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1 CALIFORNIA GAMBLING CONTROL COMMISSION
2 SPECIFIC LANGUAGE OF PROPOSED REGULATIONS
3 APPROVAL OF TRANSACTIONS AND ENFORCEMENT OF SECURITY INTERESTS
4 CGCC-GCA-2013-0#-R

5 TITLE 4. BUSINESS REGULATIONS.

6 DIVISION 18. CALIFORNIA GAMBLING CONTROL COMMISSION.

7
8 CHAPTER 5. ACCOUNTING AND TRANSACTION PROVISIONS.

9 **§ 12XXX. Definitions.**

10 *(The text for the definitions is being provided for discussion and reference, but the best*
11 *location of each term – Section 12002 or Section 12311 or another location – will be determined*
12 *at a later date.)*

13 (a) Except as otherwise provided in subdivision (b), the definitions in Business and
14 Professions Code section 19805 shall govern the construction of this chapter.

15 (b) As used in this chapter:

16 (1) “Affiliate” means “affiliate” as defined in Business and Professions Code section 19805
17 and, for the purposes of this chapter includes, but is not limited to, the following persons:

18 (A) A director, officer, general partner, managing member, or controlling person of the
19 person specified;

20 (B) A spouse or registered domestic partner of a director, officer, general partner, managing
21 member, or controlling person of the person specified;

22 (C) A member of the immediate family of a director, officer, general partner, managing
23 member, or controlling person of the person specified, (i) who has the same home as that
24 specified person, or (ii) who is a director, officer, general partner, or managing member of any
25 affiliate controlled by the person specified or in which the specified person has an ownership
26 interest. The immediate family of any natural person means any of the following (whether by
27 full or half blood or by adoption): the person’s spouse, registered domestic partner, father,
28 mother, children, brothers, sisters, and grandchildren; the father, mother, brothers, and sisters of

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1 the person's spouse or registered domestic partner; and the spouse or registered domestic partner
2 of a child, brother, or sister of the person.

3 (D) Any trust or other estate in which a director, officer, or controlling person of the person
4 specified, or the spouse or domestic partner of a director, officer, or controlling person of the
5 person specified, has a substantial beneficial interest, or as to which the person or his or her
6 spouse or domestic partner serves as trustee or in a similar fiduciary capacity.

7 (2)(A) "Affiliate agreements" means any oral or written agreement or related series of
8 agreements that is between:

9 1. Two or more licensees;

10 2. A licensee and any affiliate;

11 3. A licensee and any affiliate of another licensee;

12 4. A licensee and a licensee or registrant of a gambling regulatory agency in any other
13 jurisdiction;

14 5. Affiliates of two or more licensees.

15 (B) An affiliate agreement also includes any subsequent agreement or transaction arising out
16 of, resulting from, based upon, performed in connection with, or connected in any way to an
17 affiliate agreement.

18 (2) "Compensation" means, without limitation, all fees, commissions, monies, or other things
19 of value received or paid.

20 (3) "Consulting agreement" means a contract or agreement to receive the advice or the
21 benefit of the expertise of another for compensation.

22 (4) "Control" means the direct or indirect possession of the power to direct or cause the
23 direction of the management and policies of a person. This may be through any method,
24 including, but not limited to, an ownership interest or by a contract other than a commercial
25 contract for goods or non-management services. Control shall be presumed to exist:

26 (A) If any person, directly or indirectly, owns, controls, holds with the power to vote, or
27 holds proxies representing more than 10 % ownership interest of a specified person;

28 (B) If a person is a director, officer, general partner, or managing member of, or performs

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1 similar functions, directly or indirectly, for a specified person.

2 (5) “Enforcement of a security interest” means the transfer of possession, ownership or title
3 pursuant to a security interest.

4 (6) “Event of default” means any failure to comply with the security agreement that would
5 result in the contractual right for the secured party to enforce a security interest in gaming
6 collateral.

7 (7) “Financing transaction” means any transaction where a licensee is extended credit,
8 borrow money, or is the maker on, the obligor under, or the guarantor of a promissory note,
9 other evidence of indebtedness, or payment obligation of a gambling operation, third-party
10 provider of proposition player services or gambling business. This includes both unsecured and
11 secured loans and lines of credit.

12 (8) “Formal approval” means the completion of the formal approval process specified in
13 Sections 12323 and 12325.

14 (9) “Gaming collateral” means property subject to a security interest that consists of:

15 (A) A security issued by a corporation, partnership, limited partnership, or limited liability
16 company that is a licensee;

17 (B) A security issued by a holding company that is not a publicly traded corporation;

18 (C) An equity or ownership interest in a gambling enterprise, third-party provider of
19 proposition player services or a gambling business;

20 (D) Real property or personal property, tangible or intangible, including the licensed
21 premises;

22 (E) Interest in the revenues, earnings, profits or receipts derived from gambling operations;

23 (F) Repayment calculated by or based on a percentage of the revenues, earnings, profits, or
24 receipts derived from gambling operations.

25 (10) “Institutional investor” means “institutional investor” as defined in Business and
26 Professions Code section 19805.

27 (11)(A) “Interested transaction” means any transaction that would include or otherwise
28 entitle a party to any portion of the following with respect to the gambling enterprise, third-party

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1 provider of proposition player services, or gambling business:

2 1. An ownership transaction;

3 2. A premise transaction.

4 3. A financing transaction, except those that create a security interest in gaming collateral;

5 4. Interest in the revenues, earnings, profits or receipts derived from gambling operations;

6 5. Repayment calculated by or based on a percentage of the revenues, earnings, profits, or
7 receipts derived from gambling operations;

8 6. The ability to exercise a significant influence or control over a licensee or regulated
9 gaming.

10 (B) An interested transaction does not include transactions that create a security interest in
11 gaming collateral. Any transaction involving a security interest in gaming collateral is to be
12 approved and enforced in accordance with the provisions of Article 3.

13 (12) “Lease” means any agreement, or series of agreements, involving the lease, hire, rental
14 or use of real or personal property belonging to another person.

15 (13) “Licensee” means “owner licensee” as defined in Business and Professions Code section
16 19805(ad) and, for the purposes of this article, the holder of a third-party provider of proposition
17 player services or gambling business license or registration.

18 (14) “Licensing agreement” means a contract or agreement for the rights to use another
19 party’s products, including, but not limited to, software and controlled games.

20 (15) “Notice” means the submission of the information required pursuant to Section 12321.

21 (16) “Ownership transaction” means an equity or ownership interest, including the sale,
22 assignment, transfer, pledge, grant of a purchase or sale option, or other disposition or
23 encumbrance of an ownership interest in, or issuance by, a licensee.

24 (17) “Premise transaction” means any transaction to which a licensee, or an affiliate of a
25 licensee, is a party and that involves or relates to the sale, leasing, transfer, assignment,
26 encumbrance, or other disposition of an interest in the premises.

27 (18) “Proprietary agreement” means a contract or agreement for the rights to use the concepts
28 or ideas of another. This may include, but is not limited to, game concepts, trade secrets, or

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1 software concepts.

2 (19) “Regulated gaming” or “regulated activity” is any activity the Commission or the
3 Bureau has authority over pursuant to the Act and applicable provisions of the Penal Code.

4 (20) “Secured party” means a person who is a lender, seller, or other person in whose favor
5 there is a security interest or judgment in gaming collateral.

6 (21) “Security” means evidence of an ownership or creditor relationship; “security” includes:

7 (A) stock;

8 (B) bonds;

9 (C) membership in an incorporated association;

10 (D) partnership interest in a general or limited partnership;

11 (E) debenture or other evidence of indebtedness;

12 (F) investment contract;

13 (G) voting trust certificate;

14 (H) certificate of deposit for a security;

15 (I) any other interest or instrument commonly known as a security;

16 (J) any certificate of interest or participation in, temporary or interim certificate for, receipt
17 for, or warrant or right to subscribe to or purchase any of the foregoing.

18 (22) “Security agreement” for this purposes of this chapter, means an agreement that creates
19 or provides for a security interest.

20 (23) “Security interest” means an interest in real or personal property held as collateral for
21 the payment or performance of an obligation or judgment.

22 (24) “Security interest in gaming collateral” means an agreement that creates or provides for
23 a security interest in gaming collateral.

24 Note: Authority cited: Sections 19811, 19824, 19840, 19841, and 19984, Business and Professions Code. Reference:
25 Sections 19805, 19840, 19841, and 19984, Business and Professions Code.

26 27 ARTICLE 2. APPROVAL OF TRANSACTIONS.

28 § 12320. Definitions.

29 For purposes of this article:

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1 ~~(a) “Consulting agreement” means a contract or agreement to receive the advice or the~~
2 ~~benefit of the expertise of another for compensation.~~

3 ~~(b) “Formal approval” means the completion of the formal approval process specified in~~
4 ~~Sections 12323 and 12324.~~

5 ~~(c)(1) “Interested transaction” means any transaction that may include or otherwise entitle a~~
6 ~~party to any portion of the following with respect to the gambling enterprise, third party provider~~
7 ~~of proposition player services, or gambling business:~~

8 ~~(A) An equity or ownership interest;~~

9 ~~(B) Interest in the revenue, earning, profits or receipts derived from gambling operations;~~

10 ~~(C) Repayment calculated by or based on a percentage of the revenues, earnings, profits, or~~
11 ~~receipts derived from gambling operations;~~

12 ~~(D) The ability to exercise a significant influence over gambling operations.~~

13 ~~(2) Interested transactions do not include security interests in personal property, real~~
14 ~~property, or other assets that do not create an ownership interest held as collateral.~~

15 ~~(d) “Licensee” means “owner licensee” as defined in Business and Professions Code section~~
16 ~~19805(ad) and, for the purposes of this article, third party provider of proposition player services~~
17 ~~or gambling business license or registration.~~

18 ~~(e) “Licensing agreement” means a contract or agreement for the rights to use another party’s~~
19 ~~products, including, but not limited to, software and controlled games.~~

20 ~~(f) “Proprietary agreement” means a contract or agreement for the rights to use the concepts~~
21 ~~or ideas of another. This may include, but is not limited to, game concepts, trade secrets, or~~
22 ~~software concepts.~~

23 ~~Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19901 and 19984, Business and Professions~~
24 ~~Code. Reference: Sections 19824, 19901 and 19984, Business and Professions Code.~~

25 26 § 12321. General Transaction Provisions.

27 ~~Business and Professions Code section 19901 provides that many transactions performed by~~
28 ~~a licensee are unlawful unless performed in accordance with Commission regulations. For~~
29 ~~transactions that are not security interests or do not require formal approval, the following~~

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1 ~~provisions apply:~~

2 (a) All agreements and transactions, including but not limited to consulting, licensing and
3 proprietary agreements, over \$2000 shall be in writing and maintained by the licensee.

4 Contracts, invoices, purchase orders, receipts, emails, confirmations, or other such
5 documentation printed or capable of being printed shall suffice as a writing.

6 ~~(b) All transactions identified in Business and Professions Code section 19901 shall require~~
7 ~~notification to the Bureau.~~ Every interested transaction shall be in writing and requires formal
8 approval in accordance with Sections 12323 and 12325. Every transaction that creates a security
9 interest in gaming collateral shall be in writing and requires formal approval in accordance with
10 Section 12331.

11 (c) Unless otherwise requested by the Bureau, the reporting requirements of subsection (d) do
12 not apply to transactions or agreements with a commercial business entity made in the entity's
13 regular course of business on terms available to members of the general public. Unless
14 otherwise requested by the Bureau or the Commission, the reporting requirements of subsection
15 (d) also do not apply to transactions involving payments or licensing fees paid to tax agencies,
16 government entities, and insurance agencies.

17 (d) Transactions not already provided to the Bureau in accordance with the Act or this
18 Division shall be reported as follows:

19 ~~(1) Any transaction that meets the definition of an interested transaction as defined in Section~~
20 ~~12320 shall follow the procedures set forth in Section 12322~~

21 ~~(2) Except as required in subsection (e) paragraph (2), the submission of annual financial~~
22 ~~statements to the Bureau, pursuant to Section 12314, shall satisfy the notice reporting~~
23 ~~requirement and deem the transactions consolidated within to be lawful when detailed statement~~
24 ~~of operations (also known as profit and loss statements and or income sheets statements) or~~
25 ~~federal tax filings are included.~~

26 ~~(3) The following transactions require notice pursuant to Section 12321 to the Bureau~~
27 ~~within 30 days of execution. Notice shall consist of a summary of the transaction or related~~
28 ~~transactions and a copy of all transaction documents, and may be made by mail, facsimile, or~~

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1 ~~9email.~~

2 (A) Any lease for equipment primarily used for or associated with regulated gaming
3 regardless of monetary value or duration, and any lease for real or personal property of more
4 than seven days in duration;

5 (B) Any proprietary agreement ~~as defined in Section 12320.~~

6 (C) Any licensing or consulting agreement ~~as defined in Section 12320,~~ or any series of
7 ~~collateral~~ related licensing or consulting agreements totaling \$10,000 or more in any consecutive
8 12-month period.

9
10 **OPTION 1:**

11 (D) Any transaction, affiliate agreement, or series of related transactions or affiliate
12 agreements totaling \$30,000 or more for Group ~~1~~ I licensees, \$20,000 or more for Group ~~2~~ II
13 licensees, or \$10,000 or more for Group ~~3~~ III and Group ~~4~~ IV licensees, in any consecutive 12-
14 month period, ~~except as follows:~~

15 ~~1. Transactions with institutional investors, as defined in Business and Professions Code~~
16 ~~section 19805, and payments or licensing fees paid to tax agencies, government entities,~~
17 ~~insurance agencies, as these recipients are otherwise regulated.~~

18 ~~2. Contracts for third-party proposition player services, which are approved in accordance~~
19 ~~with Business and Professions Code section 19984.~~

20
21 **OPTION 2:** *To require transactions meeting the financial triggers to be submitted on a*
22 *quarterly, rather than monthly, basis.*

23 ~~(D)~~(3) The following transactions require notice pursuant to Section 12321 to the Bureau
24 within 30 days of the end of each calendar quarter when the financial threshold is reached:

25 Any transaction, affiliate agreement, or series of related transactions or affiliate agreements
26 totaling \$30,000 or more for Group ~~1~~ I licensees, \$20,000 or more for Group ~~2~~ II licensees, or
27 \$10,000 or more for Group ~~3~~ III and Group ~~4~~ IV licensees, in any consecutive 12-month period.

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1 (ee) The Bureau shall review the documents required under this section for compliance with
2 the Act and any specific conditions for the licensee. The Bureau shall disclose to the
3 Commission a summary of the noticed transactions with the licensee’s application for renewal.

4 (1) ~~ff~~ Upon review of a noticed transaction, if the Bureau determines that formal approval by
5 the Commission is necessary, the Bureau shall advise the licensee within 30 days of the
6 determination to follow the formal approval process.

7 (2) The Bureau may require a transaction be formally approved if the transaction is
8 considered to be an interested transaction, a security interest in gaming collateral, a violation of
9 the licensee’s conditions, or a transaction with details that the Bureau determines to necessitate
10 the review and approval of the Commission.

11 (df) ~~Transactions~~ A transaction may proceed while being reviewed, unless ~~performance is~~
12 ~~specifically required to cease by the Bureau or the Commission~~ issues a letter to cease and desist.

13 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19901 and 19984, Business and
14 Professions Code. Reference: Sections 19823, 19824, 19841, 19866, 19870, 19901 and 19984, Business and
15 Professions Code.

16
17 § ~~12322~~12321. Notice.

18 All transactions or agreements submitted to the Bureau in accordance with Article 2 and
19 Article 3 of this Chapter shall include the following information submitted via mail, email,
20 facsimile, or as directed by the Bureau:

21 (a) Identification of the type of transaction, using the terms “affiliate agreement,” “consulting
22 agreement,” “financing transaction,” “lease,” “licensing agreement,” “ownership interest,”
23 “premises transaction,” “proprietary agreement,” or “security interest in gaming collateral” when
24 applicable.

25 (b) Summary of the transaction, including the following:

26 (1) The purpose of the transaction,

27 (2) The compensation received,

28 (3) The product or benefit for which the compensation was paid,

29 (4) The interest rate and maturity date, if applicable,

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1 (5) A summary of the terms of the transaction, and

2 (6) Any compensation provided to a person who is not a party to the transaction.

3 (c) The identification and contact information of all parties, including as appropriate, but not
4 limited to, the following:

5 (1) The formal entity name, including the business entity identifier or an indication of DBA
6 (Doing Business As), and the address, phone number, and other contact information for the
7 business, the website of the entity if applicable, the state of organization, and if the entity is
8 registered to do business in California;

9 (2) If the entity is an institutional investor, information from the entity that is sufficient to
10 show that the entity is an institutional investor;

11 (3) All natural persons and natural person agents of the entity, by name, address, phone
12 number, email address, and other contact information; and

13 (4) If the agreement is an affiliate agreement, identification shall include how the parties are
14 affiliated.

15 (d) The transaction or agreement in writing when applicable in accordance with Section
16 12320.

17 Note: Authority cited: Sections 19805, 19811, 19823, 19824, 19826, 19840, 19841, 19853, 19866, 19870, 19901,
18 19902, 19904 and 19984, Business and Professions Code. Reference: Sections 19823, 19824, 19841, 19866,
19 19870, 19901, 19902, 19904 and 19984, Business and Professions Code.

21 § 12322. Interested Transaction ~~Provisions~~Conditions.

22 (a) A licensee shall not close, complete, consummate or settle an interested transaction
23 without prior formal approval from the Commission pursuant to this article.

24 (b) No request for an interested transaction approval shall be accepted unless the seller or
25 transferor has a valid license issued by the Commission. The license ~~of the transferor~~ must
26 remain active for the duration of the transaction approval period. However, nothing in this
27 subsection requires the gambling enterprise, third-party proposition player services provider, or
28 gambling business to remain in operation for the duration of the transaction approval period.

29 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19901, 19902, 19904 and 19984,
30 Business and Professions Code. Reference: Sections 19823, 19824, 19841, 19866, 19870, 19901, 19902, 19904

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1 and 19984, Business and Professions Code.

3 § 12323. Requirements for Formal Approval of Transactions.

4 (a) These requirements are for formal approval of interested transactions or transactions
5 deemed by the Bureau to require formal approval pursuant to Section 12320(e) that are not
6 security interests in gaming collateral. Security interests in gaming collateral shall be approved
7 pursuant to Article 3 of this chapter.

8 (ab) Submissions of requests for formal transaction approval shall include the following:

9 (1) A non-refundable \$500 processing fee, payable to the Bureau of Gambling Control.

10 (2) A cover sheet with a summary of the transaction that includes all information provided
11 for notice pursuant to Section 12321.

12 (3) ~~a~~ A copy of all final transaction documents; and ~~a copy of~~ any supporting documentation.
13 This includes, but is not limited to, the loan agreement, credit agreement, purchase agreement,
14 proposed promissory note, and the transactional provisions statement pursuant to Section 12324
15 with the affirmative acknowledgement and agreement of the parties.

16 (4) If the transaction involves a lending activity from a natural person or an entity that is not
17 an institutional investor, documents sufficient to show the sources of all monies to be used to
18 fund the financing transaction.

19 (35) The appropriate application ~~For~~ for those persons involved in the transaction that do not
20 have a current license or registration, ~~the appropriate application,~~ as follows:

21 (A) For gambling enterprise transactions, a completed application for a state gambling
22 license and all required fees and deposits, as provided in Sections 12341, 12342 and Title 11,
23 CCR, Section 2037, for each successor in ownership interest.

24 (B) For third-party provider of proposition player services transactions, a completed
25 application for registration and all required fees and deposits, as provided in Section 12202 and
26 Title 11, CCR, Section 2037, for each successor in ownership interest.

27 (C) For gambling business transactions, a completed application for registration and all
28 required fees and deposits, as provided in Section 12222 and Title 11, CCR, Section 2037, for
29 each successor in ownership interest.

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1 ~~(D) Entities whose participation in transactions generally~~ Institutional investors ~~does not~~
2 require licensure or registration ~~include, but are not limited to:~~ unless specifically required by the
3 Commission.

4 ~~1. Banks, savings and loan associations, or other lending institutions that are subject to state~~
5 ~~or federal regulation.~~

6 ~~2. Insurance companies subject to supervision by the Insurance Commissioner of California~~
7 ~~or a similar official or agency of another state or federal government.~~

8 ~~3. Investment companies registered under the Federal Investment Company Act of 1940.~~

9 ~~4. Any retirement plan regulated by a state or federal agency, for the benefit of its employees.~~

10 ~~5. An employment benefit plan within the meaning of Title I of the federal Employee~~
11 ~~Retirement Income Security Act of 1974.~~

12 ~~6. A securities dealer registered under the federal Securities Exchange Act of 1934.~~

13 ~~(b) The transaction documents must include all of the following disclosure statements with~~
14 ~~an affirmative acknowledgement of each disclosure by the parties to the transaction:~~

15 ~~(1) “The approval of a transaction by the California Gambling Control Commission~~
16 ~~(Commission) does not constitute a certification by the Commission that the document is~~
17 ~~enforceable in accordance with the law or its terms, and under no circumstance shall the terms,~~
18 ~~conditions or provisions of an approved document be binding on the Commission. No liability is~~
19 ~~attributable to or assumed by the Commission for approving, failing to approve or delaying~~
20 ~~approval, or for any other direct or incidental consequences of the approval process, whether~~
21 ~~foreseeable or otherwise.”~~

22 ~~(2) “The approval of a license is not conferred upon any party to a transaction as a~~
23 ~~consequence of the approval of a transaction by the Commission.”~~

24 ~~(3) “Neither the secured lender nor any person acting on its behalf, or anyone whose interest~~
25 ~~is derived from a secured credit transaction shall have any right to enforce a security interest~~
26 ~~relating to a secured credit transaction, nor shall any security interest be enforced against a~~
27 ~~licensee without the prior approval of the Commission.”~~

28 ~~(4) “Any assignment of a security interest or other rights under an approved transaction, or~~

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1 ~~any amendment of any approved transaction document shall require the prior approval of the~~
2 ~~Commission, unless expressly exempted by the Commission.”~~

3 ~~(5) A clause stating that the closing of the transaction is contingent upon the approval of any~~
4 ~~necessary licensure by the Commission.~~

5 ~~(6) Specification that the closing date of the transaction cannot be prior to the date of the~~
6 ~~transaction’s approval by the Commission.~~

7 ~~(c) Agreements for an interest in or the sale or lease of any property, real or personal, that~~
8 ~~requires the purchaser or lessee to be licensed shall include a provision for the responsibility of~~
9 ~~any delinquency payments due before the closing date of the transaction in accordance with~~
10 ~~Business and Professions Code section 19903.~~

11 ~~(d) During the sale of a gambling enterprise, third party provider of proposition player~~
12 ~~service, or gambling business, any proceeds derived from the continuation of the licensed~~
13 ~~activity that would otherwise be payable to a new owner shall be held in an escrow account and~~
14 ~~not dispersed until the new owners have been approved by the Commission for a license~~
15 ~~pursuant to subsection (a)(3). This subsection shall not prevent the payment of any taxes,~~
16 ~~operating expenses, preexisting obligations, preexisting dependent support, or any other~~
17 ~~distribution of proceeds that is approved by the Commission.~~

18 ~~(e) Agreements for the sale of a gambling enterprise must also state whether the purchaser~~
19 ~~will honor outstanding gaming chips, and if not, what provisions have been made for the~~
20 ~~redemption of outstanding chips in accordance with Business and Professions Code section~~
21 ~~19906.~~

22 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19900, 19902, 19903, 19904, 19905,
23 19906 and 19984, Business and Professions Code. Reference: Sections 19823, 19824, 19841, 19866, 19901,
24 19902, 19903, 19904, 19905, 19906 and 19984, Business and Professions Code.

26 § 12324. Transactional Provisions Statement.

27 (a) All provisions pursuant to this section shall be in 13-point font and affirmatively
28 acknowledged and agreed to by all involved parties.

29 (b) All transactions requiring formal approval that are not financing transactions shall attach

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1 the following provisions as appropriate, on a separate document. Financing transactions,
2 including those that create a security interest in gaming collateral, shall attach the provisions
3 pursuant to subsection (d).

4 (1) “This agreement involves parties, real or personal property, ownership rights, or other
5 connections, rights, benefits, or liabilities regulated by the Gambling Control Act (Act), as set
6 forth in Business and Professions Code sections 19800 et.seq., and is therefore subject to
7 scrutiny by the California Gambling Control Commission (Commission) and the Bureau of
8 Gambling Control (Bureau), a division of the State of California Department of Justice
9 (Department).”

10 (2) “Under the authority of the Act and regulations promulgated or adopted pursuant to the
11 Act, the Commission has jurisdiction over all persons and things having to do with the operation
12 of gambling establishments, third-party providers of proposition player services, and gambling
13 businesses in California. The Commission is vested with the authority to require any person, as
14 defined in Business and Professions Code section 19805(ae), to apply for a license, permit,
15 registration, or approval as the Commission deems appropriate to ensure that no ineligible,
16 unqualified, disqualified, or unsuitable persons are associated with regulated gaming.”

17 (3) “It is unlawful for any person to loan money to any person holding a Commission-issued
18 license or registration (hereafter to be referred to as “licensee”) except in accordance with the
19 Commission’s regulations. Any purported security interest, sale, assignment, transfer, pledge, or
20 other disposition of any ownership interest in, or control over, a licensee, licensed premises,
21 licensed personal property, or regulated gaming activity without the Commission’s prior
22 approval is void.”

23 (4) “Approval of this agreement is required by the Commission prior to its completion or
24 enforcement. The closing of this agreement is contingent upon the approval of the Commission.
25 The closing date of the transaction cannot be prior to the date of the transaction’s approval by the
26 Commission.”

27 (5) “The approval of a transaction by the Commission does not constitute a finding or
28 determination by the Commission that the document is enforceable in accordance with the law or

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1 its terms, and under no circumstance shall the terms, conditions or provisions of an approved
2 document be binding on the Commission.”

3 (6) “No liability is attributable to or assumed by the Commission for approving, failing to
4 approve or delaying approval, or for any other direct or incidental consequences of the approval
5 process, whether foreseeable or otherwise.”

6 (7) “Any substantive amendments or subsequent assignments under the agreement must
7 receive prior approval by the Commission, unless expressly exempted by the Commission.”

8 (8) “All parties acknowledge and agree to promptly provide all information requested by the
9 Bureau or the Commission.”

10 (c) All agreements for the sale of a gambling enterprise, premises, third-party provider of
11 proposition player services, or gambling business shall contain the following provisions as
12 appropriate:

13 (1) Agreements for an interest in or the sale or lease of any property, real or personal, that
14 requires the purchaser or lessee to be licensed shall include a provision for the responsibility of
15 any delinquency payments due before the closing date of the transaction in accordance with
16 Business and Professions Code section 19903.

17 (2) During the sale of a gambling enterprise, third-party provider of proposition player
18 service, or gambling business, any proceeds derived from the continuation of the licensed
19 activity that would otherwise be payable to a new owner shall be held in an escrow account and
20 not disbursed until the new owners have been approved by the Commission for a license or
21 registration pursuant to Section 12323. This provision shall not prevent the payment of any
22 taxes, operating expenses, preexisting obligations, preexisting dependent support, or any other
23 distribution of proceeds that is approved by the Commission.

24 (3) Agreements for the sale of a gambling enterprise must also state whether the purchaser
25 will honor outstanding gaming chips, and if not, what provisions have been made for the
26 redemption of outstanding chips in accordance with Business and Professions Code section
27 19906.

28 (d) All financing agreements, including financing agreements that create a security interest in

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1 gaming collateral, must include the following on a separate document, precisely as provided:

2 “CALIFORNIA GAMING LAW ADDENDUM

3 1. This California Gaming Law Addendum (Addendum) relates to, controls, and supersedes,
4 and is made notwithstanding anything to the contrary in, the documents and other agreements
5 executed, submitted, or made in connection with or relating to the financing transaction (loan
6 documents).

7 2. An exhibit to the Addendum shall list all loan documents.

8 3. The Addendum shall identify all parties to the financing transaction including, without
9 limitation and as applicable, the borrower(s), lender(s), and guarantor(s).

10 4. Each party to the Addendum shall warrant and represent acknowledgement, understanding,
11 and agreement to the following:

12 a. The borrower holds a license or registration issued by the California Gambling Control
13 Commission (Commission). The holder of a Commission issued license or registration is
14 hereafter referred to as “licensee” or “Commission licensee.”

15 b. The Commission has the power to approve or disapprove transactions as provided in the
16 Gambling Control Act (Act), as set forth in Business and Professions Code sections 19800 and
17 the following. The Commission and the Bureau of Gambling Control (Bureau), a department of
18 the California Department of Justice (Department), have authority over the licensing and
19 activities of persons or things associated with gambling operations, gambling establishments,
20 third-party providers of proposition player services, or gambling businesses (regulated gaming)
21 pursuant to the Act, applicable provisions of the California Penal Code, and the California Code
22 of Regulations, Title 4, Division 18 and Title 11, Division 3 (California gaming laws).

23 c. The Commission has the power to take actions deemed reasonable to ensure that no
24 ineligible, unqualified, disqualified, or unsuitable persons, as defined in the Act, are associated
25 with any persons or things having to do with gaming as set forth in the Act, including regulated
26 gaming.

27 d. Every person who receives, directly or indirectly, any percentage or share of the money or
28 property played in gambling operations must apply for and obtain a license, registration, or

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1 finding of suitability from the Commission.

2 e. A person that is not a natural person shall not be eligible for a license or registration unless
3 all of its owners are licensed or registered or a lender or holder of indebtedness who, in the
4 Commission's judgment, has the power to exercise significant influence over the gambling
5 operation, applies for and obtains a license or registration.

6 f. The Commission may require any person who owns an interest in the premises of a
7 licensed gambling establishment, or in real property used by a licensed gambling establishment,
8 to apply for a finding of suitability.

9 g. The Commission may require every person who, in the Commission's judgment, has the
10 power to exercise significant influence over regulated gaming or any Commission licensee, to
11 apply for a finding of suitability.

12 h. Any person who is required to hold a license must obtain that license prior to engaging in
13 the activity or occupying the position for which the license is required.

14 i. It is unlawful for any person to loan money to any Commission licensee except in
15 accordance with the Commission's regulations.

16 j. Any purported sale, assignment, transfer, pledge, or other disposition of any ownership
17 interest in a Commission licensee without the Commission's prior approval is void.

18 k. The foregoing listing is not complete, nor is it all-inclusive. Each party to a financing
19 transaction is obligated and responsible for knowing and complying fully with California gaming
20 laws. A party's acts or omissions that violate California gaming laws may result in termination
21 or denial of any license or registration, or a determination that a party is ineligible, unqualified,
22 disqualified, or unsuitable to be associated with regulated gaming.

23 l. The loan document listing attached as an exhibit to the Addendum is complete and lists
24 every agreement or other document executed or to be executed in connection with the financing
25 transaction. The parties have submitted true and accurate copies of those documents to the
26 Bureau and the Commission. Each party understands and acknowledges that the failure to list a
27 document or provide true and accurate copies of all documents to the Commission and the
28 Bureau may constitute a violation of the Act.

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1 5. Notwithstanding anything contained in the loan documents to the contrary, the lender shall
2 not commence or take any action to enforce any security interest that it may have under a
3 security agreement or deed of trust with respect to collateral that involves gaming collateral, as
4 defined in California Code of Regulations, Title 4, Division 11, Section 12311, without the
5 Commission's prior approval. Any transfer of gaming collateral by the lender or its agents
6 without the Commission's approval shall be null and void. The lender or its agents shall not take
7 possession or exercise control over gaming collateral without the Commission's prior approval.
8 Nothing contained in the Addendum shall prohibit the lender from (a) restricting the borrower's
9 use of cash for application only to the gambling operation, (b) seeking to place gaming collateral
10 in the possession, custody, and control of a trustee, receiver, or other party licensed by the
11 Commission and designated for such purposes to preserve the value of gaming collateral in
12 accordance with California gaming laws, (c) enforcing any guaranty, (d) sending default notices,
13 (e) collecting rents or other payments that may arise or be due from gaming collateral, and (f)
14 taking any action permitted by the loan documents against any collateral or property that is not
15 gaming collateral.

16 6. The lender agrees to inform the Bureau in writing if the borrower defaults on any
17 obligation contained in or provided by the loan documents, and to send to the Bureau copies of
18 all notices of default given to the borrower. The notice shall set forth the exact nature of the
19 default. The lender agrees to provide promptly all information requested by the Bureau in the
20 event of the borrower's default.

21 7. The lender agrees and acknowledges that no loan document grants, or shall grant, to lender
22 a security interest in any right, title, or interest in and to any license or registration issued to the
23 licensee by the Commission.

24 8. The lender agrees and acknowledges that he, she, or it shall have no interest in or right to
25 any ownership interest issued by or to the borrower unless all of the following conditions are
26 met.

27 a. If an ownership interest issued by or to the borrower is pledged or given to secure the
28 borrower's or any guarantor's obligations under any loan document, any agreement made in

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1 connection with or memorializing the pledge is void and without force and effect without the
2 Commission's prior approval.

3 b. If an ownership interest issued by or to the borrower is pledged or given to secure the
4 borrower's or a guarantor's obligations under any loan document, any certificate or other
5 document evidencing the ownership interest shall bear the following legend:

6 THIS CERTIFICATE REPRESENTS INTERESTS IN A SECURITY ISSUED BY A
7 PERSON THAT HOLDS A LICENSE OR REGISTRATION PURSUANT TO THE
8 GAMBLING CONTROL ACT OF THE STATE OF CALIFORNIA AND REGULATIONS
9 PROMULGATED THEREUNDER. THE SECURITY MAY NOT BE TRANSFERRED,
10 ASSIGNED, SOLD, PLEDGED, HYPOTHECATED, OR DISPOSED OF WITHOUT THE
11 PRIOR APPROVAL OF THE CALIFORNIA GAMBLING CONTROL COMMISSION OR
12 ITS SUCCESSOR.

13 c. Any sale, assignment, transfer, pledge, or other disposition of any ownership interest
14 issued by, or to, the borrower shall be void and have no force or effect without the Commission's
15 prior approval.

16 9. As long as the borrower does not default and the lender does not exercise the remedies
17 provided in the Addendum or the loan documents, nothing in the Addendum or any loan
18 document shall entitle the lender to participate or share in gambling operation revenues. No
19 payment to the lender shall be contingent on or calculated as percentage of gambling operation
20 revenues.

21 10. The lender shall not sell, transfer, grant any participation in, grant any security interest in,
22 or assign, in whole or in part, its ownership interest in, or any of its rights or privileges under,
23 any loan document, including, without limitation and by way of example only, the promissory
24 note evidencing the borrower's indebtedness or any security interest securing the borrower's
25 performance, without the Commission's prior approval of such sale, transfer, grant of
26 participation interest, grant of security interest, or assignment. In connection with seeking the
27 Commission's approval, the lender shall provide evidence satisfactory to the Commission of the
28 following:

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1 a. The prospective assignee has agreed and acknowledged that no sale, transfer, assignment,
2 grant of any participation, or creation of any security interest shall be deemed effective unless all
3 required applications, findings, consents and approvals of, or with respect to, such action have
4 been obtained, including the Commission's approval.

5 b. The prospective assignee has agreed and acknowledged that any sale, transfer, assignment,
6 grant of any participation, or creation of any security interest for which the Commission's
7 approval is required has no force and effect and is void for all purposes if the required approval
8 is not obtained.

9 c. The prospective assignee has agreed and acknowledged that his, her, or its rights,
10 privileges, and remedies may be limited in some or all respects by the provisions contained in the
11 Addendum. The assignee acknowledges that he, she, or it has been provided a copy of the
12 Addendum, has read it or had it read to him, her, or it in the agreement's entirety, and agrees to
13 be bound by each and every provision of the Addendum.

14 11. Any substantive or material amendment to any loan document shall be void and have no
15 force and effect without the Commission's prior approval.

16 12. Notwithstanding any choice of law, submission to jurisdiction, or venue selection
17 provision in any loan document, the Commission, the Bureau, and the Department have full
18 authority to have any and all issues within their jurisdiction, or arising out of the parties'
19 conduct, or arising out of, under, or pursuant to California gaming laws, heard in California, in
20 administrative proceedings, or in actions at law or in equity in court, in accordance with
21 California law. Any administrative proceeding or action to which the Commission, the
22 Department, or the Bureau is a party shall be filed and heard in Sacramento, California. No
23 contrary choice of law, submission to jurisdiction, or venue selection provision in any loan
24 document shall have any force or effect with respect to the Commission, the Department, or the
25 Bureau, each of which shall be entitled to recover all costs and fees, including reasonable
26 attorney fees calculated at the then prevailing private sector rate, in the event that it must enforce
27 its rights under this provision.

28 13. The loan contemplated in the loan documents shall not close until approval is received

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1 from the Commission. The parties acknowledge and agree that based upon its approval, the
2 Commission is not and will not be responsible, obligated, or liable in any way for any transaction
3 contemplated or undertaken pursuant to the loan documents or the Addendum.

4 14. The borrower shall deliver to the Bureau a copy of a full set of executed loan documents
5 including all exhibits and schedules, as well as any opinions from borrower's counsel required
6 under any of the loan documents, within 30 days after the closing of the financing transaction.”

7 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19900, 19902, 19903, 19904, 19905,
8 19906 and 19984, Business and Professions Code. Reference: Sections 19823, 19824, 19841, 19866, 19901,
9 19902, 19903, 19904, 19905, 19906 and 19984, Business and Professions Code.

10 11 § ~~12324~~12325. Transaction Formal Approval Processing Times.

12 *OPTION 1:*

13 (a) A written request for formal approval shall be submitted to the Bureau at least 120 days
14 prior to the proposed closing date of the transaction.

15 (b) A request shall be processed within the following timeframes:

16 (1) After receipt of the documents and fees required by Section 12323, the Bureau shall have
17 30 days to notify the licensee of any deficiency in the request.

18 (2) If the licensee does not respond within 30 days to any request by the Bureau to cure
19 deficiencies, the request to approve the transaction will be deemed abandoned and no further
20 action will be taken on the application by the Bureau or the Commission. If a request is deemed
21 abandoned, the licensee may submit or resubmit a request, which shall be treated as a new
22 request for approval under this section.

23 (3) The Bureau shall forward the request to the Commission within 90 days from when the
24 Bureau is in receipt of a complete application, and may include a recommendation pursuant to
25 Business and Professions Code section 19826, subdivision (a).

26 (c) The Commission shall review and approve or deny the transaction and any licensure
27 applications once the Bureau's background investigation reports have been received for each
28 person involved in the transaction that is required to apply for a license.

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1 **OPTION 2:**

2 (a) A written request for formal approval shall be submitted to the Bureau as follows:

3 (1) If one or more parties are not licensed but will require licensure, at least 120 days prior to
4 the proposed closing date of the transaction.

5 (2) If all parties are licensed or do not require licensure, at least 90 days prior to the proposed
6 closing date of the transaction.

7 (b) A request shall be processed within the following timeframes:

8 (1) After receipt of the documents and fees required by Section 12323, the Bureau shall have
9 30 days to notify the licensee of any deficiency in the request.

10 (2) If the licensee does not respond within 30 days to any request by the Bureau to cure
11 deficiencies, the request to approve the transaction will be deemed abandoned and no further
12 action will be taken on the application by the Bureau or the Commission. If a request is deemed
13 abandoned, the licensee may submit or resubmit a request, which shall be treated as a new
14 request for approval under this section.

15 (3) The Bureau shall forward the request to the Commission within 90 days if the application
16 was submitted in accordance with paragraph (a)(1), or within 60 days if the application is
17 submitted in accordance with paragraph (a)(2), from when the Bureau is in receipt of a complete
18 application. The Bureau may include a recommendation pursuant to Business and Professions
19 Code section 19826, subdivision (a).

20 (c) The Commission shall review and approve or deny the transaction and any licensure
21 applications once the Bureau's background investigation reports have been received for each
22 person involved in the transaction that is required to apply for a license.

23 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19901, 19902 19903, 19904, 19905,
24 19906 and 19984, Business and Professions Code. Reference: Sections 19823, 19824, 19841, 19901, 19902,
25 19903, 19904 and 19984, Business and Professions Code.

26
27 **§ ~~12325~~12326. Transaction Amendments or Subsequent Assignments.**

28 (a) Any substantive amendment to an approved transaction document or any subsequent
29 assignment, pledge, sale, or transfer of an approved interest or transaction document or any

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1 portion thereof shall comply with the provisions of this article and shall require notification to
2 the Bureau or prior formal approval by the Commission, as applicable, as if it were a new
3 transaction.

4 (b) Notice to the Bureau will suffice for any non-substantive amendment of an approved
5 transaction or any portion thereof, consisting of a summary of the changes and the amended
6 documents. An amendment will be considered substantive if the amendment grants, denies,
7 expands or diminishes any rights or obligations under the agreement. The Bureau may
8 determine that the noticed amendments are actually substantive and instruct the licensee to
9 submit the amendment in accordance with subsection (a).

10 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19901, 19902, 19904 and 19984,
11 Business and Professions Code. Reference: Sections 19823, 19824, 19841, 19866, 19901, 19902, 19904 and
12 19984, Business and Professions Code.

14 § ~~12326~~12327. Shelf Approval.

15 (a) Shelf approval is a preliminary approval by the Commission of a term sheet or
16 memorandum of understanding between a licensee and another party. In the case of a transaction
17 involving a proposed contract for the sale, in whole or in part, of a gambling enterprise, third-
18 party provider of proposition player service, or gambling business, shelf approval may be
19 requested. A shelf approval shall not constitute an action by the Commission within the meaning
20 of subdivision (b) of section 19906 of the Business and Professions Code.

21 (b) Submissions of a request for transaction shelf approval shall include a term sheet or
22 memorandum of understanding. The following matters shall be addressed in the submission, as
23 appropriate:

24 (1) The names and contact information of all parties to the transaction, and a statement
25 indicating for each if the party is a licensee.

26 (2) The material terms and conditions of the transaction.

27 (3) The default conditions related to the transaction, specifically any securitization or
28 collateralization used in the transaction.

29 (4) Any metrics used in assessing covenants.

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1 (5) Any conversion aspects.

2 (6) Organizational documents that define the rights to control and distribute profits.

3 (c) After review, the Bureau shall forward the request to the Commission for approval, and
4 may include a recommendation pursuant to Business and Professions Code section 19826,
5 subdivision (a).

6 (d) A shelf approval shall be valid for a period of 12 months, but may be extended upon
7 approval by the Commission. After a shelf approval expires, a new request for approval must be
8 submitted if shelf approval is still needed.

9 (e) Shelf approval may be rescinded by the Commission. The rescission shall be in writing
10 and shall set forth the reasons for the rescission, which shall be determined on a case by case
11 basis.

12 ~~(f) Once the shelf approval has been formalized, the transaction documents shall be~~
13 ~~submitted, as appropriate, under the provisions in this chapter, or as directed by the Commission.~~

14 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19900, 19901 and 19984, Business
15 and Professions Code. Reference: Sections 19823, 19824, 19841, 19866, 19870, 19900, 19901 and 19984,
16 Business and Professions Code.

17 **OPTION:**

18 **§ 12328. Confidentiality Agreements.**

19 No licensee or affiliate of a licensee shall enter into, or cause any person to enter into, any
20 agreement that prohibits, precludes, or otherwise prevents a person from responding to or
21 cooperating in any inquiry, investigation, inspection, or questioning by the Commission, the
22 Bureau, the Department, or any local agency, the duties of which include licensing under the Act
23 or enforcement of any state or federal laws or local gambling ordinances. Any such agreement is
24 deemed to be against the Act's purposes and policies and is void, with no force or effect. Any
25 confidentiality or similar provision that is included in an agreement to which an owner licensee,
26 licensee, or affiliate of a licensee is a party shall include the substance of, or a reference to, this
27 section.

28 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19866, 19870 and 19984, Business
29 and Professions Code. Reference: Sections 19823, 19824, 19841, 19866, 19870 and 19984, Business and
30

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1 Professions Code.

3 ARTICLE 3. SECURITY INTERESTS IN GAMING COLLATERAL.

4 § 12330. Definitions.

5 ~~(a) “Enforcement of a security interest” means the transfer of possession, ownership or title~~
6 ~~pursuant to a security interest.~~

7 ~~(b) “Event of default” means any failure to comply with the security agreement that would~~
8 ~~result in the contractual right for the secured party to enforce a security interest.~~

9 ~~(c) “Licensee” means “owner licensee” as defined in Business and Professions Code section~~
10 ~~19805(ad) and, for the purposes of this article, third-party provider of proposition player services~~
11 ~~or gambling business license or registration.~~

12 ~~(d)(1) “Gaming collateral” means property subject to a security interest that consists of:~~

13 ~~(A) A security issued by a corporation, partnership, limited partnership, or limited liability~~
14 ~~company that is a licensee;~~

15 ~~(B) A security issued by a holding company that is not a publicly traded corporation;~~

16 ~~(C) An equity or ownership interest in a gambling enterprise, third-party provider of~~
17 ~~proposition player services or a gambling business;~~

18 ~~(D) Interest in the revenue, earning, profits or receipts derived from gambling operations;~~

19 ~~(E) Repayment calculated by or based on a percentage of the revenues, earnings, profits, or~~
20 ~~receipts derived from gambling operations;~~

21 ~~(F) The ability to exercise a significant influence over gambling operations;~~

22 ~~(e) “Secured party” means a person who is a lender, seller, or other person in whose favor~~
23 ~~there is a security interest or judgment.~~

24 ~~(f) “Security” means any stock; membership in an incorporated association; bond; debenture~~
25 ~~or other evidence of indebtedness; investment contract; voting trust certificate; certificate of~~
26 ~~deposit for a security; any interest or instrument commonly known as a “security;” or any~~
27 ~~certificate of interest or participation in, temporary or interim certificate for, receipt for, or~~
28 ~~warrant or right to subscribe to or purchase, any of the foregoing. All of the foregoing are~~
29 ~~securities whether or not evidenced by a written document.~~

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1 ~~(g) “Security agreement” means an agreement that creates or provides for a security interest.~~

2 ~~(h) “Security interest” means an interest in real or personal property held as collateral for the~~
3 ~~payment or performance of an obligation or judgment.~~

4 ~~Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19900, 19901 and 19984, Business and~~
5 ~~Professions Code. Reference: Sections 19824, 19900, 19901 and 19984, Business and Professions Code.~~

7 § 12331. Approval of a Security Agreement for Gaming Collateral.

8 (a) All security agreements for gaming collateral shall be in writing, and a licensee shall not
9 close, complete, consummate or settle an interested transaction without prior approval from the
10 Commission pursuant to this article.

11 (a**b**) The granting of an approval pursuant to this regulation does not constitute a
12 determination by the Commission as to the validity or enforceability of the security interest in
13 gaming collateral.

14 (b**c**) Submissions for the approval of a security agreement for gaming collateral must include
15 the following:

16 (1) A cover sheet with a summary of the transaction that includes all information provided
17 for notice pursuant to Section 12321, a copy of all final transaction documents, and a copy of any
18 supporting documentation. This shall include, but not be limited to, a complete schedule and
19 description of the gaming collateral that is the subject of the security interest, copies of the
20 security agreements and the documents evidencing the obligation secured, and documentation of
21 the licensee’s financial information, including three years of tax returns and a current balance
22 sheet and income statement.

23 (2) For those persons involved in the transaction that do not have a current license or
24 registration, the submission of a Live Scan is required for the ~~individual~~ natural person that
25 would be required to obtain an owner license prior to enforcement of the security interest in
26 gaming collateral. Unless otherwise directed by the Commission, institutional investors as
27 defined in 12311 are not required to submit a Live Scan.

28 (e**3**) The transaction documents must include the acknowledged and agreed to disclosures in
29 the transaction provision statement required pursuant to subsection (c) of Section 12324.~~all of the~~

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1 ~~following disclosure statements in the with an affirmative acknowledgement of each disclosure~~
2 ~~by the parties to the transaction;~~

3 ~~(1) “The approval of a transaction by the California Gambling Control Commission~~
4 ~~(Commission) does not constitute a certification by the Commission that the document is~~
5 ~~enforceable in accordance with the law or its terms, and under no circumstance shall the terms,~~
6 ~~conditions or provisions of an approved document be binding on the Commission. No liability is~~
7 ~~attributable to or assumed by the Commission for approving, failing to approve or delaying~~
8 ~~approval, or for any other direct or incidental consequences of the approval process, whether~~
9 ~~foreseeable or otherwise.”~~

10 ~~(2) “Neither the secured lender nor any person acting on its behalf, or anyone whose interest~~
11 ~~is derived from a secured credit transaction shall have any right to enforce a security interest~~
12 ~~relating to a secured credit transaction, nor shall any security interest be enforced against a~~
13 ~~licensee without the prior approval of the Commission.”~~

14 ~~(3) “Any assignment of a security interest or other rights under an approved transaction, or~~
15 ~~any amendment of any approved transaction document shall require the prior approval of the~~
16 ~~Commission, unless expressly exempted by the Commission.”~~

17 ~~(4) A clause stating that the enforcement of the security interest is contingent upon the~~
18 ~~approval of any necessary licensure by the Commission.~~

19 ~~(5) Specification that the closing date of the transaction cannot be prior to the date of the~~
20 ~~transaction’s approval by the Commission.~~

21 ~~(6) A clause requiring all parties to submit notice to the Bureau when an event of default~~
22 ~~occurs, and the secured party is to submit a statement to the Bureau identifying the act of default~~
23 ~~by the debtor that is the basis for seeking to enforce the security interest, including a copy of any~~
24 ~~notice of default sent to the debtor and any other information requested by the Bureau.~~

25 (d) Any certificate or other document evidencing the ownership interest in gaming collateral
26 issued by the licensee shall bear the following legend: THIS CERTIFICATE REPRESENTS
27 INTERESTS IN A SECURITY ISSUED BY A PERSON THAT HOLDS A LICENSE OR
28 REGISTRATION PURSUANT TO THE GAMBLING CONTROL ACT OF THE STATE OF

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1 CALIFORNIA AND REGULATIONS PROMULGATED THEREUNDER. THE SECURITY
2 MAY NOT BE TRANSFERRED, ASSIGNED, SOLD, PLEDGED, HYPOTHECATED, OR
3 DISPOSED OF WITHOUT THE PRIOR APPROVAL OF THE CALIFORNIA GAMBLING
4 CONTROL COMMISSION OR ITS SUCCESSOR.

5 Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19900, 19901 and 19984, Business and
6 Professions Code. Reference: Sections 19824, 19900, 19901 and 19984, Business and Professions Code.

8 § 12332. Processing and Review of a Security Agreement for Gaming Collateral.

9 (a) A written request for approval of a security agreement for gaming collateral shall be
10 submitted to the Bureau at least 120 days prior to the proposed closing date of the transaction.

11 (b) A request shall be processed within the following timeframes:

12 (1) After receipt of the documents and the fee required by Section 12331, the Bureau shall
13 have 30 days to notify the licensee of any deficiency in the request.

14 (2) If the licensee does not respond within 30 days to any request by the Bureau to cure
15 deficiencies, the request to approve the transaction will be deemed abandoned and no further
16 action will be taken on the request by the Bureau or the Commission. If a request is deemed
17 abandoned, the licensee may resubmit a request, which shall be treated as a new request for
18 approval under this section.

19 (3) The Bureau shall review the documents and may provide a recommendation to the
20 Commission, including an opinion of the potential for default, within 90 days of the receipt of
21 the security agreement.

22 (c) The Bureau shall review the security agreement each time the licensee submits a license
23 renewal application during the duration of the security agreement.

24 (d)(1) Any substantive amendment to an approved security agreement or any subsequent
25 assignment, pledge, sale, or transfer of security interest in gaming collateral or any portion
26 thereof shall require approval by the Commission in accordance with these procedures as if it
27 were a new security agreement.

28 (2) Notice to the Bureau will suffice for any non-substantive amendment of a security
29 agreement or any portion thereof, consisting of a summary of the changes and the amended

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1 documents. An amendment will be considered substantive if the amendment grants, denies,
2 expands or diminishes any rights or obligations under the security agreement. The Bureau may
3 determine that the noticed amendments are actually substantive and instruct the licensee to
4 submit the amendment in accordance with paragraph (1).

5 Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19900, 19901 and 19984, Business and
6 Professions Code. Reference: Sections 19824, 19900, 19901 and 19984, Business and Professions Code.

7 8 § 12333. Enforcement of a Security ~~Agreement for~~ Interest in Gaming Collateral.

9 (a) A person may not enforce a security interest in gaming collateral except as provided by
10 this article. The purported enforcement of a security interest in gaming collateral without the
11 secured party having complied with the requirements of this article is void.

12 (b) Prior to enforcement of a security interest in gaming collateral that generates an interested
13 transaction, the secured party must possess a temporary or regular license in accordance with
14 Business and Professions Code sections 19853 and 19858.

15 (c) All parties shall [immediately] or [within 24 hours] or [within five business days] notify
16 the Bureau once an event of default occurs. The secured party must submit a statement to the
17 Bureau identifying the act of default by the debtor that is the basis for seeking to enforce the
18 security interest in gaming collateral, including a copy of any notice of default sent to the debtor
19 and any other information requested by the Bureau. This statement and any supporting
20 documentation may be sent by mail, email, or facsimile.

21 (d) The Bureau shall contact the licensee or otherwise investigate the event of default to
22 determine if the event of default is being resolved. The Bureau may request documentation of
23 the licensee's ability to continue to perform under the security agreement.

24 (1) If the investigation determines the event of default is resolved and the secured party does
25 not wish to pursue enforcement of the security interest in gaming collateral, no further steps by
26 the Bureau are required. The Bureau shall notify the Commission of the event of default and the
27 resolution.

28 (2) If the Bureau determines the event of default is not being resolved, the secured party
29 wishes to proceed with enforcement of the security interest in gaming collateral, or any concern

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1 exists that the Bureau determines needs Commission review, the Bureau shall advise the
2 Commission.

3 ~~(d) Approval of a security interest that does not generate an interested transaction shall~~
4 ~~constitute approval of the enforcement terms, as these do not require licensure. Upon an event of~~
5 ~~default, notice shall be sent by both parties to the Bureau.~~

6 (e) The Commission may, at any time, require an unlicensed secured party to apply for
7 licensure.

8 Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19853, 19858, 19900, 19901 and 19984,
9 Business and Professions Code. Reference: Sections 19824, 19900, 19901 and 19984, Business and Professions
10 Code.

11 12 CHAPTER 2.1. THIRD-PARTY PROVIDERS OF PROPOSITION PLAYER SERVICES: 13 REGISTRATION; LICENSING.

14 ARTICLE 1. DEFINITIONS AND GENERAL PROVISIONS.

15 ~~§ 12200.15. Transfers and Sales.~~

16 ~~(a) If any registered or licensed owner wishes to sell in whole or in part any ownership~~
17 ~~interest to any unregistered or unlicensed person, the owner must first notify the Commission in~~
18 ~~writing to request approval of the transaction. The transferee must apply for and be approved as~~
19 ~~a TPP registrant or licensee. Evidence of the transferor's agreement to transfer the interest and, if~~
20 ~~applicable, the proposed articles of incorporation, shall accompany the application for~~
21 ~~registration or licensing.~~

22 ~~(b) The effective date of the sale shall be at least 90 days after receipt of the application for~~
23 ~~registration or license, or such other shorter time period as shall be set by the Executive Director~~
24 ~~with the agreement of the applicant.~~

25 ~~(c) Evidence of the final execution of a transfer or sale of an interest to a registered or~~
26 ~~licensed person shall be submitted in writing to the Commission within ten (10) days of the final~~
27 ~~transaction.~~

28 ~~Note: Authority cited: Sections 19840, 19841, and 19984, Business and Professions Code. Reference: Section~~
29 ~~19984, Business and Professions Code.~~

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CHAPTER 2.1. GAMBLING BUSINESSES: REGISTRATION; LICENSING.

ARTICLE 1. DEFINITIONS AND GENERAL PROVISIONS.

~~§ 12220.15. Transfers and Sales.~~

~~(a) If any registered or licensed owner wishes to sell in whole or in part any ownership interest to any unregistered or unlicensed person, the owner must first notify the Commission in writing to request approval of the transaction. The transferee must apply for and be approved as a registrant or licensee. Evidence of the transferor's agreement to transfer the interest and, if applicable, the proposed articles of incorporation, shall accompany the application for registration or licensing.~~

~~(b) The effective date of the sale shall be at least 90 days after receipt of the application, or such other shorter time period as shall be set by the Executive Director with the agreement of the applicant.~~

~~(c) Evidence of final execution of a transfer or sale of an interest to a registered or licensed person shall be submitted in writing to the Commission within ten (10) days of the final transaction.~~

~~Note: Authority cited: Sections 19840, 19841, and 19853(a)(3), Business and Professions Code. Reference: Section 19853(a)(3), Business and Professions Code.~~

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