

The Evolution of Large Private Investments in Nevada Casinos
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Article

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Nevada's recent adoption of Regulation 15C helps provide clarity to the state's licensing structure, which could encourage new private equity funds and large financial institutions to invest in the Nevada gaming industry. Nevada's increasingly streamlined licensing system will likely bring even more stability and growth to the gaming industry.

Before 1999, private equity firms interested in investing in the Nevada gaming industry were deterred by Nevada's licensing requirements, which mandated that the private equity firms' numerous passive investors would need to file applications. This was an onerous task and as a result, a significant source of funds and investment were left on the table. That changed in January 1999, when the Nevada Gaming Control Board (the "Board") and the Nevada Gaming Commission (the "Commission") considered the application of Colony Capital to acquire Harvey's Casino Resorts ("HCR"). Colony Capital is a private equity firm that sponsors billions of dollars of equity in a variety of distinct investment funds and vehicles. The members of both the Board and the Commission did not want to discourage Colony Capital's investment and recognized the importance of creating a licensing structure that both avoided onerous application requirements for passive, minority investors and yet protected the integrity of the gaming industry. To that end, the Board recommended and the Commission approved the first "VoteCo" licensing structure in the State of Nevada.

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