NGC 15-11

STATE OF NEVADA

BEFORE THE NEVADA GAMING COMMISSION

NEVADA GAMING CONTROL BOARD, Complainant, vs. CG TECHNOLOGY HOLDINGS, LLC, CG TECHNOLOGY, LLC, CG TECHNOLOGY HOLDINGS, L.P., And CG TECHNOLOGY, L.P., doing business as CG TECHNOLOGY, Respondents.	**STIPULATION FOR SETTLEMENT AND ORDER**

Office of the Attorney General
Gaming Division
5420 Kietzke Lane, Suite 202
Reno, Nevada 89511

The State of Nevada, on relation of its NEVADA GAMING CONTROL BOARD (BOARD), Complainant herein, filed a Complaint, NGC Case No. 15-11 (Complaint) against the above-captioned RESPONDENTS, CG TECHNOLOGY HOLDINGS, LLC, CG TECHNOLOGY, LLC, CG TECHNOLOGY HOLDINGS, L.P., and CG TECHNOLOGY, L.P., dba CG TECHNOLOGY, alleging certain violations of the Nevada Gaming Control Act and Regulations of the Nevada Gaming Commission.

IT IS HEREBY STIPULATED AND AGREED to by the BOARD and RESPONDENTS that the Complaint, NGC Case No. 15-11, filed against RESPONDENTS in the above-entitled case shall be settled on the following terms and conditions:

1. As to Count One of the Complaint, without addressing the specific allegations therein, RESPONDENTS admit that their computerized bookmaking system, "Cantor Sports Book" (CSB), under certain circumstances, miscalculated winning single and round robin parlay wagers; as to Count Two of the Complaint, without addressing the specific allegations

therein, RESPONDENTS admit that they failed to timely notify patrons of those miscalculated winning single and round robin parlay wagers; as to Count Three of the Complaint, without addressing the specific allegations therein, RESPONDENTS admit that they failed to timely disclose to the BOARD the nature and scope of the issues causing the miscalculations; as to Count Four of the Complaint, without addressing the specific allegations therein, RESPONDENTS deny that they failed to cooperate with the BOARD's investigation, but admit that there is a sufficient basis contained in the allegations to warrant settlement; with respect to Count Five of the Complaint, without addressing the specific allegations therein, RESPONDENTS admit they failed to adequately trace payouts made by RESPONDENTS to patrons due to CSB system errors; with respect to Count Six of the Complaint, without addressing the specific allegations therein, RESPONDENTS admit that they previously self-reported to the BOARD that they had accepted six wagers on a mixed martial arts match after the conclusion of the match. RESPONDENTS specifically deny each and every allegation in the Complaint that they failed to cooperate with the BOARD's investigation and specifically deny each and every allegation in the Complaint that they had any intent to profit from CSB system errors that resulted in miscalculated payments.

2. To assist the Nevada Gaming Commission in the evaluation of this matter, RESPONDENTS offer the following information:

In March 2015, after the commencement of the BOARD's investigation, RESPONDENTS identified and corrected the error that was occurring under certain circumstances with winning single and round robin parlay wagers. Since such remediation, the error has not reoccurred. Commencing in March 2015, RESPONDENTS immediately began a forensic audit to review all applicable past wagers, to identify patrons who may have been overpaid or underpaid, to determine the amount of such mispayment; performing ongoing system testing and auditing the current system; and commenced and completed an assessment of its code development processes. As a result and after commencement of the BOARD's investigation, RESPONDENTS voluntarily tendered payment to all identified patrons, the vast majority of which they were able to identify as being underpaid. Specifically,

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RESPONDENTS have identified all patrons who, between August 2011 and March 2015, were underpaid by CG TECHNOLOGY, L.P. on their winning round robin and parlay wagers and had a sports wagering account, notified such patrons in writing that they were underpaid, and (i) for those patrons with an active sports wagering account, credited the sports wagering account with the total underpayments due to such patrons, and (ii) for those patrons with an inactive sports wagering account, prepared a check in the amount of the total underpayment and mailed such check to the last known address for such patron. The remaining underpayments will be paid as set forth below in paragraph 4(d)(i).

3. RESPONDENTS fully understand and voluntarily waive the right to a public hearing on the charges and allegations set forth in the Complaint, the right to present and cross-examine witnesses, the right to a written decision on the merits of the Complaint, which must contain findings of fact and a determination of the issues presented, and the right to obtain judicial review of the Nevada Gaming Commission's decision.

4. RESPONDENTS agree to the following:

a. RESPONDENTS shall pay a fine in the total amount of ONE MILLION FIVE HUNDRED THOUSAND DOLLARS and NO CENTS ($1,500,000.00) electronically transferred to the *State of Nevada-Nevada Gaming Commission* within two business days of the date this Stipulation for Settlement is accepted by the Nevada Gaming Commission. Interest on the fine shall accrue in accordance with NRS 17.130 on any unpaid balance computed from the date payment is due until payment is made in full.

b. The President and Chief Executive Officer of CG TECHNOLOGY HOLDINGS, L.P., CG TECHNOLOGY, LLC, CG TECHNOLOGY, L.P., and CG Analytics, Inc., Lee Amaitis, has resigned his positions effective August 31, 2016 and upon such date he shall no longer be employed by nor exercise any control or authority over RESPONDENTS.

c. A search for a new President and Chief Executive Officer for CG TECHNOLOGY HOLDINGS, L.P., CG TECHNOLOGY, LLC, CG TECHNOLOGY, L.P., and CG Analytics, Inc. is underway. While the search occurs for a new President and Chief Executive Officer, RESPONDENTS have appointed an individual to act as interim President and Chief Executive

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Officer for CG TECHNOLOGY HOLDINGS, L.P., CG TECHNOLOGY, LLC, CG TECHNOLOGY, L.P., and CG Analytics, Inc. Such interim President and Chief Executive Officer is completing an application for licensure and will file the application with the BOARD within thirty days of the date this Stipulation for Settlement is accepted by the Nevada Gaming Commission.

d. RESPONDENTS' licenses and findings of suitability shall be conditioned as follows:

i. RESPONDENTS shall, on or before this Stipulation for Settlement is accepted by the Nevada Gaming Commission, place $25,000 into an escrow account to pay claims of individuals who can establish that, between August 2011 and March 2015, they were underpaid by CG TECHNOLOGY, L.P. on a winning single or round robin parlay wager and who have not otherwise been paid as described in Paragraph 2 above. Claims against such escrowed funds shall be allowed for a period of 12 months (Claims Period) following the Nevada Gaming Commission's acceptance of this Stipulation for Settlement.

ii. RESPONDENTS shall provide notice of the $25,000 available to pay claims of individuals who can establish that, between August 2011 and March 2015, they were underpaid by CG TECHNOLOGY, L.P. on their winning single or round robin parlay wager. Such notice shall be made by advertising the notice in a daily newspaper published in Clark County, Nevada for two seven-consecutive-day periods, to occur during the first and sixth month of the Claims Period, and by providing similar notice prominently displayed on all websites operated by RESPONDENTS for a period of thirty consecutive days immediately following the Nevada Gaming Commission's acceptance of this Stipulation for Settlement. The language of the notice must be administratively approved by the BOARD chairman or his designee.

iii. Upon expiration of the Claims Period, any portion of the $25,000 remaining in the escrow account less any amounts for which a claim has been made but not paid, shall be donated to the Nevada Council on Problem Gambling.

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iv. For a period of one year following the Nevada Gaming Commission's acceptance of this Stipulation for Settlement, RESPONDENTS shall retain the services of one or more independent third parties to review RESPONDENTS' software and product development processes for compliance with the provisions of the Nevada Gaming Control Act, Regulations of the Nevada Gaming Commission and policies of the BOARD. Such independent third parties shall provide three written reports to the BOARD's Technology Division at the following dates as determined following the date the Nevada Gaming Commission accepts this Stipulation for Settlement: (i) within two weeks; (ii) at six months; and (iii) at twelve months. RESPONDENTS shall not approve any reports prior to their submission to the BOARD.

v. Any person hired or retained by RESPONDENTS to perform the duties and responsibilities of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, or Chief Technology Officer shall file an application for licensure and/or finding of suitability, as applicable, with the BOARD within 30 days of such hire.

5. Nothing herein shall be construed to preclude a person from pursuing any civil or administrative remedy they may have against RESPONDENTS including resolution of patron disputes pursuant to NRS 463.362 – 463.3668.

6. In consideration for the execution of this settlement agreement, RESPONDENTS, for themselves, their heirs, executors, administrators, successors, and assigns, hereby release and forever discharge the State of Nevada, the Nevada Gaming Commission, the Nevada Gaming Control Board, the Nevada Attorney General and each of their members, agents, and employees in their individual and representative capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims, and demands whatsoever known or unknown, in law and equity, that RESPONDENTS ever had, now have, may have, or claim to have against any and all of the persons or entities named in this paragraph arising out of, or by reason of, the investigation of the allegations in the Complaint and this disciplinary action, NGC Case No. 15-11, or any other matter relating thereto.

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7. In consideration for the execution of this settlement agreement, RESPONDENTS hereby indemnify and hold harmless the State of Nevada, the Nevada Gaming Commission, the Nevada Gaming Control Board, the Nevada Attorney General, and each of their members, agents, and employees in their individual and representative capacities against any and all claims, suits and actions, brought against the persons named in this paragraph by reason of the investigation of the allegations in the Complaint, filed in this disciplinary action, NGC Case No. 15-11, and all other matters relating thereto, and against any and all expenses, damages, charges and costs, including court costs and attorney fees, which may be sustained by the persons and entities named in this paragraph as a result of said claims, suits and actions.

8. RESPONDENTS enter into this Stipulation for Settlement freely and voluntarily and with the assistance of legal counsel. RESPONDENTS further acknowledge that this stipulated settlement is not the product of force, threats, or any other form of coercion or duress, but is the product of discussions between RESPONDENTS and the attorney for the BOARD.

9. RESPONDENTS affirmatively represent that if RESPONDENTS, this Stipulation for Settlement and Order, and/or any amounts distributed under this Stipulation for Settlement and Order are subject to, or will become subject to, the jurisdiction of any bankruptcy court, the bankruptcy court's approval is not necessary for this Stipulation for Settlement and Order to become effective, or that the bankruptcy court has already approved this Stipulation for Settlement and Order.

10. RESPONDENTS and the BOARD acknowledge that this settlement is made to avoid litigation and economize resources. The parties agree and understand that this Stipulation for Settlement is intended to operate as full and final settlement of the Complaint filed against RESPONDENTS in the above-entitled disciplinary case, NGC Case No. 15-11.

11. RESPONDENTS and the BOARD recognize and agree that the Nevada Gaming Commission has the sole and absolute discretion to determine whether to accept this stipulated settlement agreement. RESPONDENTS and the BOARD hereby waive any right

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they may have to challenge the impartiality of the Nevada Gaming Commission to hear the above-entitled case on the matters embraced in the Complaint if the Nevada Gaming Commission determines not to accept this stipulated settlement agreement. If the Nevada Gaming Commission does not accept the Stipulation for Settlement, it shall be withdrawn as null and void and RESPONDENTS' admissions, if any, that certain violations of the Nevada Gaming Control Act and the Regulations of the Nevada Gaming Commission occurred shall be withdrawn.

12. RESPONDENTS and the BOARD agree and understand that this settlement agreement is intended to operate as full and final settlement of the Complaint filed in NGC Case No. 15-11. The parties further agree and understand that any oral representations are superseded by this settlement agreement and that only those terms memorialized in writing herein shall be effective.

13. RESPONDENTS agree and understand that although this settlement, if approved by the Nevada Gaming Commission, will settle the Complaint filed in NGC Case No. 15-11, that the allegations contained in the Complaint filed in NGC Case No. 15-11 and the terms of this settlement agreement may be considered by the BOARD and/or the Nevada Gaming Commission, with regards to any and all applications by RESPONDENTS that are currently pending before the BOARD or the Nevada Gaming Commission, or that are filed in the future with the BOARD.

14. RESPONDENTS and the BOARD shall each bear their own costs incurred in this disciplinary action, NGC Case No. 15-11.

15. RESPONDENTS, by executing this Stipulation for Settlement, affirmatively waive all notices required by law for this matter including, but not limited to, notices concerning consideration of the character or misconduct of a person (NRS 241.033), notices concerning consideration of administrative action against a person (NRS 241.034), and notices concerning hearings before the Nevada Gaming Commission (NRS 463.312). Regardless of the waiver of legal notice requirements, the BOARD and Nevada Gaming Commission will attempt to provide reasonable notice of the time and place of the hearing. Further, in

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negotiating this Stipulation for Settlement, RESPONDENTS acknowledges that the BOARD has provided RESPONDENTS with the date and time of the Nevada Gaming Commission hearing during which the BOARD anticipates the Nevada Gaming Commission will consider approving this settlement.

16. This stipulated settlement agreement shall become effective immediately upon approval by the Nevada Gaming Commission.

CG TECHNOLOGY HOLDINGS, LLC,
CG TECHNOLOGY, LLC,
CG TECHNOLOGY HOLDINGS, L.P.
CG TECHNOLOGY, L.P.
dba CG TECHNOLOGY

By: _____ 7/19/16
STEPHEN MERKEL Date
General Counsel

GREENBERG TRAURIG

By: _____ 7/19/16
MARK CLAYTON, Esq. Date
Attorneys for Respondents

NEVADA GAMING CONTROL BOARD

_____ 7/20/16
A.G. BURNETT, Chairman Date

_____ 7/20/16
SHAWN R. REID, Member Date

_____
TERRY JOHNSON, Member Date

Submitted by:

ADAM PAUL LAXALT
Attorney General

By: _____ 7/20/16
MICHAEL P. SOMPS Date
Senior Deputy Attorney General
Attorneys for Nevada Gaming Control Board

ORDER

IT IS SO ORDERED in NGC Case No. 15-11.

DATED this _____ day of _____, 2016.

NEVADA GAMING COMMISSION

_____
TONY ALAMO, M.D., Chairman

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By: _____
STEPHEN MERKEL Date
General Counsel

GREENBERG TRAURIG

By: _____
MARK CLAYTON, Esq. Date
Attorneys for Respondents

NEVADA GAMING CONTROL BOARD

_____
A.G. BURNETT, Chairman Date

_____
SHAWN R. REID, Member Date

Terry Johnson 7/20/16
TERRY JOHNSON, Member Date

Submitted by:

ADAM PAUL LAXALT
Attorney General

By: _____
MICHAEL P. SOMPS Date
Senior Deputy Attorney General
Attorneys for Nevada Gaming Control Board

ORDER

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DATED this _____ day of _____, 2016.

NEVADA GAMING COMMISSION

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TONY ALAMO, M.D., Chairman

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