NON-PROSECUTION AGREEMENT BETWEEN
CG TECHNOLOGY, LP AND THE UNITED STATES
ATTORNEY'S OFFICES FOR THE EASTERN DISTRICT
OF NEW YORK AND THE DISTRICT OF NEVADA

The UNITED STATES ATTORNEY'S OFFICE FOR THE EASTERN DISTRICT OF NEW YORK and the UNITED STATES ATTORNEY'S OFFICE FOR THE DISTRICT OF NEVADA (the "Offices") and CG TECHNOLOGY LP, formerly CANTOR G & W (NEVADA), LP, doing business as CANTOR GAMING ("CANTOR GAMING" or "CG TECHNOLOGY"),[1] by the undersigned Parikshat Khanna, Chief Operating Officer, and undersigned attorney, Stephen Andrews, Esq., Williams & Connolly LLP, all of whom are acting pursuant to authority granted by CG TECHNOLOGY'S general partners, hereby enter into this Agreement (the "Agreement").

Introduction

1. The Offices have informed CG TECHNOLOGY that since in or about January 2013, CG TECHNOLOGY has been the subject of a criminal investigation conducted by the Offices and the United States Postal Inspection Service; the Internal Revenue Service – Criminal Investigation, and the New York City Police Department (collectively, the "Investigating Agencies").

Acceptance of Responsibility

2. CG TECHNOLOGY acknowledges that in or about and between 2009 and 2013, as a result of the conduct of certain individuals employed by CANTOR GAMING (hereinafter referred to as the "Unlawful Conduct"), CANTOR GAMING violated federal laws,

[1] Cantor Gaming changed its name to CG Technology, LP in January 2014.

including Conspiracy, in violation of Title 18, United States Code, Sections 371; Aiding and Abetting the Operation of an Illegal Gambling Business, in violation of Title 18, United States Code, Sections 1955 and 2; and Money Laundering, in violation of Title 18, United States Code, Section 1956, as set forth in the Joint Statement of Facts (which is attached to the Agreement as Attachment A and is incorporated by reference), by: (1) knowingly accepting and facilitating "messenger betting" in its sports books on repeated occasions; (2) knowingly accepting and facilitating out-of-state betting activity through wire communications; and (3) processing large cash deposits and withdrawals and third-party wire transfers, knowing that the property involved represented the proceeds of some form of illegal activity, which in fact represented proceeds of specified unlawful activities.

3. CG TECHNOLOGY accepts responsibility to remediate its commission of the Unlawful Conduct by entering into this Agreement and by, among other things, continuing the substantial proactive and remedial actions that CG TECHNOLOGY has taken to date, and continuing its full cooperation with the Offices and the Investigating Agencies as set forth in this Agreement. This Agreement will be in effect for two years, to begin on the date of execution by all parties.

Remedial & Other Measures

4. CG TECHNOLOGY represents that it has taken substantial remedial measures in response to the Unlawful Conduct discovered in the course of the Offices' and Investigating Agencies' investigation. These actions have included but are not limited to the following:

(a) CG TECHNOLOGY has fully cooperated with the investigation, including by providing relevant corporate documents, making its employees available for interviews upon request, and providing presentations on relevant factual and legal matters;

(b) conducting a thorough internal investigation of the Unlawful Conduct described in Attachment A;

(c) accepting responsibility for the Unlawful Conduct described in Attachment A;

(d) identifying, to the extent known by CG TECHNOLOGY, the officers and employees who were responsible for the Unlawful Conduct set forth in Attachment A and terminating those individuals or securing their resignations;

(e) requiring individualized compliance training for certain lower level employees whose conduct, while not criminal, was inconsistent with CG TECHNOLOGY's own internal policies and procedures;

(f) hiring additional experienced compliance personnel;

(g) developing risk-based and targeted compliance policies and procedures that are accessible to all personnel through an online portal;

(h) reviewing the compliance program with the heads of each department within CG TECHNOLOGY to test the compliance program within each department and to develop solutions for improving the compliance program.

(i) implementing the use of multiple computer applications to assist compliance personnel, including software for complying with the Bank Secrecy Act and to perform due diligence in furtherance of "Know Your Customer" policies and procedures;

(j) requiring at least annual compliance training for employees;

(k) increasing frequency of compliance audits;

(l) relocating all risk department personnel to secure offices that are physically segregated from customer-facing operations to provide clearer delineation of duties between risk and customer-facing personnel and stronger internal controls; and

(m) prohibiting third-party wire transfers into customer wagering accounts.

Continuing Obligation of Cooperation

5. CG TECHNOLOGY acknowledges and understands that its prior, ongoing and future cooperation is an important and material factor underlying the Offices' decision to enter into this Agreement, and therefore CG TECHNOLOGY agrees to cooperate fully and actively with the Offices and the Investigating Agencies regarding any matter about which the Offices or the Investigating Agencies may inquire.

6. During the term of this Agreement, CG TECHNOLOGY agrees that its continuing cooperation shall include, but not be limited to, the following:

(a) completely and truthfully disclosing all documents, materials or information in its possession about which the Offices or the Investigating Agencies may inquire, including but not limited to all information about CG TECHNOLOGY's activities and those of its officers, employees and agents;

(b) assembling, organizing and providing all documents, records and other evidence in its possession, custody or control, wherever located, as reasonably may be requested by the Offices or the Investigating Agencies;

(c) proactively disclosing to the Offices all information concerning any criminal wrongdoing or suspected criminal wrongdoing of any kind, which has not yet been explicitly disclosed to the Offices, and which is either currently in CG TECHNOLOGY's possession or which may come into its possession in the future, including conduct of the type alleged in this Agreement;

(d) using its reasonable best efforts to make available its present and former officers and employees to provide information and/or testimony as requested by either of

the Offices and/or the Investigating Agencies, including sworn testimony before a grand jury or in court proceedings, as well as interviews with law enforcement authorities. Cooperation under this paragraph shall include identification of witnesses who, to the knowledge of CG TECHNOLOGY, may have material information regarding the Unlawful Conduct, and providing records which may contain material information regarding the Unlawful Conduct. Nothing in this paragraph, however, creates or is intended to create any obligation by CG TECHNOLOGY to indemnify any current or former officer or employee.

(e) providing testimony or information necessary to identify or establish the original location, authenticity, or other basis for admission into evidence of records, documents or physical evidence in any criminal or other proceeding as requested by either of the Offices; and

(f) providing active assistance, including assistance by CG TECHNOLOGY's counsel, in connection with any investigation, criminal prosecution, civil trial or other legal proceeding brought by either of the Offices that is connected in any way to CG TECHNOLOGY.

7. CG TECHNOLOGY agrees that it will continue to fulfill the cooperation obligations set forth in paragraph 6 above in connection with any investigation, criminal prosecution and/or civil proceeding brought by either of the Offices relating to or arising out of the Unlawful Conduct set forth in Attachment A. CG TECHNOLOGY's obligation to cooperate is not intended to apply in the event that it is charged as a defendant in any criminal or civil proceeding. Notwithstanding the foregoing, CG TECHNOLOGY does not waive any privilege it may have with respect to any documents or other information now or hereafter subject to the attorney-client privilege, the attorney work-product doctrine or other recognized legal privilege,

and nothing in this Agreement shall be construed or is intended to require CG TECHNOLOGY to waive any such privilege.

Payment of a Financial Penalty and Forfeiture to the United States

8. In addition to any payments required in connection with any current or future non-criminal proceedings by agencies not party to this Agreement or by branches of the Department of Justice other than the Offices, CG TECHNOLOGY agrees to pay $10,500,000 as a financial penalty as directed by the government on October 3, 2016 and $6,000,000 in forfeiture as directed below. CG TECHNOLOGY agrees to execute a Stipulation of Settlement and Decree of Forfeiture, which is attached to the Agreement as Attachment B and is incorporated in the Agreement by reference, and shall pay forfeiture to the United States of America in the amount of $6,000,000 (the "Forfeiture Payment"). Such payment shall be made by certified or bank check and be made payable either to the "United States Postal Inspection Service" or the "United States Marshals Service" as directed by the Offices and shall be delivered to Assistant United States Attorney Brian D. Morris, 271-A Cadman Plaza East, Brooklyn, New York 11201. The Forfeiture Payment shall be paid on October 3, 2016. CG TECHNOLOGY hereby waives all interest in the Forfeiture Payment in any administrative or judicial proceeding, whether criminal or civil, and agrees that the forfeiture contemplated in the Agreement may be accomplished either administratively or civilly, by the United States Postal Inspection Service. If the Forfeiture Payment is sought to be judicially forfeited, CG TECHNOLOGY hereby consents to the entry of orders of forfeiture and waives the requirement of any and all applicable laws, rules and/or regulations governing the forfeiture of assets, as they apply in any manner to any forfeiture issue. If the Forfeiture Payment is sought to be forfeited administratively, CG TECHNOLOGY hereby consents to the entry of a declaration of forfeiture and waives the requirements of 18 U.S.C. § 983 regarding notice of seizure in non-judicial

forfeiture matters and, in order to effectuate forfeiture of the Forfeiture Payment, shall execute a form to be supplied by the United States Postal Inspection Service evidencing CG TECHNOLOGY's consent to forfeiture and waiver of timely notice.

Consequences of Breach & Additional Terms

9. In consideration of CG TECHNOLOGY's: (i) acceptance of responsibility to remediate CG TECHNOLOGY's Unlawful Conduct as set forth in Attachment A; (ii) cooperation to date and agreement to continue to cooperate with the Offices and the Investigating Agencies as described in paragraphs 6 and 7; (iii) payment of a financial penalty and forfeiture to the United States of America as set forth in paragraph 8; (iv) compliance in the future with all applicable laws, including federal, state and local gaming laws and regulations; and (v) agreement otherwise to comply with all of the terms of this Agreement, the Offices will not:

(a) institute or pursue any criminal charges against CG TECHNOLOGY arising out of the Unlawful Conduct; or

(b) pursue any civil claims against CG TECHNOLOGY based on the Unlawful Conduct.

10. CG TECHNOLOGY understands and agrees that should either of the Offices, in their sole discretion, determine that CG TECHNOLOGY has deliberately given materially false, incomplete, or misleading information pursuant to this Agreement, has committed any crimes subsequent to the date of this Agreement or has otherwise deliberately violated any provisions of this Agreement, then CG TECHNOLOGY will be subject to prosecution for any crimes of which the Offices have knowledge and jurisdiction to prosecute, including prosecution relating to the Unlawful Conduct. CG TECHNOLOGY agrees that in the event of such a determination by either of the Offices, any prosecution relating to the Unlawful Conduct that is not time-barred by the applicable statute of limitations on the date of this

Agreement, including by reason of tolling agreements entered into by CG TECHNOLOGY, may be commenced against CG TECHNOLOGY between the date of signing of this Agreement and two years after that date, notwithstanding the expiration of any statute of limitations prior to the end of that two-year period. By this Agreement, CG TECHNOLOGY expressly intends to and does waive any and all rights in this respect. This waiver by CG TECHNOLOGY is knowing, voluntary and made after consultation with counsel. Moreover, the commission of an additional crime by CG TECHNOLOGY shall constitute a breach of this Agreement.

11. Furthermore, it is agreed that should either of the Offices, in their sole discretion, determine that CG TECHNOLOGY has committed any crime or otherwise violated any provision of the Agreement within two years from the date of the execution of this Agreement: (i) all statements by or on behalf of CG TECHNOLOGY to either of the Offices and/or the Investigative Agencies, or other designated law enforcement or regulatory officials, including but not limited to the statements regarding the Unlawful Conduct set forth in Attachment A, testimony given by any agent of CG TECHNOLOGY before a grand jury or other tribunal, whether prior to or subsequent to the signing of this Agreement, and any leads derived from such statements or testimony, shall be admissible in any and all criminal proceedings hereafter brought against CG TECHNOLOGY; (ii) CG TECHNOLOGY shall not assert any claim under the United States Constitution, any statute, Rule 11(f) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other rule or provision that statements made by or on behalf of CG TECHNOLOGY prior to or subsequent to this Agreement, or any leads therefrom, should be suppressed; and (iii) in the event of such a determination by the Office, CG TECHNOLOGY shall waive indictment and proceed by felony information in connection with a prosecution of CG TECHNOLOGY brought by either of the Offices. However, nothing in this Agreement shall constitute a waiver of any Confrontation

Clause rights CG TECHNOLOGY may have under the Sixth Amendment to the United States Constitution.

12. CG TECHNOLOGY agrees that it is within the sole discretion of the Offices to decide whether conduct or statements of any individual will be imputed to CG TECHNOLOGY for the purpose of determining whether CG TECHNOLOGY has knowingly, intentionally and materially violated any provision of this Agreement. If either of the Offices determines that CG TECHNOLOGY has committed a knowing, intentional and material breach of any provision of the Agreement, the Office shall provide written notice of the alleged breach to CG TECHNOLOGY, through its counsel, Stephen Andrews, Esq., Williams & Connolly LLP, 725 12th St. NW, Washington, DC 20005, or to any successor counsel that CG TECHNOLOGY may designate, and provide CG TECHNOLOGY with a two-week period from the date of receipt of such notice in which to make a presentation to the Offices, or their designee(s), to demonstrate that no breach has occurred, or, to the extent applicable, that the breach was not knowing, intentional or material, or has been cured. Upon request by CG TECHNOLOGY, either of the Offices may, in their discretion, agree in writing to extend this two-week period, including to provide CG TECHNOLOGY with an opportunity to cure any breach of this Agreement. The parties to this Agreement expressly understand and agree that if CG TECHNOLOGY fails to make a presentation to the Offices, or their designee(s), within the two-week period (or other period agreed to by the Offices), either of the Offices may, in their discretion, conclusively presume that CG TECHNOLOGY is in knowing, intentional and material breach of this Agreement.

13. CG TECHNOLOGY agrees that it shall not, through its attorneys, general partners (or such successor as may be adopted hereafter), limited partners, directors, officers, agents or employees, make any public statement, in litigation or otherwise, contradicting its

acceptance of responsibility to remediate CG TECHNOLOGY's Unlawful Conduct as set forth in Attachment A. Any such contradictory statement by CG TECHNOLOGY, its present or future attorneys, general partners, agents, or employees shall constitute a breach of this Agreement and CG TECHNOLOGY thereafter shall be subject to prosecution as specified in paragraphs 10 through 12. The decision as to whether any such contradictory statement will be imputed to CG TECHNOLOGY for the purpose of determining whether CG TECHNOLOGY has breached this Agreement shall be at the sole discretion of the Offices. Upon receipt of notification by either of the Offices of any such contradictory statement, CG TECHNOLOGY may avoid a finding of a breach of this Agreement by publicly repudiating such statement within three (3) business days after receipt of notice by the Office. This paragraph shall not apply to any statement made by any current or former CG TECHNOLOGY officer or employee who has been charged with a crime or other wrongdoing by either of the Offices, or by any other federal, state or local agency.

14. The parties understand and agree that the exercise of discretion by the Offices or their designee(s) is not subject to review in any court or tribunal.

15. Except to the extent permitted by the Offices, CG TECHNOLOGY agrees that if, during the term of this Agreement, it sells or merges all or substantially all of its business operations as they exist as of the date of this Agreement to or into a single purchaser or a group of affiliated purchasers, CG TECHNOLOGY shall include in any contract for sale, plan of reorganization, or merger, a provision binding the purchaser/successor to CG TECHNOLOGY's obligations described in this Agreement, provided however that the obligations imposed by this Agreement will not extend to the governance and operation of a purchasing or investing entity that acquires some or all of an ownership interest in CG TECHNOLOGY, as long as that entity maintains CG TECHNOLOGY as a separate legal entity. The Offices agree that if a mortgagee,

or any other secured creditor or successor interest holder, that is wholly independent of CG TECHNOLOGY's current general partners (or such successor as may be adopted hereafter), limited partners, directors, officers, agents and employees takes ownership of CG TECHNOLOGY or its assets through foreclosure, the obligations imposed by this Agreement will not extend to that mortgagee, secured creditor or successor interest holder.

16. It is understood that the Agreement is binding on CG TECHNOLOGY and the Offices, but specifically does not bind any other Federal agencies, any state or local law enforcement agencies, or any licensing or regulatory authorities. However, if requested by CG TECHNOLOGY or its attorneys, the Offices will bring to the attention of any such agencies, including but not limited to any licensing, inspecting, monitoring or compliance authorities, this Agreement, CG TECHNOLOGY's cooperation and its compliance with its obligations under this Agreement, and any reforms specified in this Agreement. It is the intent of the parties to this Agreement that this Agreement does not confer or provide any benefits, privileges or rights to any individual or entity other than the parties hereto, and that this Agreement, including its attachments, shall be admissible in any proceeding brought by either of the Offices. Moreover, CG TECHNOLOGY may raise defenses or assert affirmative claims in any civil proceedings brought by private parties as long as doing so does not otherwise violate any term of this Agreement.

17. Except as set forth herein, this Agreement in no way limits or affects any right, including right of inspection and/or enforcement, held by the United States or any other governmental body, pursuant to applicable federal, state, or local laws, regulations, or permits. In addition, nothing herein shall be read in any way to alter, affect, abrogate, or impair the ability and obligation of the United States to take any investigative or enforcement action for any future conduct, including but not limited to any administrative, civil, or criminal enforcement action, or

to make any inquiry of CG TECHNOLOGY concerning any present or future alleged violation of federal law, regulation, or order.

18. This Agreement sets forth all the terms of the agreement between CG TECHNOLOGY and the Offices. No modifications or additions to this Agreement shall be valid unless they are in writing and signed by the Offices, CG TECHNOLOGY's attorneys, and a duly authorized representative of CG TECHNOLOGY. This Agreement supersedes all prior promises, agreements or conditions between the parties, except for the tolling agreements previously executed by CG TECHNOLOGY.

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19. To become effective, this Agreement must be signed by all signatories listed below. This Agreement may be signed in counterparts.

Dated: Brooklyn, New York
October 3, 2016

Agreed and Consented To By:

CG Technology, LP

By: _____
Parikshat Khanna
Chief Operating Officer

Approved By:

WILLIAMS & CONNOLLY LLP
Attorney for CG Technology, LP

By: _____
Stephen Andrews, Esq.
725 12th Street NW
Washington, DC 20005

ROBERT L. CAPERS
United States Attorney
Eastern District of New York

By: _____
James P. Loonam
Matthew S. Amatruda
Assistant United States Attorneys

Approved By:

_____
Winston M. Paes
Chief, Business & Securities Fraud Section

DANIEL G. BOGDEN
United States Attorney
District of Nevada

By: _____
Nicholas D. Dickinson
Assistant United States Attorney

Approved By:

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Daniel Schiess
Chief, Criminal Division

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Eastern District of New York

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Chief, Business & Securities Fraud Section

DANIEL G. BOGDEN
United States Attorney
District of Nevada

By: _____
Nicholas D. Dickinson
Assistant United States Attorney

Approved By:

_____
Daniel Schiess
Chief, Criminal Division

ATTACHMENT A

STATEMENT OF FACTS

The following Statement of Facts is incorporated by reference as part of the Non-Prosecution Agreement (the "Agreement") between the UNITED STATES ATTORNEY'S OFFICE FOR THE EASTERN DISTRICT OF NEW YORK and the UNITED STATES ATTORNEY'S OFFICE FOR THE DISTRICT OF NEVADA (collectively, the "Offices"), and CG TECHNOLOGY, LP, formerly CANTOR G&W (NEVADA), LP, doing business as CANTOR GAMING ("Cantor Gaming," "CG Technology" or the "Company").[1] CG Technology hereby agrees and stipulates that the following information is true and accurate. Certain of the facts herein are based on information obtained from third parties by the government through their investigation and described to CG Technology. CG Technology admits, accepts, and acknowledges that it is responsible for all of the acts of its officers, directors, employees, and agents as set forth below.

I. Entities and Individuals

1. Cantor Gaming operated sports betting facilities, known as "race and sports books," in the following eight casinos all located in Las Vegas, Nevada: the Venetian, the Palazzo, the M Resort Spa Casino, the Hard Rock Hotel and Casino, the Tropicana, the Cosmopolitan, the Palms Casino Resort and the Silverton Casino Hotel. A race and sports book is a gambling establishment that sets odds and point spreads and accepts wagers on the outcome

[1] Cantor Gaming changed its name to CG Technology, LP in January 2014. The conduct described in this Statement of Facts occurred while the company was doing business as "Cantor Gaming."

of horse races and sporting events, such as professional and collegiate football, basketball, baseball, and hockey games.

2. Cantor Gaming was affiliated with Cantor Fitzgerald LP (together with its subsidiaries "Cantor Fitzgerald"), a financial services company based in New York. Cantor Gaming largely funded its operations through a revolving line of credit provided by Cantor Fitzgerald.

3. Cantor Gaming Executive #1, an individual whose identity is known to the Offices and the Company, was the President and Chief Executive Officer of Cantor Gaming at all times relevant to this Statement of Facts. Cantor Gaming Executive #1 resigned from the Company on or about August 31, 2016, as a result of a separate action brought by the Nevada Gaming Commission.

4. Michael Colbert was a senior executive at Cantor Gaming. In or about and between August 2009 and October 2012, Colbert served as the Director of Risk Management and reported to Cantor Gaming Executive #1. On or about July 13, 2011, Cantor Gaming designated Colbert a "Key Employee" in the Company's regulatory filings, which indicated that Colbert had significant influence over decisions concerning the operations of the Company. Colbert ultimately held the title of Vice President of Cantor Gaming before his employment was terminated by the Company shortly after having been charged in New York State Court with criminal offenses related to his dealings with an illegal gambling and bookmaking operation known as the "Jersey Boys."

5. Michael Colbert's job as the Director of Risk Management was to set and adjust odds, betting lines and betting limits for sports contests posted for wagering at all of Cantor Gaming's sports books. On or about August 21, 2013, Colbert pleaded guilty in the Eastern District of New York to conspiracy to conduct an illegal gambling business, in violation

of Title 18, United States Code, Section 371, and faces a term of imprisonment of up to five years when sentenced.

6. The "Jersey Boys" was an illegal gambling enterprise and bookmaking operation that conducted business in New Jersey and Queens, New York, among other places, from approximately 2009 until 2012, when a number of the Jersey Boys members and associates and others involved in their illegal gambling operation were indicted in New York State Supreme Court for Queens County. The operation employed individuals to set odds, accept bets from customers by telephone, collect the cash bets, pay out the proceeds of winning wagers and transport cash in bulk to accounts where it could be laundered. To minimize its risk from its customers' bets, the organization's employees placed offsetting bets at sports books, including at Cantor Gaming.

7. Jersey Boy #1, an individual whose identity is known to the Offices and the Company, was the leader of the Jersey Boys. On or about October 20, 2014, Jersey Boy #1 pleaded guilty in New York State Supreme Court, Queens County, to one count of Promoting Gambling in the First Degree, in violation of New York Penal Law Section 225.10, and forfeited $684,930.02.

8. Jersey Boy #2, an individual whose identity is known to the Offices and the Company, placed bets at, and transported money to, Cantor Gaming on behalf of the Jersey Boys. On or about September 24, 2013, Jersey Boy #2 pleaded guilty in New York State Supreme Court, Queens County, to Money Laundering in the Fourth Degree, in violation of New York Penal Law Section 470.05, and forfeited $600,000.

9. Florida Bettor #1 was the owner of a tout service that advised clients on how to bet on sporting events. Florida Bettor #1 also operated an illegal gambling operation. On September 7, 2016, Florida Bettor #1 pleaded guilty in the United States District Court, Eastern

District of Wisconsin to wire fraud, extortion and interstate travel in aid of racketeering, in violation of Title 18, United States Code, Sections 1343, 1951(a) and 1953(a)(2). The charges arose from Florida Bettor #1's illegal gambling operation and related illegal activities.

10. Florida Agent #1, an individual whose identity is known to the Offices and the Company, transported money and placed bets on behalf of Florida Bettor #1 in exchange for compensation.

11. Florida Agent #2, an individual whose identity is known to the Offices and the Company, placed bets on behalf of Florida Bettor #1 in exchange for compensation. At the time he worked for Florida Bettor #1, Florida Agent #2 was a felon, having been convicted in United States District Court, District of Nevada for his participation in another illegal bookmaking operation.

II. Legal Background

12. The practice of having an agent or "runner" place a bet on behalf of a third-party in exchange for compensation is known as "messenger betting." It is illegal for a licensed sports book in Nevada to knowingly accept wagers from compensated agents. (See Nevada Revised Statute, Sections 465.092 and 465.094; see also Nevada Gaming Commission Regulation, Sections 22.010(12), 22.060(5), 26C.010(11) and 26C.070.) Nevada law permits a bettor to wager through an uncompensated agent.

13. Nevada Gaming Commission Regulations prohibit a licensed sports book from knowingly accepting wagers or wagering instructions that are sent from outside the State of Nevada. (See Nevada Gaming Commission Regulation, Section 22.140).

14. Florida law prohibits wagering on contests of skill, including sporting contests. Florida law also prohibits assisting, aiding and abetting anyone from placing a prohibited wager. (See Fla. Stat. Ann. § 849.14).

15. New Jersey law prohibited wagering on sports games. (See N.J.S.A. 2A:40-1.[2]

16. Under federal law, the Wire Act, 18 U.S.C. § 1084(a), provides as follows:

> Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, [shall be punished].

17. There is a safe harbor provision in the Wire Act "for the transmission of information assisting in the placing of bets or wagers on a sporting event or contest from a State or foreign country where betting on that sporting event or contest is legal into a State or foreign country in which such betting is legal." (18 U.S.C. § 1084(b).) The safe harbor provision does not apply, however, when the bet is placed from a state where betting on sports contests is illegal, even if such betting is legal in the state where the bet is received.

18. Cantor Gaming, the Jersey Boys and Florida Bettor #1 were all "engaged in the business of betting and wagering" as that term is used in the Wire Act. (See 18 U.S.C. § 1084(a).)

19. Federal law also prohibits money laundering. Title 18, United States Code, Section 1956 provides, in part, that:

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[2] In 2011, New Jersey voters approved a referendum to permit sports gambling under certain limited circumstances and, in 2012, New Jersey enacted the Sports Wagering Act of 2012, which provided for regulated sports wagering at New Jersey's casinos and racetracks. (See N.J. Stat. Ann. §§ 5:12A–1 et seq). That law was invalidated, however, because it was preempted by federal law. A second attempt to legalize some gambling in New Jersey, (see N.J.S.A. 5:12A-7), was also stricken down as preempted by federal law. At all times, the Jersey Boys' gambling and bookmaking activities in New Jersey were prohibited by New Jersey state law.

> Whoever, knowing that the property involved in a financial transaction represents the proceeds of some form of unlawful activity, conducts or attempts to conduct such a financial transaction which in fact involves the proceeds of specified unlawful activity-- (A)[] with the intent to promote the carrying on of specified unlawful activity. . . or (B) knowing that the transaction is designed in whole or in part-- (i) to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity; or (ii) to avoid a transaction reporting requirement under State or Federal law, [shall be punished].

III. Overview of Cantor Gaming's Business

20. Cantor Gaming's revenues were largely derived from its operation of race and sports books, although it aspired to generate an increasing amount of revenue by licensing its intellectual property for mobile gaming technology. Cantor Gaming's race and sports book revenues were based on its "hold" percentage, which referred to the ratio of the amount Cantor Gaming won from patrons (including transaction fees for accepting wagers) to the total amount wagered, which was referred to as the "handle."

21. Cantor Gaming's strategy was to attract regular high stakes bettors and increase the volume of bets, the size of the handle and ultimately, the amount of revenue. Cantor Gaming generally required regular and large bettors to open a wagering account and to place bets through that wagering account, rather than through over-the-counter ticket wagering. Bettors deposited funds in Cantor Gaming accounts, which were available for wagering and withdrawal at the bettor's request.

22. Unlike many race and sports books that placed low limits on the amounts allowed to be wagered on a given sporting contest, Cantor Gaming generally permitted players to place large wagers. This strategy, however, exposed Cantor Gaming to potentially outsized losses if it was unable to effectively manage risk through a number of methods, including by balancing large wagers with similarly sized wagers on the other side of the contests. Taking bets

on the other side of a contest to reduce the Company's exposure was referred to as "buy-back." Buy-back was a critical component to Cantor Gaming's risk management strategy.

23. As the Director of Risk Management, it was part of Michael Colbert's job to obtain buy-back when necessary to balance Cantor Gaming's betting exposure within risk parameters, which had been approved by Cantor Fitzgerald personnel in New York. Colbert was repeatedly held to account on occasions when he failed to obtain sufficient buy-back and suffered losses outside the approved risk parameters. For example, on or about April 12, 2010, Colbert informed Cantor Gaming Executive #1 that the Company was going to lose $300,000 on a handle of $1.8 million on that day. Cantor Gaming Executive #1 responded via e-mail: "That's unacceptable mike this has to stop we have given back our whole year and then some. I don't know what to say. I will be crucified by NY. We better come up with some strategy."

24. A significant portion of Cantor Gaming's race and sports wagers was attributable to the play of a small number of players. Cantor Gaming's success in the race and sports book business depended on its ability to continue to attract frequent bettors and bettors who made large wagers, to drive volume and increase the size of the handle. To attract these bettors, Cantor Gaming continued to offer much higher betting limits than other race and sports books.

25. In addition to allowing higher limit wagers, Cantor Gaming sought to obtain and retain the business of high volume bettors by giving them preferential treatment. One example of such treatment was that important bettors were given direct access to Michael Colbert and the Risk Management staff at Cantor Gaming. Colbert and his staff handled daily interactions with important bettors, rather than personnel under the Chief Operating Officer, who typically interacted with Cantor Gaming's patrons.

26. Under this preferential treatment arrangement, Colbert and his staff, who reported directly to Cantor Gaming Executive #1, were more accommodating to the requests of important bettors and facilitated deposits, withdrawals and resolved complaints. To cater to important customers, Cantor Gaming personnel, including Michael Colbert, violated Cantor Gaming's internal compliance policies and state and federal laws. For example, Cantor Gaming personnel became aware that a high volume bettor was using an undeclared agent to structure betting activity to avoid federal reporting requirements. In accordance with federal law and Cantor Gaming's own internal policies, a Cantor Gaming employee drafted a Suspicious Activity Report ("SAR") to file with the Financial Crimes Enforcement Network (FinCEN), which described the suspicious activity. Upon learning of the draft SAR, Michael Colbert directed the employee to "rip up" the SAR and "throw it away" before it was filed. Colbert informed the employee, in sum and substance, that Cantor Gaming did not file SARs on important bettors. The Cantor Gaming employee complied with Colbert's directive and destroyed the draft SAR.

IV. The Jersey Boys-Related Conduct

27. Jersey Boy #1 employed certain individuals (the "Runners") to transport large amounts of cash to and from Las Vegas and to place bets on behalf of the Jersey Boys' illegal gambling operation.

28. Runners held wagering accounts at Cantor Gaming race and sports books to facilitate the organization's illegal gambling and money laundering operations. Runners deposited cash proceeds of the Jersey Boys illegal gambling operation into Cantor Gaming accounts held in the Runners' own names and placed bets with the funds at the direction of Jersey Boy #1, who typically, in violation of the Wire Act, communicated his instructions to the Runners via telephone and Skype from outside the State of Nevada. For their efforts, the Runners were compensated in violation of Nevada law.

29. Michael Colbert and certain lower level employees in Cantor Gaming's Risk Management Department, knew that the funds deposited, wagered and withdrawn in the names of the Runners were in fact not the Runner's own funds, but funds controlled by Jersey Boy #1 as part of an illegal gambling operation.

30. In or about July 2011, Cantor Gaming personnel stopped a Runner from withdrawing funds from an account in his own name until a Cantor Gaming employee, acting at the direction of Michael Colbert, spoke with Jersey Boy #1 to confirm that the Runner was authorized to withdraw funds from the Runner's own account.

31. In or about and between 2009 and 2012, at least seven associates of the Jersey Boys deposited approximately $6,406,247 into wagering accounts in their own names at Cantor Gaming. Over the same period, those individuals withdrew $6,186,178 from their Cantor Gaming wagering accounts. Runners were sometimes individually or collectively referred to as "Jersey Boys" on Cantor Gaming's internal wagering reports, which were sent to senior Cantor Gaming management, including Cantor Gaming Executive #1.

32. Michael Colbert and certain lower level employees in the Risk Management Department also knew that the Runners were compensated for placing bets on behalf of others in violation of Nevada law, but nevertheless accepted wagers from those Runners. Colbert was specifically aware that one of the Runners was paid between $1,200 and $1,500 a week for placing bets and making deposits and withdrawals at Cantor Gaming sports books on behalf of Jersey Boy #1. In addition, in or about September 2011, Michael Colbert referred a friend who needed a job and money to Jersey Boy #1 to act as a Runner for the Jersey Boys.

33. In or about and between 2011 and 2012, Jersey Boy #2 kept regular hours at the M Resort Spa Casino, working most days from approximately 8 a.m. to 5 p.m. on behalf of

the Jersey Boys. During that time, Jersey Boy #2 deposited more than $2.5 million into a wagering account in his own name that was, in reality, controlled by Jersey Boy #1 for the benefit of the Jersey Boys illegal gambling operation. Shortly after he began showing up at the casino, Cantor Gaming employees addressed Jersey Boy #2 as "Jersey" and knew that Jersey Boy #2 was not depositing, withdrawing or betting his own funds but was working for Jersey Boy #1.

34. Cantor Gaming, largely through Michael Colbert and his staff, tolerated the Jersey Boys illegal activities, in part, because the Company relied on the Jersey Boys to obtain buy-back. In or about and between 2009 and 2012, Cantor Gaming personnel, including Michael Colbert and lower level employees under his supervision, approached Runners and encouraged them to take certain sides of contests. On numerous occasions, Colbert contacted Jersey Boy #1 via telephone to encourage Jersey Boy #1 to make a particular wager to help Colbert manage Cantor Gaming's exposure on a given contest. The Jersey Boys often complied and made the wagers needed by Cantor Gaming to hedge its risk exposure. In addition, Colbert regularly spoke with Jersey Boy #1 via telephone to discuss, among other things, upcoming games, line movements and betting limits.

35. Michael Colbert's reliance on the Jersey Boys to obtain buy-back was known to Cantor Gaming Executive #1, who received daily reports on significant betting activity. For example, on or about December 26, 2009, Michael Colbert sent an e-mail to Cantor Executive #1, which stated: "I will buy back from jersey in the spots I think we should[.]" That same day, Colbert sent an e-mail to Cantor Executive #1, which stated: "As I'm sure u already know, the charges killed the titans. We should only lose about 35k on the day. We bought back 50k from jersey boys and another 15k from others."

36. On or about December 29, 2009, Colbert sent an e-mail to Cantor Gaming Executive #1, which stated: "[A high profile bettor] just bet 30k on [the Boston] Celtics. Bought all 30k back from jersey boy. 3k in the bank for us."

37. On or about March 15, 2010, Colbert sent an e-mail to Cantor Gaming Executive #1, which stated, in part: "Not a good day. We lost all those late games. And doc and spider [two bettors] hit all there (sic) parlays. Gonna lose around 75k. [A significant bettor] bet 12 games. Jersey bought back about 60 percent of that risk. Which was very good."

V. Florida Bettor #1-Related Conduct

38. Florida Bettor #1 was one of Cantor Gaming's largest and most important customers. In or about and between 2010 and 2013, Florida Bettor #1 and his agents made more than $100 million in cash deposits into wagering accounts at Cantor Gaming, which Florida Bettor #1 controlled. Florida Bettor #1's handle, or the total amount Florida Bettor #1 wagered with Cantor Gaming, during this time period was in excess of $300 million.

39. Cantor Gaming personnel, including Michael Colbert and Cantor Gaming Executive #1, regularly communicated with Florida Bettor #1 through telephone calls, text messages and e-mail communications, when, as Cantor Gaming personnel knew and believed, Florida Bettor #1 was located in Florida. During these communications, Cantor Gaming personnel and Florida Bettor #1 discussed, among other things, betting limits to assist Florida Bettor #1 in placing bets at Cantor Gaming sports books, and settling wagering disputes, which entitled Florida Bettor #1 to receive money and credit as a result of bets on sporting contests.

40. Florida Bettor #1 made the majority of his deposits, withdrawals and wagers through his registered agents, including Florida Agent #1 and Florida Agent #2. While located in Florida, Florida Bettor #1 communicated his wagers to his agents over the phone and through text messages, in violation of the Wire Act. Both Florida Agent #1 and Florida Agent

#2 were compensated by Florida Bettor #1 for their work, in violation of Nevada law. Cantor Gaming personnel, including Michael Colbert and lower level employees in the Risk Management group, knew that Florida Agent #1 and Florida Agent #2 regularly received instructions from Florida Bettor #1, in violation of the Wire Act, and believed that they were compensated for their work on behalf of Florida Bettor #1, in violation of Nevada law.

41. On numerous occasions when Florida Bettor #1 had difficulty making contact with his agents prior to the start of sporting contests he wished to bet on, Florida Bettor #1 contacted Cantor Gaming personnel directly for assistance. Knowing and believing that Florida Bettor #1 was calling from outside of Nevada, Cantor Gaming personnel located and passed messages to agents on Florida Bettor #1's behalf to help Florida Bettor #1 place bets. On at least one occasion, a Cantor Gaming employee entered a bet through a tablet device on Florida Bettor #1's behalf because the agent was having difficulty entering the bet.

42. Florida Bettor #1 and his agents made deposits by delivering duffle bags filled with U.S. currency to Cantor Gaming. For example, on or about the following dates, Florida Bettor #1 or his agents made cash deposits of United States currency in the following amounts into Cantor Gaming accounts controlled by Florida Bettor #1:

Date	**Amount**
October 31, 2010	$660,000.00
December 4, 2010	$660,000.00
December 27, 2010	$648,000.00
September 10, 2011	$590,000.00
September 15, 2011	$600,000.00
September 28, 2011	$1,000,000.00

Date	Amount
November 27, 2011	$999,000.00
January 20, 2012	$1,087,900.00
February 12, 2012	$1,250,000.00

43. On other occasions, Florida Bettor #1 funded his Cantor Gaming wagering account by wire transfers from unaffiliated third-party accounts. In or about and between September 2013 and December 2013, Florida Bettor #1 deposited more than $3.9 million into his Cantor Gaming wagering account from third-party wire transfers. Cantor Gaming's corporate office filed timely SAR reports for some of these third-party wire transfers.

44. In or about and between 2010 and 2013, Florida Bettor #1 and his agents withdrew more than $100 million in cash, rather than checks or wire transfers, from Cantor Gaming wagering accounts controlled by Florida Bettor #1. On or about the following dates, Florida Bettor #1 or his agents withdrew the following amounts in cash from Cantor Gaming wagering accounts controlled by Florida Bettor #1:

Date	Amount
November 7, 2010	$974,728.00
November 23, 2010	$800,000.00
November 28, 2010	$1,079,229.00
January 9, 2011	$1,748,800.00
September 18, 2011	$1,050,000.00
September 25, 2011	$1,134,200.00
November 6, 2011	$1,500,000.00

Date	Amount
January 2, 2012	$1,125,000.00
January 15, 2012	$1,300,000.00
December 14, 2012	$950,000.00

45. Cantor Gaming employees openly speculated about the sources of Florida Bettor #1's funds. Michael Colbert and others discussed the possibility that Florida Bettor #1 was a bookmaker. Colbert ultimately concluded that Florida Bettor #1 was a fraudster or a "con-man" who defrauded his customers out of their money.

46. In reality, Florida Bettor #1 used his Cantor Gaming wagering account to launder proceeds from an illegal bookmaking scheme. In furtherance of his illegal scheme, Florida Bettor #1 referred clients of his tout service to place bets with a purported third-party bookmaker, who in reality was Florida Bettor #1's employee. To make it appear as if Florida Bettor #1's clients were placing bets offshore and to conceal the fact that Florida Bettor #1's referral was an inside job, the purported third-party bookmaker opened accounts for the clients on a Costa Rican website.

47. Through the Costa Rican website, Florida Bettor #1's clients were able to see odds and place bets on sporting contests, often times based on advice the clients received from Florida Bettor #1's tout service. Clients made deposits into their online wagering account by sending money to the purported third-party bookmaker and other individuals who were in fact agents of Florida Bettor #1.

48. Florida Bettor #1 paid a flat fee for the offshore internet service, which recorded the bets, but assumed no risk for the betting activity. Florida Bettor #1 booked the wagers himself and laundered the proceeds through his wagering account at Cantor Gaming.

49. In addition, unbeknownst to any Cantor Gaming employee, Florida Bettor #1 engaged in an extortion scheme, during which he extorted a client for millions of dollars. Florida Bettor #1 laundered a portion of these funds through his Cantor Gaming wagering account, including through third-party wire transfers.

50. Florida Bettor #1 was able to use his Cantor Gaming wagering account to launder proceeds of significant criminal activities, in part, because Cantor Gaming employees were willing to ignore and overlook violations of Cantor Gaming's internal compliance policies,

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as well as state and federal law, in connection with Florida Bettor #1's messenger betting and out-of state betting activities.

Dated: Brooklyn, New York
October 3, 2016

Agreed and Consented To By:

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Parikshat Khanna
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Chief, Criminal Division

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