**California Gambling Control Commission**
**Closed Cardroom Regulation**
Options for Discussion Purposes
August 4, 2009

## Option 1: Limit to only the original licensee (similar to May 15, 2009 workshop)

**§ 12350. Limitations on Reopening Closed Cardrooms.**

(a) The last licensed owner of a gambling establishment with a licensed owner as of December 31, 1999, or that had an owner with a license application on file with the department prior to September 1, 2000, may submit an application for a state gambling license in order to operate the gambling establishment associated with the previously held license, even if the gambling establishment subsequently closed. For purposes of this section, "person" includes only the natural person or persons and any entity or entities that were actually licensed or registered as the owner-licensee approved to operate the gambling establishment or, as applicable, that would have been issued such a license if approved, and does not include natural persons or entities that were or would have been merely endorsed on the license certificate issued to the owner licensee.

****Insert Standard Language here (see below)****

## Option 2: Limit to original licensee plus qualified successor-in-interest

**§ 12350. Limitations on Reopening Closed Cardrooms.**

(a) The last licensed owner of a gambling establishment with a licensed owner as of December 31, 1999, or that had an owner with a license application on file with the department prior to September 1, 2000, may submit an application for a state gambling license in order to operate the gambling establishment associated with the previously held license, even if the gambling establishment subsequently closed. For purposes of this section, "person" includes only the natural person or persons and any entity or entities that were actually licensed or registered as the owner-licensee approved to operate the gambling establishment or, as applicable, that would have been issued such a license if approved, and does not include natural persons or entities that were or would have been merely endorsed on the license certificate issued to the owner licensee.

(b) Any person who is a qualified successor-in-interest to the last licensed owner of a gambling establishment described in subsection (a), including, but not limited to a person who has succeeded to the ownership of the gambling establishment through purchase, probate,

community property settlement, or trust distribution, may submit an application for a state gambling license even if the gambling establishment subsequently closed.

****Insert Standard Language here (see below)****

## Option 3: Open to anyone (June 23, 2009 workshop)

**§ 12350. Limitations on Reopening Closed Cardrooms.**

(a) Any gambling establishment with a licensed owner as of December 31, 1999, which has subsequently closed or ceased operation, or that had an owner with a license application on file with the department prior to September 1, 2000, may be reopened by any person pursuant to the requirements of this section and the Act.

(b) Prior to submitting an application for an initial state gambling license pursuant to this section, the applicant must obtain approval, in the form of a formal resolution or other evidence satisfactory to the Commission, to reopen the cardroom from the applicable city council, board of supervisors, or other local governing authority. The documentation shall express support for reopening the cardroom and shall clearly state a willingness to issue a local license to the applicant, contingent upon issuance of a state gambling license. In the event that more than one person requests approval, the city council or board of supervisors shall have the discretion as to which applicant to approve.

(c) The Commission shall accept an application for a state gambling license submitted pursuant to this section only from the person named in the resolution required by subsection (b). If that applicant is denied a state gambling license by the Commission, the city council or board of supervisors may approve another person.

****Insert Standard Language here (except for section X1)****

## Option 4: Prioritize Applications

**§ 12350. Limitations on Reopening Closed Cardrooms.**

(a) Any gambling establishment with a licensed owner as of December 31, 1999, which has subsequently closed or ceased operation, or that had an owner with a license application on file with the department prior to September 1, 2000, may be reopened pursuant to the requirements of this section and the Act. Applications for a state gambling license to operate the gambling establishment will be considered by the Commission in the following priority order:

(1) The last licensed owner of the gambling establishment;

(2) A qualified successor-in-interest to the last licensed owner of the gambling establishment. For purposes of this section, "qualified successor-in-interest"

means a person who has succeeded to the ownership of the gambling establishment through purchase or other legal means, including, but not limited to, probate, community property settlement, or trust distribution.

(3) Any person approved by the local governing body of the applicable jurisdiction.

****Insert Standard Language here (see below)****

## Option 5: Define Abandoned License (Allows original owner to reactivate)

**§ 12337 / 12349(?). Abandoned Licenses; Reactivation**

(a) A state gambling license that has been voluntarily surrendered without being under threat of adverse action, or has expired under operation of law shall be considered abandoned.

(b) An abandoned license may be reactivated within [12/24] months of the surrender or expiration of the license. In order to reactivate the license, the applicant must pay all required fees and deposits required for a renewal license application pursuant to Section XXX.

(c) Licenses abandoned prior to the effective date of this section may be reactivated within [12/24] months of the effective date of this section. In order to reactivate the license, the gambling establishment must be located in the same local jurisdiction as previously located.

(X) Abandoned licenses that are not reactivated within the specified time frame shall no longer be eligible for reactivation and the associated gambling establishment is no longer eligible to be operated.

****Insert Standard Language here (see below)****

## Option 6: Disallow Reopening of Closed Cardrooms

**§ 12051. Abandoned Licenses**

(a) A state gambling license shall be considered abandoned under any of the following circumstances:

(1) The license was not renewed upon expiration and the gambling establishment ceased operation;

(2) The license was voluntarily surrendered; or

(3) The license was surrendered under threat of adverse action.

(b) An abandoned state gambling license cannot be renewed and the associated gambling establishment is no longer eligible to be operated.

## Standard Language (for all options except Option 6)

(X1) Prior to submitting an application for an initial state gambling license pursuant to [this section/subsection X], the applicant must obtain approval, in the form of a formal resolution or other evidence satisfactory to the Commission, to reopen the cardroom from the applicable city council, board of supervisors, or other local governing authority. The documentation shall express support for reopening the cardroom and shall clearly state a willingness to issue a local license to the applicant, contingent upon issuance of a state gambling license.

(X2) In addition to the forms, fees, and deposits for an initial application required pursuant to Sections 12341, 12342, and Title 11, CCR, Section 2037, and the documentation required by subsection (b), the applicant must submit the following information:

(1) A copy of the current applicable local gambling ordinance;
(2) An economic feasibility study that demonstrates to the satisfaction of the Commission that the proposed cardroom will be economically viable, and that the owners have sufficient resources to make the cardroom successful and to fully comply with all requirements of the local ordinance, the Act, state regulations, and all local, state, and federal tax laws;
(3) A statement, signed by the applicant, acknowledging a willingness to be bound by the conditions included in subsections (X3), (X4), and (X5).

(X3) No temporary licenses shall be issued to applicants under this section.

(X4) The gambling establishment to be reopened must be located in the same local jurisdiction in which it was previously licensed.

(X5) (1) The applicant shall pay for a certified public accounting firm to conduct the financial background investigation required pursuant to Section 19826 of the Business and Professions Code. The public accounting firm shall meet all of the following conditions:

(A) The firm shall be licensed and domiciled in California.
(B) The firm shall have forensic accounting experience.
(C) The firm may not have performed services for the applicant during the previous five years.
(D) The firm shall be subject to the approval of the Bureau.

(2) The financial background investigation shall be conducted by the certified public accounting firm in consultation with the Bureau, and shall include, at a minimum, the following components:

(A) Confirmation of all accounting records that reflect separate financial entities for all related businesses and individual owners.

(B) Identification of all owners, companies, and subsidiaries connected to the application.
(C) An assessment determining if the applicant has sufficient financial resources to sustain the gambling establishment.
(D) Identification of affiliated persons and entities potentially subject to licensure by the Commission.
(E) An assessment of reliability of financial information provided in connection with the application.
(F) An assessment of the consistency of reported financial information with the economic feasibility study submitted pursuant to this section.
(G) An assessment of reasonableness of reported/projected revenue.
(H) Identification of any indications the applicant may be involved in illegal or questionable activities.
(I) Identification of any prohibited financial or managerial interests of the applicants, owners, or other principals.

(X6) Applications submitted pursuant to this section must be received within [12/24] months of the effective date of this section. For purposes of this section, applications shall be considered submitted if all required fees have been paid.

**Authority:** Sections 19824, 19840, 19841 and 19963, Business and Professions Code.
**Reference:** Sections 19811, 19823, 19851, 19856, 19860, 19862, 19864, 19865, 19960, and 19963, Business and Professions Code.