

APPROVAL OF TRANSACTIONS AND ENFORCEMENT OF SECURITY INTERESTS

SUMMARY OF PROPOSED REGULATIONS

The proposed regulations are in two parts: approval of transactions and the approval and enforcement of security interests in gaming collateral.

Approval of Transactions

The approval of transactions is designed to create processes for review and approval of transactions conducted by or connected with every gambling enterprise, third-party provider of proposition player services, and gambling business (collectively referred to as “licensees”). These regulations are designed to achieve a balance between comprehensive oversight and maintaining the efficiency of licensees’ business transactions.

These processes are follows:

- Unless a specific transaction is triggered for review or approval, the annual statement of operations satisfies the reporting requirement to the Bureau and Commission for most transactions.
- Certain transactions will trigger review by the Bureau, and require information for the transaction in the form of “notice.” The transactions triggering review are: (1) leases for more than seven days in duration, (2) any proprietary agreement, (3) licensing or consulting agreements greater than \$10,000 in any 12-month period, and (4) any transaction or series of transactions reaching a monetary threshold, adjusted by tier, in any 12-month period. After review, the Bureau has the ability to require that any reported transaction receive Commission approval.
- Transactions that create an involvement in the activities of the licensee or an obligatory relationship with the licensee require Commission approval. These are collectively known as “interested transactions” throughout the proposed regulations.

Other details to supplement these processes have been included in the proposed regulations. These include: (1) details for the notice and formal approval, (2) requiring that all transactions over \$2000 are in written form to maintain a paper trail, (3) an amendment or subsequent assignment process, and (4) shelf approval for the sale of a gambling entity.

Approval and Enforcement of Security Interests in Gaming Collateral

A security interest in gaming collateral is a specific type of transaction that requires approval. These transactions not only create an obligatory relationship with the licensee, but require an interest in the licensee, interest in the licensee's activities, or interest in property primarily used for gaming to be held as collateral. The secured party must be licensed prior to enforcement of the security interest, but the secured party does not necessarily require licensure if the security interest is never enforced.

For this situation, the proposed regulations create a minimum standard for an unlicensed secured party to undergo a criminal background check and require approval of the agreement. The agreement must also contain the information needed to inform the unlicensed secured party that licensure is required prior to enforcement of the security interest (e.g., foreclosure or repossession). If the obligation is fulfilled, the transaction closes. If there is an event of default, then the Bureau shall be informed and will investigate. If enforcement of the security interest is found to be likely, the licensure process is triggered for an unlicensed security holder.

Security interests include, but are not limited to:

- A mortgage secured by the gambling establishment itself;
- A loan secured by an ownership interest (stock or shares) in a licensed or registered business entity;
- A loan secured by an interest in the gambling revenue of a licensed or registered business entity; and
- A loan secured by gambling equipment.