

Submitted Testimony to
Senate Judiciary Committee
Senate Bill 443
Business Entity Registration for Wagering
BDR 41-1135

Bruce Leslie: Good afternoon Chairman Brower, Vice Chairwoman Harris and Members of the Senate Judiciary Committee. I am Bruce Leslie, a gaming attorney with Bruce A. Leslie Chtd. Also present is Quinton Singleton, Vice President and Deputy General Counsel for CG Technology, and its outside gaming counsel Mark Clayton, former member of the Gaming Control Board and currently with the law firm of Greenberg Traurig.

We are here today in support of Senate Bill 443, which is an evolutionary step in expanding the forms of business entities that can place legal sports and race wagers in Nevada. Currently, natural persons and partnerships can place sports wagers in Nevada. However, in 2010, I was contacted by a client who wanted to use another form of a business entity to place sports wagers. Legislation was introduced in the 2013 Session which was passed by the Senate but was never put to a vote in the Assembly. My subsequent experiences have confirmed there is demand by patrons to be able to use different forms of entities for wagering activity.

In the intervening time, I, along with CG Technology, have worked with the Gaming Control Board to further develop a bill for the Senate's and Assembly's consideration. Before you today are the results of such collaboration.

Section 2 of the Bill provides that the Legislature finds that due to the State's strong gaming control system, the State can expand the means by which sports, race and other event wagers can be made, which will in turn increase wagering activity in the State while at the same time providing a greater level of transparency for wagering activities, thereby furthering the effective gaming regulatory control that this State is known for.

Section 3, subsection 1, of the Bill enables a race or sports book to accept wagers from a business entity that is registered with the Gaming Control Board. Again, currently natural persons and partnerships can place such wagers and this section is merely expanding that practice to allow all forms of Nevada business entities to do the same. Similarly, expanding the use of Nevada business entities in this regard tracks Nevada's history in allowing gaming licensees, who originally held licenses personally, to use the various forms of Nevada business entities, such as limited partnerships, corporations and limited liability companies.

Section 3, subsections 2 to 6, provide that the registration by the business entity would require disclosure of information regarding certain persons associated with the entity, such as the entity's owners, creditors, directors and officers (or the

equivalent) and anyone entitled to share in the profits or revenues of the entity. Such registration will also require the payment of a \$1,000 fee to cover the Gaming Control Board's expected costs of such registration. An entity must re-register annually with the Gaming Control Board and pay a renewal fee of \$500. Further, the entity has an ongoing obligation to update the Gaming Control Board of any changes to the information previously submitted to the Board. Lastly, any false statement in the registration shall constitute perjury.

Section 3, subsection 7, requires the licensed race or sports book that wishes to accept such accounts to: (a) confirm with the Gaming Control Board that the entity is registered prior to accepting any wagers from the entity, and (b) establish a wagering account for the entity pursuant to the account wagering regulations adopted by the Nevada Gaming Commission.

Section 3, subsection 8, prohibits the distribution of any profits or compensation to anyone who has not been disclosed to the Gaming Control Board.

Section 3, subsection 9, requires that the entity's books and records be maintained in Nevada and available for review by the Board and its staff and that the entity maintain its bank account in this State.

Section 3, subsection 10, makes conforming changes to NRS 463.350 to make it clear that a business entity is a patron for purposes of the Gaming Control Act.

Section 3, Subsection 11, reconciles this Bill with Senate Bill 40, which addresses illegal bookmakers, and makes it clear that entity wagering is not part of the "accept and facilitate" portion of SB 40, and therefore also not part of the "transmit or deliver" portion as well. As wagers made by the business entities with licensed race and sports books, and not unlicensed books, are legal wagers it confirms for clarity purposes that wagers pursuant to this Bill are outside of the scope of the defined illegal activities of SB 40.

And lastly, Section 3, subsection 12, provides definitions for "business entity" and "designated individual."

I am happy to respond to any questions the Committee may have.

In closing, I would note that based on my actual experience, there is demand to expand and allow all forms of business entities to place race and sports wagers with Nevada's licensed race and sports books. I could not venture a guess as to the total size of this market, but I clearly believe that this Bill will increase legal race, sports and other event wagering in Nevada and help Nevada remain at the forefront of gaming industry developments and effective gaming regulation.

Now, I will turn the presentation over to Quinton Singleton, Vice President and Deputy General Counsel for CG Technology.

Quinton Singleton: Good afternoon Chairman Brower, Vice Chairwoman Harris and Members of the Senate Judiciary Committee. I am Quinton Singleton, Vice President and Deputy General Counsel for CG Technology. CG Technology is here today in support of Senate Bill 443.

Similar to Mr. Leslie's testimony, CG Technology, as the leading race and sports book operator in this State, has been approached by individuals who wish to wager through business entities. The reasons include utilizing Nevada's various forms of entities for organizational planning purposes as well as individuals who want to invest with another individual who has a prowess for wagering on race, sports and other events.

Similar to horse racing and poker, individuals can invest in a horse or poker player and then be entitled to receive a percentage of the horse's or player's winnings. We believe that there is market demand for skilled bettors to utilize the various forms of Nevada's entities, have individuals invest in the entity and then share the success of the wagering activity. We likewise firmly believe that providing individuals with the business flexibility to determine which Nevada form of entity to use will increase the amount of legal wagering in Nevada. Additionally, we believe the increase in these activities will increase the need for the location of technology, personnel and related businesses in Nevada.

As an operator, we also agree that the Bill increases transparency regarding all the individuals involved and that requiring all wagering activity to be on an established wagering account achieves this goal. This means that the Gaming Control Board will have a full documented trail of each and every aspect of the wagering and related activities that are conducted by an entity on account.

In short, Senate Bill 443 is about Nevada continuing its leading role in the global gaming industry, bringing substantial economic growth potential to the State through increased business and wagering opportunities and the corresponding investment in technology and human capital that Nevada's race and sports book industry will develop to provide this type of business to consumers through their Nevada-based businesses, technology and personnel.

That concludes our affirmative presentation, but Mr. Clayton and I are happy to respond to respond to any questions or comments the Committee may have.