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Governor

STATE OF NEVADA

GAMING CONTROL BOARD

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RACE BOOK AND/OR SPORTS POOL

REGULATION 22.040 MODEL RESERVE AGREEMENTS

To assist licensees and financial institutions in meeting the requirements of Regulation 22.040, model reserve agreements have been developed for reserves maintained in the form of cash, cash equivalent or a bond. A sample format for an irrevocable letter of credit is available from the Audit Division, however, most banks have their own requirements.

To ensure that your agreement is prepared correctly, we recommend that you use these forms and simply complete the blanks with the appropriate information. You are not required to use these forms as long as the format you use meets the criteria. A completed form is attached to each model agreement to assist you in the preparation.

Any questions regarding Regulation 22.040 or the agreements should be directed to the Audit Division in Las Vegas at (702) 486-2060.

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AGREEMENT

THIS AGREEMENT is made and entered into on _____ (“Date”), by and between _____ (“Bank”), whose office address is _____, and _____ (“Book”), whose office address is _____.

WITNESSETH

WHEREAS, the Book operates (or intends to operate) a Race and Sports Book, and requires a reserve account as prescribed in Nevada Gaming Commission Regulation 22.040;

WHEREAS, the Bank is a federally insured financial institution which desires and intends to issue and deliver a _____ for the Book’s reserve account;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Upon receipt of a check in the amount of \$ _____ from the Book, the Bank shall issue a _____ in the aggregate amount of \$ _____, payable jointly in the names and to the order of the Nevada Gaming Control Board and the Book.

2. The _____ shall be released and delivered only as prescribed in Nevada Gaming Commission Regulation 22.040, and more particularly as prescribed in subsection 6 of that section which provides as follows:

- “6. The agreements described in subsection 5 must reasonably protect the reserve against claims of the book’s creditors other than the patrons for whose benefit and protection the reserve is established, and must provide that:
 - (a) The reserve is established and held in trust for the benefit and protection of patrons to the extent the book holds money for their account, has accepted wagers from them on contingencies whose outcomes have not been determined, or owes them on winning wagers;
 - (b) The reserve must not be released, in whole or in part, except to the [State Gaming Control] Board on the written demand of the chairman or to the book on written instruction of the [Board] chairman. The reserve must be available within 60 days of the written demand or written notice. The book may receive income accruing on the reserve unless the chairman instructs otherwise pursuant to subsection 9 or 13;
 - (c) The book has no interest in or title to the reserve or income accruing on the reserve except to the extent expressly allowed in this section;
 - (d) Nevada law and this section govern the agreements and the book’s interest in the reserve and income accruing on the reserve;
 - (e) The agreements are not effective until the chairman’s approval has been obtained pursuant to subsection 7; and
 - (f) The agreements may be amended only with the prior, written approval of the chairman.”

3. It is a condition of this agreement that it shall be considered renewed for one year from the present or any future maturity date unless at least thirty (30) days prior to said maturity date, the Bank shall notify the Board that this agreement will not be extended for an additional period.

In witness whereof, the parties hereto have caused this Agreement to be duly made, executed and delivered on the day and year first above written.

Bank

Licensee

Name (Signature)

Name (Signature)

Name (Print)

Name (Print)

BOND

_____, as principal, and _____, a surety company organized and existing under the laws of the State of _____ and authorized to do business under the laws of the State of Nevada, as surety, are hereby held and firmly bound unto the Nevada State Gaming Control Board for its use and benefit the penal sum of _____ (_____) lawful money of the United States of America, for which sum, well and truly to be paid, we hereby bind ourselves, our heirs, executors, successors, administrators, and assigns, jointly and severally.

This obligation is conditioned as follows:

1. The principal has applied for licenses to operate a _____ in Nevada pursuant to chapter 463 of the Nevada Revised Statutes. Pursuant to the application, licenses have been or are about to be issued. Pursuant to Nevada Gaming Commission Regulation 22.040, the Nevada State Gaming Control Board requires security (“the reserve”) for:
 - (a) Amounts held by the principal for the account of patrons of its _____;
 - (b) Amounts accepted by the principal at its _____ as wagers on contingencies whose outcomes have not been determined;
 - (c) Amounts owed but unpaid by the principal on winning wagers accepted at its _____.
2. This bond is provided by the principal and surety pursuant to Nevada Gaming Commission Regulation 22.040, as amended effective January 1, 1999, subsection 6 which requires that the reserve be protected against claims of the principal’s creditors other than the patrons for whose benefit and protection the reserve is established, and further provides that:
 - (a) The reserve must be established and held in trust for the benefit and protection of patrons to the extent the principal holds money for their account, has accepted wagers from them on contingencies whose outcomes have not been determined, or owes them on winning wagers;
 - (b) The reserve must not be released, in whole or in part, except to the State Gaming Control Board on the written demand of its chairman or to the principal on the written instruction of the Board chairman. The reserve must be available within 60 days of the written demand or written notice. The principal may receive income, if any, accruing on the reserve unless the Board chairman instructs otherwise pursuant to Regulation 22.040(9) or (13);
 - (c) The principal has no interest in or title to the reserve or income accruing on the reserve except to the extent expressly allowed in Regulation 22.040;
 - (d) Nevada law and Regulation 22.040 govern any agreement establishing the reserve and govern the principal’s interest in the reserve and in income accruing on the reserve;
 - (e) Any agreement establishing the reserve is not effective until the Board chairman’s approval has been obtained pursuant to Regulation 22.040(7); and
 - (f) Amendments to any agreement establishing the reserve may not be made without the prior, written approval of the Board chairman.
3. Therefore, if the principal shall well and truly comply with all of the provisions of Regulation 22.040, and in particular pay, promptly when due and demanded, all winning wagers (including those now due and those that may become due) and all amounts held for the account of its patrons, then this obligation shall be null and void, but shall otherwise remain in full force and effect.

4. Upon the principal's failure to comply with any or all of the provisions of Regulation 22.040, and in particular upon the principal's failure to pay, promptly when due and demanded, all winning wagers (including those now due and those that may become due) and all amounts held for the account of its patrons, the chairman of the State Gaming Control Board may make demand upon the surety for the payment of the amount of the default by said principal up to but not to exceed the amount of its liability as defined by this bond, and in addition any costs or attorneys' fees incurred in collecting the same.

5. The surety reserves the right to withdraw except as to any liability already incurred or accrued hereunder, and may do so upon giving written notice of withdrawal to the State Gaming Control Board. Withdrawal shall not be effective until 60 days have elapsed after receipt of the notice by the Board. Withdrawal shall not affect the surety's liability arising out of any wagers accepted by the principal or any amounts accepted by the principal for the account of patrons prior to the expiration of the 60-day period.

6. It is a condition of this bond that it shall be considered renewed for one year from the present or any future maturity date unless at least thirty (30) days prior to said maturity date, the Bank shall notify the Board that this bond will not be extended for an additional period.

DATED THIS _____.

Insurance Company

Licensee

Name (Signature)

Name (Signature)

Name (Print)

Name (Print)

Title (Print)

Title (Print)