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Gaming; stock purchases

CIVIL CODE § 463.____ (new); §§ 463.489, 463.643 (amended).
AB 565 (Sader); 1987 STAT. Ch 720
(Effective June 22, 1987)

Chapter 720 sets forth the following policy with respect to findings of suitability, registration, approval of corporate acquisitions, purchase of stock, and issuance of gaming licenses to corporations:¹ (1) That a person obtain the approval of the Nevada Gaming Commission (Commission) before acquiring control of any publicly traded corporation which holds a gaming license, and (2) that any such corporation obtain the approval of the Commission before offering or agreeing to a purchase of stock which may have a significant adverse effect upon the financial stability or competitive position of the corporation.²

Existing law allows the Commission to determine the suitability of any person acquiring an interest in a publicly traded corporation which holds a gaming license.³ Chapter 720 provides that any person acquiring control⁴ of a publicly traded corporation which holds a state gaming license must receive prior approval of the Commission by submitting a report describing the acquisition.⁵ The Commission must approve the proposed acquisition if the acquisition will not cause a significant adverse effect upon: (a) the financial stability of the corporation; (b) the interests of existing stockholders; (c) the

1. 1987 Nev. Stat. ch. 720, sec. 5, at ____ (amending NEV. REV. STAT. § 463.489) *Id.* 463.487 (definition of a publicly traded corporation).

2. 1987 Nev. Stat. ch. 720, sec. 5, at ____ (amending NEV. REV. STAT. § 463.489). Current policy includes the following: (1) To broaden the opportunity for investment in gaming through the pooling of capital in corporate form; (2) to maintain effective control over the conduct of gaming by corporate licensees; and (3) to restrain any speculative promotion of the stock of other securities of gaming enterprises. NEV. REV. STAT. § 463.489.

3. NEV. REV. STAT. § 463.643.

4. 1987 Nev. Stat. ch. 720, sec. 2, at ____ (enacting NEV. REV. STAT. § 463.____) (definition of control).

5. 1987 Nev. Stat. ch. 720, sec. 2, at ____ (enacting NEV. REV. STAT. § 463.____). The report must contain: (a) terms and conditions of the acquisition; (b) the means by which any required consideration, and any indebtedness incurred to consummate the acquisition, are to be paid; (c) any contemplated changes in the management or policies of the corporation; (d) any contemplated sale, pledge, transfer or other disposition of more than five percent of the assets or any class of voting securities of the corporation; (e) the effect of the acquisition upon the financial stability of the corporation; (f) the effect of the acquisition upon the employees, suppliers and patrons of the corporation; (g) the effect of the acquisition upon each locality in which the corporation maintains a gaming establishment; and (f) any other information required by the commission. *Id.*

competitive position of the corporation in the gaming industry; (d) the employees, suppliers and patrons of the corporation; or (e) the localities in which the corporation maintains gaming establishments.⁶

Under Chapter 720, an unsuitable person, as determined by the Commission, may not hold a beneficial ownership of any voting security of a publicly traded corporation.⁷ If a person found to be unsuitable holds beneficial ownership of any voting security in a holding company or intermediary company of the corporation, Chapter 720 prohibits the Commission, by reason of that fact, from revoking or suspending the gaming license of the corporation.⁸ Furthermore, the Commission may limit, condition, suspend or revoke the gaming license of the corporation to protect the public from an unsuitable person.⁹ In addition, Chapter 720 requires the Commission to approve stock purchases of a publicly traded corporation which holds a gaming license.¹⁰ Moreover, when the purchase will not cause a significant adverse effect upon the financial stability, competitive position, or employees, suppliers and patrons of the corporation, the Commission must approve the purchase.¹¹

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6. *Id.*

7. 1987 Nev. Stat. ch. 720, sec. 4, at ___ (enacting Nev. Rev. Stat. § 463.____); *id.* A violation is a gross misdemeanor. *Id.*

8. *Id.*

9. 1987 Nev. Stat. ch. 720, sec. 4, at ___ (enacting NEV. REV. STAT. § 463.____).

10. 1987 Nev. Stat. ch. 720, sec. 3, at ___ (enacting Nev. Rev. Stat. § 463.____). Commission approval is required in transactions involving over five percent of the outstanding shares of any class of stock. In addition, the corporation must offer to purchase the shares sought from all of the stockholders of that class.

11. *Id.* (if the purchase will cause a significant adverse effect the Commission must deny approval).

