to control the applicant.

22 (f) Ongoing Duty to Provide Information. – A person applying for a license, permit, or
23 other authorization under this Chapter shall have the continuing duty to provide any
24 information required by the Commission or the ALE Division and to cooperate in any inquiry
25 or investigation.

26 (g) Criminal History Record Check. – The ALE Division shall conduct a criminal
27 history record check for the Commission on any person for whom a waiver is granted under
28 this section.

29 **"§ 18D-306. Licensing of principals.**

30 (a) License Required. – All principals shall obtain a principal license from the
31 Commission.

32 (b) Application. – A principal license application shall be in a form prescribed by the
33 Commission and shall include the following:

34 (1) Verification of status as a principal from a slot machine licensee,
35 manufacturer licensee, or supplier licensee.

36 (2) A description of responsibilities as a principal.

37 (3) All releases necessary to obtain information from governmental agencies,
38 employers, and other organizations.

39 (4) Fingerprints, which shall be submitted to the Commission.

40 (5) A photograph that meets the standards of the Commission.

41 (6) Details relating to a similar license, permit, or other authorization obtained
42 in another jurisdiction.

43 (7) Any additional information required by the Commission.

44 (c) Issuance. – Following review of the application and the background investigation,
45 the Commission may issue a principal license if the applicant has proven by clear and
46 convincing evidence that the applicant is a person of good character, honesty, and integrity and
47 is eligible and suitable to be licensed as a principal.

48 (d) License Nontransferable. – A license issued under this section shall be
49 nontransferable.

50 (e) Principals Exempt From Key Employee License. – An individual who receives a
51 principal license need not obtain a key employee license.

"§ 18D-307. Licensing of key employees.

(a) License Required. – All key employees shall obtain a key employee license from the Commission.

(b) Application. – A key employee license application shall be in a form prescribed by the Commission and shall include the following:

(1) Verification of status as a key employee from a slot machine licensee, manufacturer licensee, or supplier licensee.

(2) A description of employment responsibilities.

(3) All releases necessary to obtain information from governmental agencies, employers, and other organizations.

(4) Fingerprints, which shall be submitted to the Commission.

(5) A photograph that meets the standards of the Commission.

(6) Details relating to a similar license, permit, or other authorization obtained in another jurisdiction.

(7) Any additional information required by the Commission.

(c) Issuance. – Following review of the application and the background investigation, the Commission may issue a key employee license if the applicant has proven by clear and convincing evidence that the applicant is a person of good character, honesty, and integrity and is eligible and suitable to be licensed as a key employee.

(d) License Nontransferable. – A license issued under this section shall be nontransferable.

"§ 18D-308. Divestiture of disqualifying applicant.

In the event that any slot machine license application is not approved by the Commission based on a finding that an individual who is a principal or has an interest in the person applying for the license does not meet the character requirements of G.S. 18D-306 or any of the eligibility requirements under this Chapter, or a person who purchases a controlling interest in a licensed gaming entity in violation of this Chapter, the Commission may afford the individual the opportunity to completely divest the individual's interest in the person, its affiliate, intermediary, subsidiary, or holding company seeking the license and, after such divestiture, reconsider the person's or applicant's suitability for licensure in an expedited proceeding and may, after such proceeding, issue the person or applicant a slot machine license. The Commission shall approve the terms and conditions of any divestiture under this section. Under no circumstances shall any divestiture be approved by the Commission if the compensation for the divested interest exceeds the cost of the interest.

"§ 18D-309. Slot machine license application financial fitness requirements.

(a) Applicant Financial Information. – The Commission shall require each applicant for a slot machine license to produce the information, documentation, and assurances concerning financial background and resources as the Commission deems necessary to establish by clear and convincing evidence the financial stability, integrity, and responsibility of the applicant, its affiliate, intermediary, subsidiary, or holding company, including, but not limited to, bank references, business and personal income and disbursement schedules, tax returns and other reports filed with governmental agencies, and business and personal accounting and check records and ledgers. In addition, each applicant shall in writing authorize the examination of all bank accounts and records as may be deemed necessary by the Commission.

(b) Financial Backer Information. – The Commission shall require each applicant for a slot machine license to produce the information, documentation, and assurances as may be necessary to establish by clear and convincing evidence the integrity of all financial backers, investors, mortgagees, bondholders, and holders of indentures, notes, or other evidences of indebtedness, either in effect or proposed. Any such banking or lending institution and institutional investors may be waived from the qualification requirements. A banking or lending institution or institutional investor shall, however, produce for the Commission upon

1 request any document or information which bears any relation to the proposal submitted by the
2 applicant or applicants. The integrity of the financial sources shall be judged upon the same
3 standards as the applicant. Any such person or entity shall produce for the Commission upon
4 request any document or information which bears any relation to the application. In addition,
5 the applicant shall produce whatever information, documentation, or assurances the
6 Commission requires, to establish, by clear and convincing evidence, the adequacy of financial
7 resources.

8 (c) Applicant's Ability to Pay License Fee. – The Commission shall require each
9 applicant for a slot machine license at the time of application to post a letter of credit or bond in
10 the amount of fifty million dollars (\$50,000,000) to demonstrate the financial ability to pay the
11 slot machine license fee as required by this Chapter if issued a slot machine license by the
12 Commission.

13 (d) Applicant's Business Experience. – The Commission shall require each applicant for
14 a slot machine license to produce the information, documentation, and assurances, as the
15 Commission may require, to establish, by clear and convincing evidence, that the applicant has
16 sufficient business ability and experience to create and maintain a successful, efficient
17 operation. Applicants shall produce the names of all proposed key employees and a description
18 of their respective or proposed responsibilities as they become known.

19 (e) Applicant's Operational Viability. – In assessing the financial viability of the
20 proposed licensed facility, the Commission shall make a finding, after review of the
21 application, that the applicant is likely to maintain a financially successful, viable, and efficient
22 business operation and will likely be able to maintain a steady level of growth of revenue to the
23 State. Notwithstanding any provision of this Chapter to the contrary, an applicant that includes
24 a commitment or promise to pay a slot machine license fee in excess of the amount required by
25 this Chapter shall not be deemed a financially successful, viable, or efficient business operation
26 and shall not be approved for a slot machine license.

27 (f) Additional Information. – In addition to other information required by this Chapter,
28 a person applying for a slot machine license shall provide the following information:

29 (1) The organization, financial structure, and nature of all businesses operated
30 by the person, including any affiliate, intermediary, subsidiary, or holding
31 companies, the names and personal employment and criminal histories of all
32 officers, directors, and key employees of the corporation; the names of all
33 holding, intermediary, affiliate, and subsidiary companies of the corporation;
34 and the organization, financial structure, and nature of all businesses
35 operated by such holding, intermediary, and subsidiary companies as the
36 Commission may require, including names and personal employment and
37 criminal histories of such officers, directors, and principal employees of such
38 corporations and companies as the Commission may require.

39 (2) The extent of securities held in the corporation by all officers, directors, and
40 underwriters and their remuneration in the form of salary, wages, fees, or
41 otherwise.

42 (3) Copies of all management and service contracts.

43 **"§ 18D-310. Bond for issuance of slot machine license.**

44 Before a slot machine license may be issued, the licensee shall post a bond in an amount not
45 less than the sum of one million dollars (\$1,000,000), as set by the Commission, payable to the
46 State Lottery Fund. The bond shall be used to guarantee that the slot machine licensee faithfully
47 makes the payments, keeps books and records, makes reports, and conducts operations in
48 conformity with this Chapter and the rules and orders of the Commission. The bond shall not
49 be canceled by a surety on less than a 30-day notice in writing to the Commission. If a bond is
50 canceled and the slot machine licensee fails to file a new bond with the Commission in the
51 required amount on or before the effective date of cancellation, the licensee's license shall be

1 revoked or suspended. The total and aggregate liability of the surety on the bond is limited to
2 the amount specified in the bond.

3 **"§ 18D-311. Supplier licenses.**

4 (a) Application. – A manufacturer that elects to contract with a supplier under section
5 G.S. 18D-312 shall ensure that the supplier is licensed under this section. A person seeking to
6 provide slot machines or associated equipment to a slot machine licensee within this State
7 through a contract with a licensed manufacturer shall apply to the Commission for a supplier
8 license.

9 (b) Requirements. – An application for a supplier license shall be on the form required
10 by the Commission, accompanied by the application fee, and shall include all of the following:

11 (1) The name and business address of the applicant and the applicant's affiliates,
12 intermediaries, subsidiaries, and holding companies; the principals and key
13 employees of each business; and a list of employees and their positions
14 within each business, as well as any financial information required by the
15 Commission.

16 (2) A statement that neither the applicant nor any of its affiliates, intermediaries,
17 subsidiaries, or holding companies is a slot machine licensee.

18 (3) Proof that the applicant has or will establish a principal place of business in
19 this State. A supplier licensee shall maintain its principal place of business in
20 this State to remain eligible for licensure.

21 (4) The consent to a background investigation of the applicant, its principals,
22 and key employees or other persons required by the Commission and a
23 release to obtain any and all information necessary for the completion of the
24 background investigation.

25 (5) The details of any equivalent license granted or denied by other jurisdictions
26 where gaming activities as authorized by this Chapter are permitted, and
27 consent for the Commission to acquire copies of applications submitted or
28 licenses issued in connection therewith.

29 (6) The type of goods and services to be supplied and whether those goods and
30 services will be provided through purchase, lease, contract, or otherwise.

31 (7) Any other information determined by the Commission to be appropriate.

32 (c) Review and Approval. – Upon being satisfied that the requirements of subsection
33 (b) of this section have been met, the Commission may approve the application and issue the
34 applicant a supplier license consistent with all of the following:

35 (1) The license shall be valid for a period of two years. Upon expiration, the
36 license may be renewed in accordance with subsection (d) of this section.

37 (2) The license shall be nontransferable.

38 (3) Any other condition required by the Commission.

39 (d) Renewal. – An applicant may renew a supplier license two months prior to
40 expiration of the license. The supplier licensee seeking renewal of its license shall submit a
41 renewal application accompanied by the renewal fee to the Commission. If the renewal
42 application satisfies the requirements of subsection (b) of this section, the Commission may
43 renew the licensee's supplier license. If the Commission receives a complete renewal
44 application but fails to act upon the renewal application prior to the expiration of the supplier
45 license, the supplier license shall continue to remain in effect until the renewal application is
46 approved or rejected by the Commission.

47 (e) Prohibitions. – No limitation shall be placed on the number of supplier licenses
48 issued or the time period to submit applications for licensure except as required by a rule of the
49 Commission.

50 **"§ 18D-312. Manufacturer licenses.**

- 1 (a) Application. – A person seeking to manufacture slot machines and associated
2 equipment for use in this State shall apply to the Commission for a manufacturer license.
- 3 (b) Requirements. – An application for a manufacturer license shall be on the form
4 required by the Commission, accompanied by the application fee, and shall include all of the
5 following:
- 6 (1) The name and business address of the applicant and the applicant's affiliates,
7 intermediaries, subsidiaries, and holding companies; the principals and key
8 employees of each business; and a list of employees and their positions
9 within each business, as well as any financial information required by the
10 Commission.
- 11 (2) A statement that the applicant and each affiliate, intermediary, subsidiary, or
12 holding company of the applicant are not slot machine licensees.
- 13 (3) The consent to a background investigation of the applicant, its principals and
14 key employees, or other persons required by the Commission and a release
15 to obtain any and all information necessary for the completion of the
16 background investigation.
- 17 (4) The details of any equivalent license granted or denied by other jurisdictions
18 where gaming activities as authorized by this Chapter are permitted and
19 consent for the Commission to acquire copies of applications submitted or
20 licenses issued in connection therewith.
- 21 (5) The type of slot machines or associated equipment to be manufactured or
22 repaired.
- 23 (6) Any other information determined by the Commission to be appropriate.
- 24 (c) Review and Approval. – Upon being satisfied that the requirements of subsection
25 (b) of this section have been met, the Commission may approve the application and issue the
26 applicant a manufacturer license consistent with all of the following:
- 27 (1) The license shall be valid for a period of two years. Upon expiration, a
28 license may be renewed in accordance with subsection (d) of this section.
- 29 (2) The license shall be nontransferable.
- 30 (3) Any other condition required by the Commission.
- 31 (d) Renewal. – Six months prior to expiration of a manufacturer license, the
32 manufacturer licensee seeking renewal of its license shall submit a renewal application
33 accompanied by the renewal fee to the Commission. If the renewal application satisfies the
34 requirements of subsection (b) of this section, the Commission may renew the licensee's
35 manufacturer license. If the Commission receives a complete renewal application but fails to
36 act upon the renewal application prior to the expiration of the manufacturer license, the
37 manufacturer license shall continue in effect until approved or rejected by the Commission.
- 38 (e) Authority. – The following shall apply to a licensed manufacturer:
- 39 (1) A licensed manufacturer or its designee, as licensed by the Commission,
40 may supply or repair any slot machine or associated equipment
41 manufactured by the licensed manufacturer.
- 42 (2) A manufacturer may contract with a supplier under G.S. 18D-311 to provide
43 slot machines or associated equipment to a slot machine licensee within this
44 State.
- 45 (f) Prohibitions. – The following acts are prohibited:
- 46 (1) No person may manufacture slot machines or associated equipment for use
47 within this State by a slot machine licensee unless the person has been issued
48 a manufacturer license under this section.
- 49 (2) No slot machine licensee may use slot machines or associated equipment
50 unless the slot machines or associated equipment were manufactured by a
51 person that has been issued a manufacturer license under this section.

1 (3) No person issued a license under this section shall apply for or be issued a
2 license under G.S. 18D-311.

3 **"§ 18D-313. Occupation permit application.**

4 (a) Application. – Any person who desires to be a gaming employee and has a bona fide
5 offer of employment from a licensed gaming entity shall apply to the Commission for an
6 occupation permit. A person may not be employed as a gaming employee unless and until that
7 person holds an appropriate occupation permit issued under this section. The Commission may
8 promulgate regulations to reclassify a category of nongaming employees or gaming employees
9 upon a finding that the reclassification is in the public interest and consistent with the
10 objectives of this Chapter.

11 (b) Requirements. – The application for an occupation permit shall include, at a
12 minimum:

13 (1) The name and home address of the person.

14 (2) The previous employment history of the person.

15 (3) The criminal history record of the person, as well as the person's consent for
16 the ALE Division to conduct a background investigation.

17 (4) A photograph of the person.

18 (5) Evidence of the offer of employment and the nature and scope of the
19 proposed duties of the person, if known.

20 (6) The details of any occupation permit or similar license granted or denied to
21 the applicant in other jurisdictions and consent for the Commission to obtain
22 copies of applications submitted or permits or licenses issued in connection
23 therewith.

24 (7) Any other information determined by the Commission to be appropriate.

25 (c) Prohibition. – No slot machine licensee may employ or permit any person under 18
26 years of age to render any service whatsoever in any area of its licensed facility at which slot
27 machines are physically located.

28 **"§ 18D-314. Alternative manufacturer licensing standards.**

29 (a) General Rule. – The Commission may determine whether the licensing standards of
30 another jurisdiction within the United States in which an applicant for a manufacturer license is
31 similarly licensed are comprehensive and thorough and provide similar adequate safeguards as
32 those required by this Chapter. If the Commission makes that determination, it may issue a
33 manufacturer license to an applicant who holds a similar manufacturer license in such other
34 jurisdiction after conducting an evaluation of the information relating to the applicant from
35 such other jurisdictions, as updated by the Commission, and evaluating other information
36 related to the applicant received from that jurisdiction and other jurisdictions where the
37 applicant may be licensed, the Commission may incorporate such information in whole or in
38 part into its evaluation of the applicant.

39 (b) Abbreviated Process. – In the event an applicant for a slot machine manufacturer
40 license is licensed in another jurisdiction, the Commission may determine to use an alternate
41 process requiring only that information determined by the Commission to be necessary to
42 consider the issuance of a license, including financial viability of the licensee, to such an
43 applicant. Nothing in this section shall be construed to waive any fees associated with obtaining
44 a license through the normal application process.

45 **"§ 18D-315. Slot machine testing and certification standards.**

46 (a) Use of Other State Standards. – The Commission may contract with an independent
47 testing laboratory to conduct any necessary testing to ensure the standards of slot machines to
48 be deployed in this State. The independent testing lab shall have a national reputation for being
49 competent and qualified to scientifically test and evaluate slot machines and other authorized
50 gaming devices. No owner, operator, holder of any ownership interest, or employee of an
51 independent lab under contract with the Commission to test and evaluate slot machines and

1 other gaming devices shall be licensed by the Commission to participate in gaming in this
2 State. No person licensed or permitted under this Chapter may be employed by, or have any
3 ownership interest in, any independent lab under contract with the Commission to test and
4 evaluate slot machines or other gaming devices for the Commission.

5 (b) Alternative Standards. – The Commission may determine, at its discretion, whether
6 the slot machine testing and certification standards of another jurisdiction within the United
7 States in which an applicant for a manufacturer license is licensed are comprehensive and
8 thorough and provide similar adequate safeguards as those required by this Chapter. If the
9 Commission makes that determination, it may permit a manufacturer or a licensed supplier to
10 deploy those slot machines which have met the slot machine testing and certification standards
11 in such other jurisdictions without undergoing the full testing and certification process by a
12 Commission-contracted independent facility. In the event slot machines of an applicant for a
13 manufacturer license are licensed in such other jurisdiction, the Commission may determine to
14 use an abbreviated process requiring only that information determined by the Commission to be
15 necessary to consider the issuance of a slot machine certification to such an applicant.

16 (c) Central Control Computer Compatibility. – The Commission shall ensure that all
17 slot machines certified and approved for use in this State are compatible and comply with the
18 central control computer and protocol specifications approved by the Commission.

19 **"§ 18D-316. Additional licenses and permits and approval of agreements.**

20 (a) Requirements. – In addition to the requirements for a license or permit specifically
21 set forth in this Chapter, the Commission may require a license or permit, and set a fee for the
22 same, for any key or gaming employee or any person who satisfies any of the following
23 criteria:

24 (1) The person transacts business within this State with a slot machine licensee
25 as a ticket purveyor, tour operator, operator of a bus trip program, or
26 operator of any other type of travel program or promotional business related
27 to slot machines. The Commission may also review, deny, order
28 modification or approve, at its discretion, proposed tours, bus routes, and
29 travel programs.

30 (2) The person is presently not otherwise required to be licensed under this
31 Chapter and provides any goods, property, or services, including, but not
32 limited to, management contracts for compensation to a slot machine
33 licensee at the licensed facility.

34 (b) Agreement. – Any agreement to conduct business within this State between a person
35 and a slot machine licensee relating to slot machines or associated equipment is subject to the
36 approval of the Commission in accordance with rules and regulations promulgated by the
37 Commission. Every agreement shall be in writing and shall include a provision for its
38 termination without liability on the part of the slot machine licensee upon a finding by the
39 Commission that the agreement is not approved or that it is terminated. Failure to expressly
40 include this condition in the agreement is not a defense in any action brought under this section
41 relating to the termination of the agreement.

42 **"§ 18D-317. Slot machine accounting controls and audits.**

43 (a) Approval. – Except as otherwise provided by this Chapter, each slot machine license
44 applicant shall, in addition to obtaining a slot machine license, obtain approval from the
45 Commission of its proposed site plans and internal control systems and audit protocols prior to
46 the installation and operation of slot machines at the licensed facility.

47 (b) Minimum Requirements. – At a minimum, the applicant's or person's proposed
48 internal controls and audit protocols shall do the following:

49 (1) Safeguard its assets and revenues, including, but not limited to, the recording
50 of cash and evidences of indebtedness related to the slot machines.

- 1 (2) Provide for reliable records, accounts, and reports of any financial event that
2 occurs in the operation of a slot machine, including reports to the
3 Commission related to the slot machines.
- 4 (3) Ensure that each slot machine directly provides or communicates all required
5 activities and financial details to the central control computer as set by the
6 Commission.
- 7 (4) Provide for accurate and reliable financial records.
- 8 (5) Ensure any financial event that occurs in the operation of a slot machine is
9 performed only in accordance with the management's general or specific
10 authorization, as approved by the Commission.
- 11 (6) Ensure that any financial event that occurs in the operation of a slot machine
12 is recorded adequately to permit proper and timely reporting of gross
13 revenue and the calculation thereof and of fees and taxes and to maintain
14 accountability for assets.
- 15 (7) Ensure that access to assets is permitted only in accordance with
16 management's specific authorization, as approved by the Commission.
- 17 (8) Ensure that recorded accountability for assets is compared with actual assets
18 at reasonable intervals and appropriate action is taken with respect to any
19 discrepancies.
- 20 (9) Ensure that all functions, duties, and responsibilities are appropriately
21 segregated and performed in accordance with sound financial practices by
22 competent, qualified personnel.
- 23 (c) Internal Control. – Each slot machine license applicant shall submit to the
24 Commission, in the manner required by the Commission, a description of its administrative and
25 accounting procedures in detail, including its written system of internal control. Each written
26 system of internal control shall include all of the following:
 - 27 (1) Records of direct and indirect ownership in the proposed slot machine
28 licensee, its affiliate, intermediary, subsidiary, or holding company.
 - 29 (2) An organizational chart depicting appropriate segregation of functions and
30 responsibilities.
 - 31 (3) A description of the duties and responsibilities of each position shown on the
32 organizational chart.
 - 33 (4) A detailed narrative description of the administrative and accounting
34 procedures designed to satisfy the requirements of this section.
 - 35 (5) Record retention policy.
 - 36 (6) Procedure to ensure that assets are safeguarded, including mandatory count
37 procedures.
 - 38 (7) A statement signed by the chief financial officer of the proposed licensed
39 gaming entity or other competent person and the chief executive officer of
40 the proposed licensed gaming entity or other competent person attesting that
41 the officer believes, in good faith, that the system satisfies the requirements
42 of this section.
 - 43 (8) Any other item that the Commission may require in its discretion.

44 "**§ 18D-318. Central control computer system.**

45 (a) General Rule. – To facilitate the auditing and security programs critical to the
46 integrity of slot machine gaming in this State, the Commission shall have overall control of slot
47 machines, and all slot machine terminals shall be linked, at an appropriate time to be
48 determined by the Commission, to a central control computer under the control of the
49 Commission and accessible by the Commission to provide auditing program capacity and
50 individual terminal information and shall include real-time information retrieval and terminal
51 activation and disabling programs. The central control computer selected and employed by the

1 Commission shall not unduly limit or favor the participation of a vendor or manufacturer of a
2 slot machine as a result of the cost or difficulty of implementing the necessary program
3 modifications to communicate with and link to the central control computer. The central control
4 computer employed by the Commission shall provide the following:

- 5 (1) A fully operational statewide slot machine control system that has the
6 capability of supporting up to the maximum number of slot machines that
7 could be permitted to be in operation under this Chapter.
- 8 (2) The employment of a widely accepted gaming industry communication
9 protocol to facilitate slot machine manufacturers' ability to communicate
10 with the statewide system.
- 11 (3) The delivery of a system that has the ability to verify software, detect
12 alterations in payout, and detect other methods of fraud in all aspects of the
13 operation of slot machines.
- 14 (4) The delivery of a system that has the capability to support in-house and
15 wide-area progressive slot machines as approved by the Commission.
- 16 (5) The delivery of a system that allows the slot machine licensee to install
17 independent player tracking systems and cashless technology as approved by
18 the Commission.
- 19 (6) The delivery of a system that does not alter the statistical awards of slot
20 machine games as designed by the slot machine manufacturer and approved
21 by the Commission.
- 22 (7) The delivery of a system that provides redundancy so that each component
23 of the network will be capable of operating independently by the
24 Commission if any component of the network, including the central control
25 computer, fails or cannot be operated for any reason as determined by the
26 Commission, and to assure that all transactional data is captured and
27 secured. Costs associated with any computer system required by the
28 Commission to operate at a licensed facility, whether independent or as part
29 of the central control computer, shall be paid by the slot machine licensee.
30 The computer system will be controlled by and accessible to the
31 Commission.
- 32 (8) The ability to meet all reporting and control requirements as prescribed by
33 the Commission.
- 34 (9) Any other capabilities as determined by the Commission.

35 (b) Personal Information. – Except as provided for in subdivision (a)(5) of this section,
36 the central control computer shall not provide for the monitoring or reading of personal or
37 financial information concerning a patron of a slot machine licensee.

38 (c) Initial Acquisition of Central Control Computer. – Notwithstanding any other
39 provision of law to the contrary and in order to facilitate the prompt implementation of this
40 Chapter, initial contracts entered into by the Commission for a central control computer,
41 including any necessary computer hardware, software, licenses, or related services shall not be
42 subject to the provisions of G.S. 143-129. Contracts made pursuant to the provisions of this
43 section shall not exceed five years in duration.

44 **§ 18D-319. Protocol information.**

45 The Commission shall provide, upon request and in advance of the operation of a central
46 control computer, to a licensed slot machine supplier or manufacturer the comprehensive
47 protocol specifications necessary to enable the respective slot machine suppliers or
48 manufacturers of slot machine terminals to communicate with the Commission's central control
49 computer for the purpose of transmitting auditing program information and for activating and
50 disabling of slot machine terminals. Manufacturers and suppliers shall be afforded a reasonable
51 period of time to comment upon the protocol in advance of the operation of the central control

1 computer. Once adopted, the Commission shall provide suppliers and manufacturers a
2 reasonable period of time to review and comment on any changes and on documentation data
3 for all proposed changes to the original protocol specifications of the central control computer.
4 Manufacturers and suppliers shall be afforded a reasonable period of time to comment upon
5 and employ all proposed changes to the protocol in advance of its implementation and
6 operation with the central control computer. Notwithstanding the foregoing, the Commission
7 may expedite changes in the protocol as may be needed to ensure the integrity and stability of
8 the entire system.

9 **"§ 18D-320. License or permit issuance.**

10 (a) Issuance. – In addition to any other criteria provided under this Chapter, any
11 licensed gaming entity, supplier, manufacturer, gaming employee, or other person that the
12 Commission approves as qualified to receive a license or a permit under this Chapter shall be
13 issued a license or permit upon the payment of any fee required and upon the fulfillment of any
14 conditions required by the Commission or provided for in this Chapter. Nothing contained in
15 this Chapter is intended or shall be construed to create an entitlement to a license or permit by
16 any person. The Commission shall in its sole discretion issue, renew, condition, or deny a slot
17 machine license based upon the requirements of this Chapter and whether the issuance of a
18 license will enhance tourism, economic development, or job creation is in the best interests of
19 the State and advances the purposes of this Chapter.

20 (b) Eligibility. – A license or permit shall not be granted or renewed unless the
21 Commission finds that the applicant satisfies all of the following criteria:

- 22 (1) The applicant has developed and implemented or agreed to develop and
23 implement a diversity plan to assure that all persons are accorded equality of
24 opportunity in employment and contracting by the applicant, its contractors,
25 subcontractors, assignees, lessees, agents, vendors, and suppliers.
26 (2) The applicant in all other respects is found suitable consistent with the laws
27 of this State and is otherwise qualified to be issued a license or permit.

28 (c) Additional Requirements. – In addition to the eligibility requirements otherwise
29 provided in this Chapter, the Commission may also take into account the following factors
30 when considering an application for a slot machine license:

- 31 (1) The location and quality of the proposed facility, including, but not limited
32 to, road and transit access, parking, and centrality to market service area.
33 (2) The potential for new job creation and economic development which will
34 result from granting a license to an applicant.
35 (3) The applicant's good faith plan to recruit, train, and upgrade diversity in all
36 employment classifications in the facility.
37 (4) The applicant's good faith plan for enhancing the representation of diverse
38 groups in the operation of its facility through the ownership and operation of
39 business enterprises associated with or utilized by its facility or through the
40 provision of goods or services utilized by its facility and through the
41 participation in the ownership of the applicant.
42 (5) The applicant's good faith effort to assure that all persons are accorded
43 equality of opportunity in employment and contracting by it and any
44 contractors, subcontractors, assignees, lessees, agents, vendors, and suppliers
45 it may employ directly or indirectly.
46 (6) The history and success of the applicant in developing tourism facilities
47 ancillary to gaming development if applicable to the applicant.
48 (7) The degree to which the applicant presents a plan for the project which will
49 likely lead to the creation of quality, living-wage jobs and full-time
50 permanent jobs for residents of this State generally and for residents of the
51 host political subdivision in particular.

- 1 (8) The record of the applicant and its developer in meeting commitments to
2 local agencies, community-based organizations, and employees in other
3 locations.
- 4 (9) The degree to which potential adverse effects which might result from the
5 project, including costs of meeting the increased demand for public health
6 care, child care, public transportation, affordable housing, and social
7 services, will be mitigated.
- 8 (10) The record of the applicant and its developer regarding compliance with the
9 following:
- 10 a. Federal, State, and local discrimination, wage and hour, disability
11 and occupational, and environmental health and safety laws.
- 12 b. State and local labor relations and employment laws.
- 13 (11) The applicant's record in dealing with its employees and their representatives
14 at other locations.
- 15 (d) Trusts and Similar Business Entities. – The Commission shall determine the
16 eligibility of a trust or similar business entity to be a licensed entity in accordance with the
17 following:
- 18 (1) No trust or similar business entity shall be eligible to hold any beneficial
19 interest in a licensed entity under this Chapter unless each trustee, grantor,
20 and beneficiary of the trust, including a minor child beneficiary, qualifies for
21 and is granted a license as a principal. The Commission may waive
22 compliance with this paragraph if the trustee is a banking or lending
23 institution and the Commission is satisfied that the trustee is not significantly
24 involved in the activities of the licensed entity. In addition to other
25 information required by the Commission, a banking or lending institution
26 acting as a trustee shall produce, at the request of the Commission, any
27 documentation or information relating to the trust.
- 28 (2) No beneficiary of a trust or similar business entity who is a minor child shall
29 control or be significantly involved in the activities of a licensed entity or its
30 holding company or intermediary. No beneficiary of a trust or similar
31 business entity who is a minor child shall be permitted to vote to elect
32 directors of a licensed entity or its holding company or intermediary.
- 33 (3) No trust or similar business entity may hold any beneficial interest in a
34 licensed entity unless the Commission determines that the trust or similar
35 business entity is not engaged in any activity or otherwise being used to
36 evade the public protections under this Chapter.

37 **§ 18D-321. License renewals.**

38 (a) Renewal. – All permits and licenses issued under this Chapter unless otherwise
39 provided shall be subject to renewal every two years upon the application of the holder of the
40 permit or license submitted to the Commission at least 60 days prior to the expiration of the
41 permit or license. The application for renewal shall include an update of the information
42 contained in the initial and any prior renewal applications and the payment of any renewal fee
43 required by this Chapter. A permit or license for which a completed renewal application and
44 fee, if required, has been received by the Commission will continue in effect unless and until
45 the Commission sends written notification to the holder of the permit or license that the
46 Commission has denied the renewal of such permit or license.

47 (b) Revocation or Failure to Renew. – In addition to any other sanctions the
48 Commission may impose under this Chapter, the Commission may, at its discretion, suspend,
49 revoke, or deny renewal of any permit or license issued under this Chapter if it receives any
50 information from any source that the applicant or any of its officers, directors, owners, or key
51 employees is in violation of any provision of this Chapter, that the applicant has furnished the

1 Commission with false or misleading information, or that the information contained in the
2 applicant's initial application or any renewal application is no longer true and correct. In the
3 event of a revocation or failure to renew, the applicant's authorization to conduct the previously
4 approved activity shall immediately cease, and all fees paid in connection therewith shall be
5 deemed to be forfeited. In the event of a suspension, the applicant's authorization to conduct the
6 previously approved activity shall immediately cease until the Commission has notified the
7 applicant that the suspension is no longer in effect.

8 **"§ 18D-322. Nontransferability of licenses.**

9 A license or permit issued by the Commission is a grant of the privilege to conduct a
10 business in this State. Except as otherwise provided by law, a license or permit granted or
11 renewed pursuant to this Chapter shall not be sold, transferred, or assigned to any other person;
12 nor shall a licensee or permittee pledge or otherwise grant a security interest in or lien on the
13 license or permit. Nothing contained in this Chapter is intended or shall be construed to create
14 in any person an entitlement to a license. The Commission has the sole discretion to issue,
15 renew, condition, or deny the issuance of a slot machine license based upon the purposes and
16 requirements of this Chapter. Change in ownership or control of slot machine licensee:

17 (a) Notification and Approval. –

18 (1) A slot machine licensee shall notify the Commission prior to or immediately
19 upon becoming aware of any proposed or contemplated change of ownership
20 of the slot machine licensee by a person or group of persons acting in
21 concert which involves any of the following:

22 a. More than five percent (5%) of a slot machine licensee's securities or
23 other ownership interests.

24 b. More than five percent (5%) of the securities or other ownership
25 interests of a corporation or other form of business entity that owns
26 directly or indirectly at least twenty percent (20%) of the voting or
27 other securities or other ownership interests of the licensee.

28 c. The sale, other than in the ordinary course of business, of a licensee's
29 assets.

30 d. Any other transaction or occurrence deemed by the Commission to
31 be relevant to license qualifications.

32 (2) Notwithstanding the provisions of subdivision (1) of this subsection, a slot
33 machine licensee shall not be required to notify the Commission of any
34 acquisition by an institutional investor pursuant to sub-subdivision (1)a. or
35 (1)b. of this subsection if the institutional investor holds less than ten percent
36 (10%) of the securities or other ownership interests referred to in sub-
37 subdivision (1)a. or (1)b. of this subsection, the securities or interests are
38 publicly traded securities and its holdings of such securities were purchased
39 for investment purposes only and the institutional investor files with the
40 Commission a certified statement to the effect that it has no intention of
41 influencing or affecting, directly or indirectly, the affairs of the licensee,
42 provided, however, that it shall be permitted to vote on matters put to the
43 vote of the outstanding security holders. Notice to the Commission and
44 Commission approval shall be required prior to completion of any proposed
45 or contemplated change of ownership of a slot machine licensee that meets
46 the criteria of this section.

47 (b) Qualification of Purchaser of Slot Machine Licensee; Change of Control. – The
48 purchaser of the assets, other than in the ordinary course of business, of any slot machine
49 licensee shall independently qualify for a license in accordance with this Chapter and shall pay
50 the license fee as required by G.S. 18D-206 (relating to slot machine license fee). A change in
51 control of any slot machine licensee shall require that the slot machine licensee independently

1 qualify for a license in accordance with this Chapter, and the slot machine licensee shall pay a
2 new license fee as required by G.S. 18D-206, except as otherwise required by the Commission
3 pursuant to this section.

4 (c) Change in Control Defined. – For purposes of this section, a change in control of a
5 slot machine licensee shall mean the acquisition by a person or group of persons acting in
6 concert of more than twenty percent (20%) of a slot machine licensee's securities or other
7 ownership interests, with the exception of any ownership interest of the person that existed at
8 the time of initial licensing and payment of the initial slot machine license fee, or more than
9 twenty percent (20%) of the securities or other ownership interests of a corporation or other
10 form of business entity which owns directly or indirectly at least twenty percent (20%) of the
11 voting or other securities or other ownership interests of the licensee.

12 (d) Fee Reduction. – The Commission may, in its discretion, eliminate the need for
13 qualification and/or proportionately reduce, but not eliminate, the new license fee otherwise
14 required pursuant to this section in connection with a change of control of a licensee, depending
15 upon the type of transaction, the relevant ownership interests and changes thereto resulting
16 from the transaction and other considerations deemed relevant by the Commission.

17 (e) License Revocation. – Failure to comply with this section may cause the license
18 issued under this Chapter to be revoked or suspended by the Commission unless the purchase
19 of the assets or the change in control that meets the criteria of this section has been
20 independently qualified in advance by the Commission and any required license fee has been
21 paid.

22 **"§ 18D-323. Nonportability of slot machine license.**

23 Each slot machine license shall only be valid for the specific physical location within the
24 municipality and county for which it was originally granted. No slot machine licensee shall be
25 permitted to move or relocate the physical location of the licensed facility without Commission
26 approval for good cause shown.

27 **"§ 18D-324. Duty of licensees, key employees, and gaming employees.**

28 Any licensee, key employee, or gaming employee shall have the following duties:

- 29 (1) Provide any assistance or information required by the Commission or the
30 ALE Division and to cooperate in any inquiry, investigation, or hearing.
- 31 (2) Consent to inspections, searches, and seizures.
- 32 (3) Inform the Commission of any actions which they believe would constitute a
33 violation of this Chapter.
- 34 (4) Inform the Commission of any arrests for any violations or offenses in this
35 Chapter, Chapter 18B, Chapter 18C, or the gambling provisions of Chapter
36 14 of the General Statutes.

37 **"§§ 18D-325 through 18D-399: Reserved for future codification purposes.**

38 "Article 4.

39 "Revenues.

40 **"§ 18D-400. Slot machine licensee deposits.**

41 (a) Initial Deposit of Funds. – Not later than two business days prior to the
42 commencement of slot machine operations by a slot machine licensee, the slot machine
43 licensee shall deposit and maintain the sum of five million dollars (\$5,000,000) in its account to
44 guarantee the payment of funds to the State under this Chapter.

45 (b) Weekly Deposits. – Each slot machine licensee shall deposit funds into its account
46 on a weekly basis equal to the amounts deducted by the Commission under G.S. 18D-401. The
47 Commission shall notify each licensee of the amounts deducted. If at any time the amount held
48 in the account attributable to a slot machine licensee is not sufficient to make the payments
49 required of the licensee under G.S. 18D-401, the Commission shall notify the slot machine
50 licensee, and the slot machine licensee shall immediately deposit necessary funds into the
51 account as directed by the Commission.

1 (c) Return of Funds. – The funds deposited into its account shall not be returned to a
2 slot machine licensee unless the slot machine licensee ceases conducting business under its
3 license and relinquishes all rights to do so in the future. In that case, the balance of funds in the
4 account attributable to such licensee, minus any unpaid amounts due and payable to the State
5 under this Chapter, shall be returned to the licensee.

6 **"§ 18D-401. Gross terminal revenue deductions.**

7 After determining the appropriate assessments for each slot machine licensee, the
8 Commission shall determine costs, expenses, or payments from each account established under
9 G.S. 18D-400. The following costs and expenses shall be transferred to the appropriate agency
10 upon appropriation by the General Assembly:

- 11 (1) The costs and expenses to be incurred by the Commission in administering
12 this Chapter at each slot machine licensee's licensed facility based upon a
13 budget submitted to and approved by the Commission.
- 14 (2) Sums necessary to repay any loans made by the General Fund to the
15 Commission in connection with carrying out its responsibilities under this
16 Chapter, including the costs of the initial acquisition of the central control
17 computer and any accessories or associated equipment.
- 18 (3) The costs and expenses to be incurred by the ALE Division not otherwise
19 reimbursed under this Chapter in carrying out all responsibilities assigned
20 pursuant to this Chapter based upon a budget submitted by the ALE Division
21 to and approved by the Commission.
- 22 (4) The costs and expenses to be incurred by the Commission in carrying out its
23 responsibilities under this Chapter based upon a budget approved by the
24 Commission.
- 25 (5) Sums necessary to repay any loans made by the General Fund to the
26 Commission in connection with carrying out its responsibilities under this
27 Chapter.

28 **"§ 18D-402. State Lottery Fund and net slot machine revenue distribution.**

29 (a) State Lottery Fund. – The State Lottery Fund established pursuant to G.S. 18C-160
30 as an enterprise fund within the State treasury.

31 (b) Slot Machine Tax. – The Commission shall determine and each slot machine
32 licensee shall pay a daily tax of thirty-four percent (34%) from its daily gross terminal revenue
33 from the slot machines in operation at its facility into the Fund. All funds owed to the State
34 under this section shall be held in trust by the licensed gaming entity until the funds are paid or
35 transferred and distributed to the State. Unless otherwise agreed to by the Commission, a
36 licensed gaming entity shall establish a separate bank account to maintain gaming proceeds
37 until such time as they are paid or transferred under this section.

38 **"§ 18D-403. North Carolina Gaming Economic Development and Tourism Fund.**

39 (a) Fund Established. – There is hereby established a North Carolina Gaming Economic
40 Development and Tourism Fund within the State treasury.

41 (b) Fund Administration and Distribution. – The North Carolina Gaming Economic
42 Development and Tourism Fund shall be administered by the Department of Commerce. All
43 moneys in the North Carolina Gaming Economic Development and Tourism Fund shall be used
44 to provide incentives to new and existing employers to locate and grow businesses in Tier 1
45 counties, to provide support and transitional training for displaced employees who have lost
46 employment due to workplace closures or layoffs, and for any other purpose the General
47 Assembly deems appropriate.

48 (c) North Carolina Gaming Economic Development and Tourism Fund Assessment. –
49 Each licensed gaming entity shall pay a daily assessment of five percent (5%) of its gross
50 terminal revenue to the North Carolina Gaming Economic Development and Tourism Fund.

51 **"§ 18D-404. Transfers from State Lottery Fund.**

1 (a) General Rule. – The Commission shall by regulation provide for the establishment
2 of a list of persons who are to be excluded or ejected from any licensed facility. The provisions
3 shall define the standards for exclusion and shall include standards relating to persons who are
4 career or professional offenders as defined by regulations of the Commission or whose
5 presence in a licensed facility would, in the opinion of the Commission, be inimical to the
6 interest of the State or of licensed gaming therein, or both.

7 (b) Categories Defined. – The Commission shall promulgate definitions establishing
8 those categories of persons who shall be excluded pursuant to this section, including cheats and
9 persons whose privileges for licensure or registration have been revoked.

10 (c) Discrimination Prohibited. – Race, color, creed, national origin, or ancestry or sex
11 shall not be a reason for placing the name of any person upon a list under this section.

12 (d) Sanctions. – The Commission may impose sanctions upon a licensed gaming entity
13 in accordance with this Chapter if the licensed gaming entity knowingly fails to exclude or
14 eject from the premises of any licensed facility any person placed by the Commission on the
15 list of persons to be excluded or ejected.

16 (e) List Not All-Inclusive. – Any list compiled by the Commission of persons to be
17 excluded or ejected shall not be deemed an all-inclusive list, and a licensed gaming entity shall
18 have a duty to keep from the licensed facility persons known to it to be within the
19 classifications declared in this section and the regulations promulgated under this section whose
20 presence in a licensed facility would be inimical to the interest of the State or of licensed
21 gaming therein, or both, as defined in standards established by the Commission.

22 (f) Notice. – Whenever the Commission places the name of any person on a list
23 pursuant to this section, the Commission shall serve notice of this fact to such person by
24 personal service or certified mail at the last known address of the person.

25 (g) Hearing. – Within 30 days after notice in accordance with subsection (f) of this
26 section, the person named for exclusion or ejection may demand a hearing before the
27 Commission, at which hearing the Commission shall have the affirmative obligation to
28 demonstrate that the person named for exclusion or ejection satisfies the criteria for exclusion
29 established by this section and the Commission's regulations. Failure to demand a hearing
30 within 30 days after service shall be deemed an admission of all matters and facts alleged in the
31 Commission's notice and shall preclude a person from having an administrative hearing, but
32 shall in no way affect the right to judicial review as provided in this section.

33 (h) Review. – If, upon completion of a hearing on the notice of exclusion or ejection,
34 the Commission determines that placement of the name of the person on the exclusion list is
35 appropriate, the Commission shall make and enter an order to that effect, which order shall be
36 served on all slot machine licensees. The order shall be subject to review by a court of
37 competent jurisdiction.

38 **"§ 18D-506. Repeat offenders excludable from licensed gaming facility.**

39 A licensed gaming entity may exclude or eject from its licensed facility any person who is
40 known to it to have been convicted of a misdemeanor or felony committed in or on the
41 premises of any licensed facility. Nothing in this section or in any other law of this State shall
42 limit the right of a licensed gaming entity to exercise its common law right to exclude or eject
43 permanently from its licensed facility any person who disrupts the operations of its premises,
44 threatens the security of its premises or its occupants, or is disorderly or intoxicated.

45 **"§ 18D-507. List of persons self-excluded from gaming activities.**

46 (a) General Rule. – The Commission shall provide by rule for the establishment of a list
47 of individuals that are self-excluded from gaming activities at all licensed facilities. Any person
48 may request placement on the list of self-excluded individuals by acknowledging, in a manner
49 to be established by the Commission, that the person is a problem gambler and by agreeing
50 that, during any period of voluntary exclusion, the person may not collect any winnings or
51 recover any losses resulting from any gaming activity at licensed facilities.

1 (b) Regulations. – The regulations of the Commission shall establish procedures for
2 placements on and removals from the list of self-excluded individuals. The rules shall establish
3 procedures for the transmittal to licensed gaming entities of identifying information concerning
4 self-excluded persons and shall require licensed gaming entities to establish procedures
5 designed, at a minimum, to remove self-excluded persons from targeted mailings or other
6 forms of advertising or promotions and deny self-excluded persons access to complimentaries,
7 check cashing privileges, club programs, and other similar benefits.

8 (c) Liability. – A licensed gaming entity or employee thereof shall not be liable to any
9 self-excluded person or to any other party in any judicial proceeding for any harm, monetary or
10 otherwise, which may arise as a result of the failure of a licensed gaming entity to withhold
11 gaming privileges from or restore gaming privileges to a self-excluded person or otherwise
12 permitting or not permitting a self-excluded person to engage in gaming activity in the facility
13 while on the list of self-excluded persons.

14 (d) Disclosure. – Notwithstanding any other law to the contrary, the Commission's list
15 of self-excluded persons shall not be open to public inspection. Nothing in this section,
16 however, shall be construed to prohibit a licensed gaming entity from disclosing the identity of
17 persons self-excluded pursuant to this section to affiliated gaming entities in this State or other
18 jurisdictions for the limited purpose of assisting in the proper administration of responsible
19 gaming programs operated by affiliated licensed gaming entities.

20 **"§ 18D-508. Investigations and enforcement.**

21 (a) Enforcement of Chapter. – The ALE Division is responsible for enforcing the
22 provisions of this Chapter. The ALE Division shall have the following powers and duties:

- 23 (1) In conjunction with the Commission, enforce the provisions of this Chapter.
24 (2) Investigate and review all applicants and applications for a license, permit,
25 or registration.
26 (3) Investigate licensees, permittees, registrants, and other persons regulated by
27 the Commission for violations of this Chapter, including potential violations
28 referred to the ALE Division by the Commission or any other person.
29 (4) Monitor gaming operations to ensure all of the following:
30 a. Compliance with this Chapter, the ABC Laws, and all other laws of
31 this State.
32 b. The implementation of adequate security measures by a licensed
33 entity.
34 (5) Inspect and examine licensed entities as provided in G.S. 18D-509.
35 Inspections may include the review and reproduction of any document or
36 record.

37 (b) Powers and Duties of the Secretary of Revenue. – The Secretary of Revenue shall
38 supply the Commission, and the ALE Division, any information requested concerning the
39 status of delinquent taxes owed by any applicant, licensee, or permittee.

40 **"§ 18D-509. Inspection of licensed premises.**

41 (a) Authority. – To procure evidence of violations of the gaming laws, alcohol law
42 enforcement agents and employees of the Commission shall have authority to investigate the
43 operation of each licensed premises for which a gaming license or permit has been issued, to
44 make inspections that include viewing the entire premises, and to examine the books and
45 records of the licensee or permittee. The inspection authorized by this section may be made at
46 any time it reasonably appears that someone is on the premises.

47 (b) Interference With Inspection. – Refusal by a licensee or permittee or by any
48 employee of a licensee or permittee to permit officers to enter the premises to make an
49 inspection authorized by subsection (a) of this section shall be cause for revocation, suspension,
50 or other action against the license or permit of the licensee or permittee as provided in this

1 Chapter. It shall be a Class 2 misdemeanor for any person to resist or obstruct an officer
2 attempting to make a lawful inspection under this section.

3 **"§ 18D-510. Prohibited acts; penalties.**

4 (a) Criminal Offenses. –

5 (1) The penalties of perjury shall apply to any person providing information or
6 making any statement, whether written or oral, to the Commission or the
7 ALE Division as required by this Chapter.

8 (2) It shall be unlawful for a person to willfully do the following:

9 a. Fail to report, pay, or truthfully account for and pay over any license
10 fee, tax, or assessment imposed under this Chapter.

11 b. Attempt in any manner to evade or defeat any license fee, tax, or
12 assessment imposed under this Chapter.

13 (3) It shall be unlawful for any licensed entity, gaming employee, key employee,
14 or any other person to permit a slot machine to be operated, transported,
15 repaired, or opened on the premises of a licensed facility by a person other
16 than a person licensed or permitted by the Commission pursuant to this
17 Chapter.

18 (4) It shall be unlawful for any licensed entity or other person to manufacture,
19 supply, or place slot machines into play or display slot machines on the
20 premise of a licensed facility without the authority of the Commission.

21 (5) Except as provided for in G.S. 18D-321 (relating to license renewals), it
22 shall be unlawful for a licensed entity or other person to manufacture,
23 supply, operate, carry on, or expose for play any slot machine after the
24 person's license has expired and prior to the actual renewal of the license.

25 (6) a. Except as set forth in sub-subdivision b. of this subdivision, it shall
26 be unlawful for an individual while on the premises of a licensed
27 facility to knowingly use currency other than lawful coin or legal
28 tender of the United States or a coin not of the same denomination as
29 the coin intended to be used in the slot machine with the intent to
30 cheat or defraud a licensed gaming entity or the State or damage the
31 slot machine.

32 b. In the playing of a slot machine, it shall be lawful for an individual to
33 use gaming billets, tokens, or similar objects issued by the licensed
34 gaming entity which are approved by the Commission.

35 (7) a. Except as set forth in sub-subdivision b. of this subdivision, it shall
36 be unlawful for an individual to use or possess a cheating or thieving
37 device, counterfeit or altered billet, ticket, token, or similar objects
38 accepted by a slot machine or counterfeit or altered slot
39 machine-issued tickets or vouchers at a licensed facility.

40 b. An authorized employee of a licensee or an employee of the
41 Commission may possess and use a cheating or thieving device,
42 counterfeit or altered billet, ticket, token, or similar objects accepted
43 by a slot machine or counterfeit or altered slot machine-issued tickets
44 or vouchers in performance of the duties of employment.

45 c. As used in this subdivision, the term "cheating or thieving device"
46 includes, but is not limited to, a device to facilitate the alignment of
47 any winning combination or to remove from any slot machine money
48 or other contents. The term includes, but is not limited to, a tool,
49 drill, wire, coin, or token attached to a string or wire and any
50 electronic or magnetic device.

- 1 (8) a. Except as set forth in sub-subdivision b. of this subdivision, it shall
2 be unlawful for an individual to knowingly possess or use while on
3 the premises of a licensed facility a key or device designed for the
4 purpose of and suitable for opening or entering any slot machine or
5 coin box which is located on the premises of the licensed facility.
6 b. An authorized employee of a licensee or a member of the
7 Commission may possess and use a device referred to in this
8 subdivision in the performance of the duties of employment.
9 (9) It shall be unlawful for a person or licensed entity to possess any device,
10 equipment, or material which the person or licensed entity knows has been
11 manufactured, distributed, sold, tampered with, or serviced in violation of
12 the provisions of this Chapter with the intent to use the device, equipment, or
13 material as though it had been manufactured, distributed, sold, tampered
14 with, or serviced pursuant to this Chapter.
15 (10) It shall be unlawful for a person to sell, offer for sale, represent, or pass off
16 as lawful any device, equipment, or material which the person or licensed
17 entity knows has been manufactured, distributed, sold, tampered with, or
18 serviced in violation of this Chapter.
19 (11) It shall be unlawful for an individual to work or be employed in a position
20 the duties of which would require licensing or permitting under the
21 provisions of this Chapter without first obtaining the requisite license or
22 permit issued under the provisions of this Chapter.
23 (12) It shall be unlawful for a licensed entity to employ or continue to employ an
24 individual in a position the duties of which require a license or permit under
25 the provisions of this Chapter if the individual meets the following criteria:
26 a. Is not licensed or permitted under the provisions of this Chapter.
27 b. Is prohibited from accepting employment from a licensee.
28 (13) It shall be unlawful for any person under 18 years of age to be permitted in
29 the area of a licensed facility where slot machines are operated.
30 (b) Criminal Penalties and Fines. –
31 (1) a. A person that provides any false or misleading information or makes
32 any false or misleading statement, whether written or oral, to the
33 Commission or the ALE Division if the information is required by
34 this Chapter is guilty of a Class A1 misdemeanor. A person
35 convicted of a second or subsequent violation is guilty of a Class H
36 felony.
37 b. A person that violates subdivision (a)(2) through (a)(12) of this
38 section commits a Class 1 misdemeanor. A person that is convicted
39 of a second or subsequent violation of subdivision (a)(2) through
40 (a)(12) of this section is guilty of a Class I felony.
41 (2) a. For a first violation of subdivision (a)(1) through (a)(12) of this
42 section, in addition to any other penalty required by law, a person
43 shall pay a fine of :
44 1. Not less than seventy-five thousand dollars (\$75,000) nor
45 more than one hundred fifty thousand dollars (\$150,000) if
46 the person is an individual;
47 2. Not less than three hundred thousand dollars (\$300,000) nor
48 more than six hundred thousand dollars (\$600,000) if the
49 person is a licensed gaming entity; or

- 1 3. Not less than one hundred fifty thousand dollars (\$150,000)
2 nor more than three hundred thousand dollars (\$300,000) if
3 the person is a licensed manufacturer or supplier.
4 b. For a second or subsequent violation of subdivision (a)(1) through
5 (a)(11) of this section, in addition to any other penalty required by
6 law, a person shall pay a fine of:
7 1. Not less than one hundred fifty thousand dollars (\$150,000)
8 nor more than three hundred thousand dollars (\$300,000) if
9 the person is an individual.
10 2. Not less than six hundred thousand dollars (\$600,000) nor
11 more than one million two hundred thousand dollars
12 (\$1,200,000) if the person is a licensed gaming entity.
13 3. Not less than three hundred thousand dollars (\$300,000) nor
14 more than six hundred thousand dollars (\$600,000) if the
15 person is a licensed manufacturer or supplier.
16 (c) Commission-Imposed Administrative Sanctions. – In addition to any other penalty
17 authorized by law, the Commission may impose without limitation the following sanctions
18 upon any licensee or permittee:
19 (1) Revoke the license or permit of any person convicted of a criminal offense
20 under this Chapter or regulations promulgated under this Chapter or
21 committing any other offense or violation of this Chapter or applicable law
22 which would otherwise disqualify such person from holding the license or
23 permit.
24 (2) Revoke the license or permit of any person determined to have violated a
25 provision of this Chapter or regulations promulgated under this Chapter
26 which would otherwise disqualify such person from holding the license or
27 permit.
28 (3) Revoke the license or permit of any person for willfully and knowingly
29 violating or attempting to violate an order of the Commission directed to
30 such person.
31 (4) Suspend the license or permit of any person pending the outcome of a
32 hearing in any case in which license or permit revocation could result.
33 (5) Suspend the license of any licensed gaming entity for violation of or
34 attempting to violate any provisions of this Chapter or regulations
35 promulgated under this Chapter relating to its slot machine operations.
36 (6) Assess administrative penalties as necessary to punish misconduct and to
37 deter future violations.
38 (7) Order restitution of any moneys or property unlawfully obtained or retained
39 by a licensee or permittee.
40 (8) Enter cease and desist orders which specify the conduct which is to be
41 discontinued, altered, or implemented by the licensee or permittee.
42 (9) Issue letters of reprimand or censure, which letters shall be made a
43 permanent part of the file of each licensee or permittee so sanctioned.
44 (d) If the Commission refuses to issue or renew a license or permit, suspends or revokes
45 a license or permit, assesses civil penalties, orders restitution, enters a cease and desist order, or
46 issues a letter of reprimand or censure, it shall provide the applicant or licensee or permittee
47 with written notification of its decision, including a statement of the reasons for its decision by
48 certified mail within five business days of the decision of the Commission. The applicant,
49 licensee, or permittee shall have the right to appeal the decision in accordance with Chapter
50 150B of the General Statutes.

1 (e) In addition to any other fines or penalties that the Commission may impose under
2 this Chapter or regulation, if a person violates subdivision (a)(2) of this section, the
3 Commission shall impose an administrative penalty of three times the amount of the license
4 fee, tax, or other assessment evaded and not paid, collected, or paid over.

5 **"§ 18D-511. Automated teller machines.**

6 The Commission shall promulgate rules governing the placement of automated teller
7 machines (ATMs).

8 **"§ 18D-512. Interception of oral communications.**

9 The interception and recording of oral communications made in a counting room of a
10 licensed facility by a licensee shall not be subject to the provisions of relating to wiretapping
11 and electronic surveillance. Notice that oral communications are being intercepted and recorded
12 shall be posted conspicuously in the counting room.

13 **"§§ 18D-513 through 18D-599: (Reserved for future codification purposes.)"**

14 **SECTION 2.** G.S. 14-292 reads as rewritten:

15 **"§ 14-292. Gambling.**

16 Except as provided in Chapter 18C or Chapter 18D of the General Statutes or in Part 2 of
17 this Article, any person or organization that operates any game of chance or any person who
18 plays at or bets on any game of chance at which any money, property or other thing of value is
19 bet, whether the same be in stake or not, shall be guilty of a Class 2 misdemeanor. This section
20 shall not apply to a person who plays at or bets on any lottery game being lawfully conducted
21 in any state."

22 **SECTION 3.** G.S. 14-293 reads as rewritten:

23 **"§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

24 Except as provided in Chapter 18C or Chapter 18D of the General Statutes, if any keeper of
25 an ordinary or other house of entertainment, or of a house wherein alcoholic beverages are
26 retailed, shall knowingly suffer any game, at which money or property, or anything of value, is
27 bet, whether the same be in stake or not, to be played in any such house, or in any part of the
28 premises occupied therewith; or shall furnish persons so playing or betting either on said
29 premises or elsewhere with drink or other thing for their comfort or subsistence during the time
30 of play, he shall be guilty of a Class 2 misdemeanor. Any person who shall be convicted under
31 this section shall, upon such conviction, forfeit his license to do any of the businesses
32 mentioned in this section, and shall be forever debarred from doing any of such businesses in
33 this State. The court shall embody in its judgment that such person has forfeited his license, and
34 no board of county commissioners, board of town commissioners or board of aldermen shall
35 thereafter have power or authority to grant to such convicted person or his agent a license to do
36 any of the businesses mentioned herein."

37 **SECTION 4.** G.S. 14-296 reads as rewritten:

38 **"§ 14-296. Illegal slot machines and punchboards defined.**

39 Except as provided in Chapter 18D of the General Statutes, Anan illegal slot machine or
40 punchboard within the contemplation of G.S. 14-295 through 14-298 is defined as a device
41 where the user may become entitled to receive any money, credit, allowance, or anything of
42 value, as defined in G.S. 14-306."

43 **SECTION 5.** G.S. 14-299 reads as rewritten:

44 **"§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

45 Except as provided in Chapter 18C or Chapter 18D of the General Statutes or in
46 G.S. 14-292, all moneys or other property or thing of value exhibited for the purpose of alluring
47 persons to bet on any game, or used in the conduct of any such game, including any motor
48 vehicle used in the conduct of a lottery within the purview of G.S. 14-291.1, shall be liable to
49 be seized by any court of competent jurisdiction or by any person acting under its warrant.
50 Moneys so seized shall be turned over to and paid to the treasurer of the county wherein they
51 are seized, and placed in the general fund of the county. Any property seized which is used for

1 and is suitable only for gambling shall be destroyed, and all other property so seized shall be
2 sold in the manner provided for the sale of personal property by execution, and the proceeds
3 derived from said sale shall (after deducting the expenses of keeping the property and the costs
4 of the sale and after paying, according to their priorities all known prior, bona fide liens which
5 were created without the lienor having knowledge or notice that the motor vehicle or other
6 property was being used or to be used in connection with the conduct of such game or lottery)
7 be turned over and paid to the treasurer of the county wherein the property was seized, to be
8 placed by said treasurer in the general fund of the county."

9 **SECTION 6.** G.S. 14-301 reads as rewritten:

10 **"§ 14-301. Operation or possession of slot machine; separate offenses.**

11 Except as provided in Chapter 18D of the General Statutes, ~~It~~ shall be unlawful for any
12 person, firm or corporation to operate, keep in his possession or in the possession of any other
13 person, firm or corporation, for the purpose of being operated, any slot machine or device
14 where the user may become entitled to receive any money, credit, allowance, or anything of
15 value, as defined in G.S. 14-306. Each time said machine is operated as aforesaid shall
16 constitute a separate offense."

17 **SECTION 7.** G.S. 14-302 reads as rewritten:

18 **"§ 14-302. Punchboards, vending machines, and other gambling devices; separate**
19 **offenses.**

20 Except as provided in Chapter 18D of the General Statutes, ~~It~~ shall be unlawful for any
21 person, firm or corporation to operate or keep in his possession, or the possession of any other
22 person, firm or corporation, for the purpose of being operated, any punchboard, slot machine or
23 device where the user may become entitled to receive any money, credit, allowance, or
24 anything of value, as defined in G.S. 14-306. Each time said punchboard, slot machine or
25 device where the user may become entitled to receive any money, credit, allowance, or
26 anything of value, as defined in G.S. 14-306 is operated, played, or patronized by the paying of
27 money or other thing of value therefor, shall constitute a separate violation of this section as to
28 operation thereunder."

29 **SECTION 8.** G.S. 14-304 reads as rewritten:

30 **"§ 14-304. Manufacture, sale, etc., of slot machines and devices.**

31 Except as provided in Chapter 18D of the General Statutes, ~~It~~ shall be unlawful to
32 manufacture, own, store, keep, possess, sell, rent, lease, let on shares, lend or give away,
33 transport, or expose for sale or lease, or to offer to sell, rent, lease, let on shares, lend or give
34 away, or to permit the operation of, or for any person to permit to be placed, maintained, used
35 or kept in any room, space or building owned, leased or occupied by him or under his
36 management or control, any slot machine or device where the user may become entitled to
37 receive any money, credit, allowance, or anything of value, as defined in G.S. 14-306."

38 **SECTION 9.** G.S. 14-305 reads as rewritten:

39 **"§ 14-305. Agreements with reference to slot machines or devices made unlawful.**

40 Except as provided in Chapter 18D of the General Statutes, ~~It~~ shall be unlawful to make or
41 permit to be made with any person any agreement with reference to any slot machines or device
42 where the user may become entitled to receive any money, credit, allowance, or anything of
43 value, as defined in G.S. 14-306 pursuant to which the user thereof may become entitled to
44 receive any money, credit, allowance, or anything of value or additional chance or right to use
45 such machines or devices, or to receive any check, slug, token or memorandum entitling the
46 holder to receive any money, credit, allowance or thing of value."

47 **SECTION 10.** G.S. 14-306 is amended by adding a new subsection to read:

48 "(e) This section shall not apply to any video lottery terminal permitted under Chapter
49 18D of the General Statutes."

50 **SECTION 11.** G.S. 14-306.1A is amended by adding a new subsection to read:

1 "(g) This section shall not apply to any video lottery terminal permitted under Chapter
2 18D of the General Statutes."

3 **SECTION 12.** G.S. 18C-161 reads as rewritten:

4 "**§ 18C-161. Types of income to the North Carolina State Lottery Fund.**

5 The following revenues shall be deposited in the North Carolina State Lottery Fund:

6 ...
7 (1a) All net proceeds from video lottery terminals licensed by the Commission
8 under Chapter 18D of the General Statutes.

9 "

10 **SECTION 13.** This act is effective when it becomes law. Prosecutions for offenses
11 committed before the effective date of this act are not abated or affected by this act, and the
12 statutes that would be applicable but for this act remain applicable to those prosecutions. If any
13 provision of this act or its application is held invalid, the invalidity does not affect other
14 provisions or applications of this act that can be given effect without the invalid provisions or
15 application, and to this end the provisions of this act are severable.