

TESTIMONY IN SUPPORT OF SENATE BILL 2384
SENATE JUDICIARY COMMITTEE
FEBRUARY 05, 2025

Good Afternoon Madam Chair and Senate Judiciary Committee. My name is Claire Cory. I am a North Dakota State Senator representing District 42, which includes northwest Grand Forks. I stand as the prime sponsor of Senate Bill 2384.

This bill does three things. It allows charities conducting gaming to work directly with the manufacturer of an electronic game, if they so choose. It cleans up some language related to physical stamps on electronic machines, which are no longer needed because the machines have serial numbers. Finally it eliminates wagering on dogs through the ADW system (as heard this morning on SB2347. Should 2347 pass, this language can be removed or amended to mirror it, as it currently does not include a phase out date.

I'm going to focus mostly on section 1 of the bill to explain what it does and does not do and why it's important.

- o Currently in ND charitable organizations conducting gaming MUST work through a distributor to get their gaming machines, fix the machines, file reports, etc.
- o The charity pays the manufacturer who in turn pays the distributor. This fee can be as high as 50-55% of the proceeds a charity is allowed to keep. Those agreements are confidential and many times a charity has no idea how much goes to the distributor or to the manufacturer. Distributors claim they get paid very little, other times manufacturers say they get paid very little.
- o Each individual situation could be different
- o Some of these large distributors have huge market share, upwards of 60% of all machine locations. There is almost no competition or bargaining power for charities.
- o In many other states, manufacturers are allowed to choose to work through a distributor or work directly with the charity or end user.
- o All this bill would do is give charities and manufacturers that want to work directly, an option to do so.

- o Charities that like their distributor can keep using them; those that don't or feel they don't have any bargaining power, could look at other options.
- o It brings competition and increased transparency—a charity will know when working directly with a manufacturer exactly how much they are getting paid; this has the potential to reduce costs for the charities through increased competition or not going through a middle-man.
- o It also streamlines issues when they arise. The machines and software are proprietary to the manufacturer—they are their machines, not the distributors. When things go wrong with them, charities have to work through a distributor to get them fixed. Sometimes this goes well, but other times it doesn't. Mfrs need to be able to deal directly with the charities on education and maintenance and repair.
- o Just a few things I was told when considering this bill:
 - Distributors do not have the necessary technical skills nor staff to fix machines,
 - They make frequent errors when filing reports
 - They have been found in at least one instance, but likely others, to be exploiting charities
 - Manufacturers have had servers pulled out without the proper reports being filed, causing headaches to the charities and to the state.
 - Distributors don't always install the machines properly.
 - Servers have been lost, so no one can recapture data.
 - The distributors have no financial interest in the equipment so they often don't care what happens to it.
- o This bill would allow manufacturers to protect their equipment and interests

I want to reiterate that this section does not eliminate distributors. Many manufacturers may still contract with a distributor to have boots on the ground, but this would allow for direct communication and access that is currently prohibited, which would streamline and solve many of the issues manufacturers and charities are seeing.

Section 2

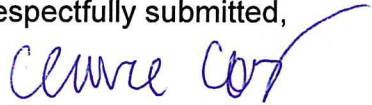
- o This is simply clean up language. There are issues of buying stamps and trying to put stamps on electronic games, which is unnecessary because they have serial numbers, so it strikes the need for stamps for those games.

Section 3

- o Same changes as SB 2347 removing wagering on greyhounds

Madam Chair and committee members, this concludes my testimony. I will stand for any questions.

Respectfully submitted,

A handwritten signature in blue ink that reads "Claire Cory". The signature is written in a cursive style with a long, sweeping flourish extending from the end of the name.

Claire Cory

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North Dakota Settles With Three Gaming Companies Accused of Exploiting Nonprofit



By Troutman Pepper Locke State Attorneys General Team on July 14, 2023

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allegations, the respondents acknowledged that their representatives committed conduct violating North Dakota gaming laws. The settlement agreement, subsequently, delineated multiple crucial elements:

1. David L. Wisdom and his immediate family were to be removed from ownership and involvement in the respondents' operations, indicating a significant shakeup in the companies' organizational structure.
2. The respondents were ordered to pay a considerable fine of \$125,000, in addition to attorney fees and costs, highlighting the financial repercussions of gaming law violations.
3. The agreement imposed a "deferred revocation" of the respondents' licenses, a provision emphasizing the consequences of repeated misconduct over a three-year probationary period.

Along with the settlement, Wrigley issued the following statement: "These gaming violations undermine the integrity of charitable gaming in North Dakota. Those responsible for these improper actions violated the public trust and the trust of the charities that relied on them. The last year has brought a new day in gaming enforcement, and the public can be assured that law enforcement and the outstanding professionals in the Attorney General's Gaming Division are working hard to protect the integrity of the limited charitable gaming that is permitted under North Dakota law."

Gaming Division Director Deb McDaniel also issued a statement: "Western Distributing, Plains Gaming Distributing, and Midwest Gaming Distributing intentionally used Wall of Honor to circumvent the gaming site rent limits set in law. The Gaming


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ensuring they operate within the bounds of the law. The enforcement action and settlement reinforce the importance of abiding by gaming laws and regulations to avoid severe penalties, including hefty fines and potential revocation of licenses. This case serves as a stark reminder to all stakeholders of the importance of lawful conduct and the severe consequences of falling foul of the rules.







Troutman Pepper State Attorneys General Team

	<p><u>Ashley Taylor</u> – Co-leader and Firm Vice Chair</p> <p>Ashley is a partner in the firm’s Regulatory Investigations, Strategy + Enforcement (RISE) Practice Group and co-leader of the State Attorneys General practice. He focuses primarily on federal and state government regulatory and enforcement matters involving state attorneys general, the Consumer Financial Protection Bureau (CFPB), and the Federal Trade Commission (FTC). Drawing upon his experience as a deputy attorney general, Ashley has developed an extensive consumer practice with regard to the consumer financial services industry.</p>
	<p><u>Clay Friedman</u> – Co-leader</p> <p>Clay is a partner in the firm’s Regulatory Investigations, Strategy + Enforcement (RISE) Practice Group and co-leader of the State Attorneys General practice. Informed by nearly a decade in a state attorneys general office, and more than 25 years in private practice, Clay spends much of his time representing clients in singular or multistate regulatory actions. Clay has repeatedly led teams before all 50 state attorneys general and also handles matters with the Federal Trade Commission, the Consumer Financial Protection Bureau, and other local, state and federal agencies.</p>
	<p><u>Judy Jagdmann</u></p>

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	<p>Avi Schick</p> <p>A former deputy attorney general of New York, Avi applies his experience in bet-the-company matters, representing clients in criminal and civil investigations and enforcement actions before state and federal regulators, prosecutors and enforcement agencies.</p>
	<p>Michael Yaghi</p> <p>Michael handles high-profile state attorneys general, FTC, and CFPB investigations by advising clients through these complex government inquiries. He assists clients through the entire life cycle of investigations, from regulatory enforcement through formal litigation.</p>
	<p>Ketan Bhirud</p> <p>As a former government official at the state and federal level, Ketan leverages extensive experience in the public and private sectors to skillfully represent client interests.</p>
	<p>Tim Bado</p> <p>Tim is an attorney in the firm’s Regulatory Investigations, Strategy + Enforcement (RISE) Practice Group, with a primary focus on financial services litigation.</p>
	<p>Chris Carlson</p> <p>Chris represents clients in regulatory, civil and criminal investigations and litigation. In his practice, Chris regularly employs his prior regulatory experience to benefit clients who are interacting with and being investigated by state attorneys general.</p>
	<p>Natalia Jacobo</p> <p>Natalia is an associate in the firm’s business litigation practice. She recently received her J.D from the University of California, Davis School of Law.</p>
	<p>Namrata Kang</p> <p>Namrata is an associate in the firm’s Regulatory Investigations, Strategy + Enforcement (RISE) Practice Group, based in the Washington, D.C. office. Her work includes advising clients in regulatory investigations and compliance matters, in addition to representing</p>

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litigation involving the Telephone Consumer Protection Act (TCPA), Fair Credit Reporting Act (FCRA), Fair Debt Collection Practices Act (FDCPA), and other consumer privacy statutes. Susan also represents banks, fintechs, and financial services companies in connection with regulatory examinations and investigations brought by the CFPB, state attorneys general, and the California Department of Financial Protection and Innovation.



John Sample

John represents clients in a wide variety of general and complex litigation matters, shareholder disputes, products liability, and privacy claims.

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Whitney is an attorney in the firm's Regulatory Investigations, Strategy + Enforcement (RISE) Practice Group. She represents clients facing state and federal regulatory investigations and enforcement actions, as well as related civil litigation.



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Trey is an associate in the firm's Regulatory Investigations, Strategy + Enforcement practice. His experience includes serving as a summer associate at the firm in 2021.



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An experienced litigator, Daniel advises and represents regional, national and international companies, financial institutions and insurers in all facets of business, complex commercial and insurance coverage litigation. He is committed to working with his clients to find creative solutions to meet their needs.



Stephanie Kozol

Stephanie is Troutman Pepper's senior government relations manager in the state attorneys general department.

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