

CALIFORNIA GAMBLING CONTROL COMMISSION
2399 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833

March 27, 2008

**THIRD NOTICE OF MODIFICATIONS TO TEXT
OF PROPOSED REGULATIONS**
(Third 15-Day Change)

Pursuant to the requirements of Government Code section 11346.8(c) and Title 1, California Code of Regulations, section 44, the California Gambling Control Commission (Commission) is providing notice of changes made to proposed regulations concerning the two-year licensing of gambling establishments and key employees.

If you have any comments concerning the changes proposed in this third 15-day notice, please submit them in writing between Thursday, March 27, 2008 and Friday, April 11, 2008. All comments must be received at the Commission no later than 5 p.m., Friday, April 11, 2008. If mailed, comments should be directed to the following primary contact person:

Herb Bolz, Senior Legal Counsel
California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833-4231

Comments may be sent by fax to Herb Bolz at (916) 263-0452 or emailed to hbolz@cgcc.ca.gov. If you comment by email or fax, we suggest that you phone Herb Bolz at (916) 263-1490 to confirm that the comment has been received. Questions concerning the substance of the proposed regulations should be directed to Herb Bolz at (916) 263-1490.

The backup contact person for this proposed regulation package is:

Jim Allen
California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833-4231

Telephone: (916) 263-0700
Fax: (916) 263-0452
E-mail: jallen@cgcc.ca.gov

All written comments received by 5 p.m., Friday, April 11, 2008, which pertain to the indicated changes will be summarized and responded to by the Commission in the Final Statement of Reasons.

Background:

A public hearing was held on August 23, 2007, to provide a forum for public input and recommendations concerning the proposed regulations as originally noticed on July 6, 2007.

As a result of public comments, a Notice of Modifications to Text of Proposed Regulations (first 15-day change) was sent to interested parties on October 10, 2007. The public comment period for this first 15-day change notice ended at 5:00 p.m. on October 25, 2007.

As a result of public comments, a Notice of Modifications to Text of Proposed Regulations (second 15-day change) was sent to interested parties on December 11, 2007. The public comment period for this second 15-day change notice ended at 5:00 p.m. on December 26, 2007.

The enclosed draft of the regulations contains changes to the text and forms following the end of the second 15-day public comment period.

In the text and forms, changes to existing regulations as previously noticed are shown in single line strikeout/underline style. Changes made as part of this third 15-day change document are indicated by a double line strikeout for deletions and a double underline for additions.

The particulars of this third 15-day change proposal are as follows:

These changes would correct a reference error in proposed section 12335(a). The “(b)” following the reference to section 12002 has been deleted, as this reference applies to all of section 12002.

These changes would amend proposed section 12340(b) to insure that it is not in conflict with recently adopted section 12347.¹ This new section establishes an interim status for key employees while their license application is still pending. This interim status allows a person holding a valid work permit or gambling license to assume a key employee position, provided that within 30 days of assuming the key employee position, they submit specified key employee license applications and fees to the Commission. This change would also recognize a similar provision, Business and Professions Code section 19883, which allows key employees of corporate owner-licensees to work pending disposition of their application, provided that they apply for a key employee license within 30 days of becoming a key employee.

As part of this third 15-day change, an additional reference section has been applied to section 12340: Business and Professions Code section 19855.

Section 12342(a) lists the various forms that are required when applying for a state gambling license or key employee license. Specified forms listed in this section have been amended by these changes, and their revision dates as stated in section 12342(a) have been changed accordingly. The details regarding the amendments to these forms are as follows:

- Application for State Gambling License, CGCC-030 (Rev. 03/08)
- Application for Gambling Establishment Key Employee License, CGCC-031 (Rev. 03/08)

The revision dates for forms DGC-APP-015A, 015B, 015C, 016A and 143, as stated on forms CGCC-030 and/or 031 have been amended to read “03/08”.

The footnotes on page four of form CGCC-030, and on page two of form CGCC-031, have been reworded as part of the third 15-day

¹ California Code of Regulations, section 12347, established in rulemaking file # CGCC-GCA-2007-R-4 (OAL Notice # Z-07-0720-02)

change to these regulations. These amendments reassure the license applicant that their personal residence address will not be disclosed on the Commission's web site or as part of a public records request. Likewise, forms CGCC-031 and CGCC-030 have been amended to provide the applicant with the option of providing a mailing address that is separate from their residence address. If a separate mailing address is provided, then all correspondence from the Commission will be mailed to the applicant at this separate mailing address.

Accordingly, the revision dates for forms CGCC-030 and CGCC-031 referenced in sections 12342(a), 12343(a)(1), 12344(a)(1) and 12345(a)(2) have been changed to read: 03/08.

- Gambling Establishment Owner Applicant-Individual Supplemental Background Investigation Information, DGC-APP-015A (Rev. 03/08)

The redundant phrase "and location" has been deleted in section 8 of form 015A.

The revision dates for forms DGC-APP. 005, 008, 011 and 012 as referenced on form 015A have been corrected to that which is currently authorized by regulation.

The revision date for form DGC-APP. 006 as referenced on form 015A has been amended to read "03/08".

Accordingly, the revision date for form DGC-APP-015A as referenced in section 12342(a)(3) has been changed to read "03/08".

- Gambling Establishment Owner Entity Supplemental Information for State Gambling License, DGC-APP-015B (Rev. 03/08)

The "Remunerations" section (#4) on form 015B has been revised by requesting that those remunerations totaling more than \$50,000 be reported. This reporting threshold has been changed to align form 015B with existing law. Business and Professions Code sections 19880(d)(6) and 19890(e)(6) require an applicant to declare any remuneration in excess of \$50,000.

The revision dates for forms DGC-APP. 005 and 008 as referenced on form 015B have been corrected to that which is currently authorized by regulation.

The revision date for form DGC-APP. 006 as referenced on form 015B has been amended to read “03/08”.

Accordingly, the revision date for form DGC-APP-015B as referenced in section 12342(a)(4) has been changed to read “03/08”.

- Gambling Establishment Supplemental Information for State Gambling License, DGC-APP-015C (Rev. 03/08)

An entry for the “Name(s) of Proposed Game(s)” has been reinstated into section #2 of form 015C.

A typographical error has been corrected in section #3 of form 015C.

The “Remunerations” section (#7) on form 015C has been revised by requesting that those remunerations totaling more than \$50,000 be reported. This reporting threshold has been changed to align form 015C with existing law. Business and Professions Code sections 19880(d)(6) and 19890(e)(6) require an applicant to declare any remuneration in excess of \$50,000.

The revision dates for forms DGC-APP. 005 and 008 as referenced on form 015C have been corrected to that which is currently authorized by regulation.

The revision date for form DGC-APP. 006 as referenced on form 015C has been amended to read “03/08”.

The statement in section #10 “(initial and renewal applications)” has been deleted when referencing the need for a chips-in-use account statement, since form 015C would only apply to initial license applications.

Schedule E of form 015C requests the applicant to “List any direct or indirect interest held in real property by yourself, your spouse, or your dependent children.” Since form 015C applies to a business entity, this

language has been revised to read “List any direct or indirect interest held in real property”.

Schedule F of form 015C requests a gambling license applicant to enter the “Account Number” for art collections, coin collections, antiques and automobiles. Since such assets may not actually have account numbers, this language has been amended to read “Description (e.g., serial numbers, VIN numbers)”

Accordingly, the revision date for form DGC-APP-015C as referenced in section 12342(a)(5) has been changed to read “03/08”.

- Gambling Establishment Key Employee Supplemental Background Investigation Information, DGC-APP-016A (Rev. 03/08)

An entry for the applicant’s residence address has been reinstated into section #1 of form 016A.

Section #1 of form 016A would also be revised to include the name of the supervisor of any family members who work in a California gaming facility. The name of the supervisor is necessary so that Division staff have a contact point at the gaming facility from which to verify the duties of the family member.

Even though revisions to sections 7 and 8 were included in past notices for these regulations, some of the revised text was not noticed properly. That is, some of the new text was not underlined as an addition to the form. As a result, these additions to sections 7 and 8 are displayed in this third 15-day change in double underline format.

Section #8 of form 016A would be revised to include the name of any business entity with which the applicant is associated, rather than just a corporation or partnership. This change would require other entities, such as limited liability companies, to be included in this section of form 016A. An entry for more than one business entity has also been reinstated into section #8 of form 016A.

A grammatical error has been corrected in section #11 of form 016A.

The revision date for form DGC-APP. 006 as referenced on form 016A has been amended to read “03/08”.

An error has been corrected which failed to state deleted language on Schedule B of form 016A.

Accordingly, the revision date for form DGC-APP-016A as referenced in section 12342(a)(6) has been changed to read “03/08”.

- Trust Supplemental Background Investigation Information, DGC-APP-143 (New 03/08)

The revision dates for forms CGCC-030, DGC-APP-015A and DGC-APP. 006, as stated on form 143 have been amended to read “03/08”.

The instruction language at the top of page two has been changed by replacing the word income with distribution when describing money that a beneficiary may receive from a trust that owns a gambling enterprise. The word distribution is more commonly used in trusts. The second sentence of these instructions that used the term income has also been deleted by these changes. In an effort to determine if a gambling license is required, the Division simply needs to know if the beneficiary is receiving money from a gambling enterprise through a trust.²

The instruction language in the middle of page two has been changed to restate and clarify that a copy of the minor beneficiary’s birth certificate be included with the trust application package by the trustee, rather than the parent or legal guardian of the beneficiary. The obligation for including the birth certificate with the trust application package lies with the trust applicant, the trustee. To help eliminate any confusion, the words “parent or legal guardian of such an underage beneficiary” have been deleted by this revision.

Accordingly, the revision date for form DGC-APP-143 as referenced in section 12342(a)(8) has been changed to read “New 03/08”.

- Authorization to Release Information, DGC-APP. 006 (Rev. 03/08)

² Business and Professions Code, sections 19850 and 19852

The proposed validity period for the release of information has been changed from 24 months to 12 months.

The reprint of Business and Professions Code 19828 on page three of form 006 has been updated with new language from recently enacted legislation.³

Accordingly, the revision date for form DGC-APP. 006 as referenced in section 12342(a)(10) has been changed to read “03/08”.

- Instructions to Applicant’s Spouse, DGC-APP. 010 (Rev. 03/08)

Since form DGC-APP. 007 is being repealed by these proposed regulations, these changes would delete any reference to it on form DGC-APP. 010. Since these regulations amend forms CGCC-030, CGCC-031, DGC-APP-015A and DGC-APP-016A, conforming changes are also being made to form DGC-APP. 010, where references are made to these other forms.

Accordingly, the revision date for form DGC-APP. 010 as referenced in section 12342(a)(17) has been changed to read “03/08”.

- Instructions to Applicants, DGC-APP. 007 (Rev. 12/04)
- Renewal Supplemental Information for State Gambling/Key Employee License and Instructions to Renewal Applicants, DGC-APP. 017A (Rev. 12/04)

Even though the repeal of forms DGC-APP. 007 and 017A was included in past notices for these regulations, the incorrect versions of these deleted forms were displayed. As a result, the correct versions of these deleted forms are displayed in this third 15-day change.

As part of these changes, Business and Professions Code section 19876 has been deleted from section 12342 as a reference section, as section 12342 no longer applies to license renewals.

These changes would delete obsolete language from section 12345(a) relating to the need for supplemental information upon license renewal, as required by section 12342. This supplemental information is no longer

³ Senate Bill 82 (2007 Stat. Ch. 176)

required for a renewal application, and section 12342 would no longer apply to license renewals.

As part of this change, an additional reference section has been applied to section 12357: Business and Professions Code section 19954.

As part of the original notice for these proposed regulations, as published on July 6, 2007, paragraphs (2), of subsections (a), of both sections 12358 and 12359 were amended to cause the Commission to accept payment of both an application fee and a Division review deposit when the owner licensee of a gambling establishment applies for additional tables, on a temporary or permanent basis. To facilitate the application for additional tables, the applicable of the following two forms are submitted to the Commission:

- Request for a Certificate to Operate Additional Tables on a Temporary Basis, CGCC-024 (Rev. 01-07)
- Application for Additional Authorized Permanent Tables, CGCC-027 (Rev. 07-06)

These forms currently request the applicant to make fees and deposits payable to the Commission and to the Division separately. These changes would amend these forms so that the applicable fees and deposit could both be payable directly to the Commission. Accordingly, sections 12358(a)(1) and 12359(a)(1) would be amended by these changes to reflect a revision date of 03/08 for forms CGCC-024 and CGCC-027.

Copies of the text of the proposed changes and the changes to the forms incorporated by reference in the regulations will be available on the Commission's website, at www.cgcc.ca.gov, under "Laws and Regulations".