

1 CALIFORNIA GAMBLING CONTROL COMMISSION
2 SPECIFIC LANGUAGE OF PROPOSED REGULATIONS
3 APPROVAL OF TRANSACTIONS
4 CGCC-GCA-2018-0X-R
5

6 Title 4. Business Regulations.
7 Division 18. California Gambling Control Commission.
8
9

10 § 12002. General Definitions.

11 Unless otherwise specified, the definitions in Business and Professions Code section
12 19805, supplemented by the definitions found in Chapter 10 of Title 9 of Part 1 of the
13 Penal Code (commencing with section 330), ~~shall~~ govern the construction of this
14 division. As used in this division:

15 ...

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

18 (1) A person, business, trust, or estate that controls, or is controlled by, or is under
19 common control with, a specified person;

20 (2) A director, officer, general partner, managing member, or person in control of any
21 business where the specified person has an ownership interest;

22 (3) A spouse or registered domestic partner of a specified person;

23 (4) A father, mother, or sibling of either a specified person or a specified person’s
24 spouse or registered domestic partner, or a child or grandchild of a specified person, or a
25 spouse or registered domestic partner of a child or sibling of a specified person, who
26 resides in the same home as the specified person;

27 (5) Any trust or other estate in which a specified person, or a specified person’s
28 spouse or registered domestic partner is a beneficiary, or serves as trustee or in a similar
29 fiduciary capacity; or,

1 (6) Any business entity in which a specified person and that specified person's
2 spouse or registered domestic partner have a combined ownership interest of 10 percent
3 or more.

4 (e)~~(d)~~ ...

5 (f)~~(e)~~ ...

6 (g)~~(f)~~ ...

7 (h)~~(g)~~ ...

8 (i)~~(h)~~ ...

9 (j)~~(i)~~ ...

10 (k)~~(j)~~ ...

11 (l)~~(k)~~ ...

12 (m)~~(l)~~ ...

13 (n)~~(m)~~ ...

14 (o)~~(n)~~ ...

15 (p)~~(o)~~ ...

16 (q)~~(p)~~ ...

17 (r)~~(q)~~ ...

18 (s)~~(r)~~ ...

19 (t)~~(s)~~ ...

20 (u)~~(t)~~ ...

21 (v)~~(u)~~ ...

22 (w)~~(v)~~ ...

23 (x)~~(w)~~ ...

24 (y)~~(x)~~ ...

25 (z) "Specified person" means any natural person who meets one of the following
26 conditions:

27 (1) Is required to be licensed pursuant to Business and Professions Code section
28 19852, subdivisions (a) through (i), inclusive, with the exception of any natural person
29 who holds less than a 10 percent ownership interest and would not otherwise require
30 licensure.

1 (2) Is an owner pursuant to paragraph (16) of subsection (b) of Section 12200, with
2 the exception of any natural person who holds less than a 10 percent ownership interest
3 and would not otherwise require licensure.

4 (3) Is an owner pursuant to paragraph (17) of subsection (b) of Section 12220, with
5 the exception of any natural person who holds less than a 10 percent ownership interest
6 and would not otherwise require licensure.

7 (aa)(y) ...

8 (ab)(z) ...

9 (ab)(aa) ...

10 Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19853(a)(3) and 19854,
11 Business and Professions Code. Reference: Sections 19800, 19805, 19811, 19816, 19853, 19951
12 and 19984, Business and Professions Code.
13

14 **CHAPTER 2.1. THIRD-PARTY PROVIDERS OF PROPOSITION PLAYER SERVICES:**
15 **REGISTRATION; LICENSING.**

16 **ARTICLE 1. DEFINITIONS AND GENERAL PROVISIONS.**
17

18 ~~§ 12200.15. Transfers and Sales.~~

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

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

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

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

Underline denotes added text. ~~Strikeout~~ denotes deleted text.

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1
2 **CHAPTER 2.2. GAMBLING BUSINESSES: REGISTRATION; LICENSING.**

3 **ARTICLE 1. DEFINITIONS AND GENERAL PROVISIONS.**

4
5 ~~§ 12220.15. Transfers and Sales.~~

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

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

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

18 ~~Note: Authority cited: Sections 19840, 19841, and 19853(a)(3), Business and Professions Code.~~
19 ~~Reference: Section 19853(a)(3), Business and Professions Code.~~
20

21 **CHAPTER 5. ACCOUNTING AND TRANSACTION APPROVALS.**

22 **ARTICLE 1. Definitions and General Provisions~~Accounting and Financial~~**
23 **~~Reporting.~~**

24
25 **§ 12311. Definitions.**

26 (a) Except as otherwise provided in subsection (b), the definitions in Business and
27 Professions Code section 19805 and Section 12002 of this division ~~shall~~ governs the
28 construction of this chapter.

29 (b) As used in this chapter:

30 (1) "Group I licensee" means a licensee with a reported gross revenue of \$10 million
31 or more for the preceding fiscal year.

32 (2) "Group II licensee" means a licensee with a reported gross revenue of \$2 million
33 or more but less than \$10 million for the preceding fiscal year.

1 (3) “Group III licensee” means a licensee with a reported gross revenue of \$500,000
2 or more but less than \$2 million for the preceding fiscal year.

3 (4) “Group IV licensee” means a licensee with a reported gross revenue of less than
4 \$500,000 for the preceding fiscal year.

5 (5) “Jackpot administrative fee” means a fee to cover all expenses incurred by the
6 licensee for administering a jackpot.

7 (6) “Licensee” means “owner licensee” as defined in Business and Professions Code
8 section 19805(ad) and, for the purposes of this chapter, the holder of a third-party
9 provider of proposition player services or gambling business owner license or owner
10 registration.

11 (7) “Security interest” means an interest in property that secures the payment or
12 performance of an obligation or a judgment.

13 (8) “Transaction” means any contract, agreement, or other business activity in which
14 goods, services, or monies are exchanged, or that establishes or modifies any rights,
15 powers, privileges, obligations, duties, or liabilities.

16 Note: Authority cited: Sections 19811, 19824, 19840, 19841 and 19984, Business and Professions
17 Code. Reference: Sections 19805, 19840, 19841, 19853 and 19984, Business and Professions
18 Code.

19
20 **§ 12312. Record Retention and Maintenance; ~~General Provisions.~~**

21 Each licensee ~~must~~shall:

22 (a) Maintain all records required by this ~~chapter~~article consistent with the provisions
23 of Section 12003 with the exception that all records from this chapter must be maintained
24 for a minimum of seven years.

25 ...

26 (d) Maintain a uniform chart of accounts and accounting classifications in order to
27 ensure consistency, comparability, and effective disclosure of financial information. The
28 chart of accounts ~~must~~shall provide the classifications necessary to prepare a complete set
29 of financial statements including, but not limited to, a statement of financial position
30 (balance sheet), a detailed statement of operations (income statement or profit and loss
31 statement), a statement of changes in equity, a statement of cash flow, and other
32 statements appropriate for the particular licensee. A chart of accounts ~~must~~shall be

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1 submitted with an initial license or registration application for review and approval by the
2 Bureau.

3 (e) Keep a general ledger, which documents all accounting transactions completed
4 and posted to accounts listed in the chart of accounts referred to in subsection (d) of this
5 section. General accounting records ~~must~~shall be maintained on a double-entry system of
6 accounting with recorded transactions supported by detailed subsidiary records including,
7 but not limited to, ledgers, invoices, purchase orders, and other source documents.

8 Note: Authority cited: Sections 19811, 19824, 19840, 19841, 19853 and 19984, Business and
9 Professions Code. Reference: Sections 19826, 19841, 19857 and 19984, Business and Professions
10 Code.
11

12 ARTICLE 2. ACCOUNTING AND FINANCIAL REPORTING.

13 **§ 12313. Financial Statements and Reporting Requirements.**

14 (a) Each licensee ~~must~~shall prepare financial statements covering all financial
15 activities of that gambling enterprise, TPPPS company, or gambling business, ~~or the~~
16 ~~gambling enterprise~~, as applicable, for each fiscal year, in accordance with generally
17 accepted accounting principles, unless otherwise provided in this section. If a gambling
18 enterprise (or a person or entity that has an interest, control, or common control with the
19 licensee) owns or operates lodging, food, beverage, or any other non-gambling operation
20 at the gambling establishment, the financial statements must reflect the results of the
21 gambling operation separately from those non-gambling operations.
22

23 (1) A Group I licensee ~~must~~shall engage an independent accountant licensed by the
24 California Board of Accountancy to audit the licensee's annual financial statements in
25 accordance with generally accepted auditing standards.

26 (2) A Group II licensee ~~must~~shall engage an independent accountant licensed by the
27 California Board of Accountancy to, at a minimum, review the licensee's annual financial
28 statements in accordance with standards for accounting and review services or with
29 currently applicable professional accounting standards. The licensee may elect to engage
30 an independent accountant licensed by the California Board of Accountancy to audit the
31 annual financial statements in accordance with generally accepted auditing standards.

1 (3) A Group III licensee ~~must~~shall prepare financial statements including, at a
2 minimum, a statement of financial position, a statement of income or statement of
3 operations, and disclosure in the form of notes to the financial statements. If the licensee
4 is unable to produce the financial statements, it ~~must~~shall engage an independent
5 accountant licensed by the California Board of Accountancy to perform a compilation of
6 the licensee's annual financial statements in accordance with standards for accounting and
7 review services or with currently applicable professional accounting standards, including
8 full disclosure in the form of notes to the financial statements. The licensee may elect to
9 engage an independent accountant licensed by the California Board of Accountancy to
10 compile or perform a review of the licensee's annual financial statements in accordance
11 with standards for accounting and review services, or to audit the annual financial
12 statements in accordance with generally accepted auditing standards.

13 (4)(A) A Group IV licensee ~~must~~shall prepare financial statements that include, at a
14 minimum, a statement of financial position and a statement of income or statement of
15 operations. If the licensee is unable to produce the financial statements, it ~~must~~shall do
16 one of the following:

17 ...

18 (c) Unless otherwise provided in this section, a licensee ~~must~~shall submit copies of
19 the annual financial statements, with the independent auditor's or accountant's report
20 issued to meet the requirements under this section, to the Bureau and the Commission no
21 later than 120 calendar days following the end of the fiscal year covered by the financial
22 statements. If a management letter is issued, a copy of the management letter must also
23 be submitted to the Bureau, including the licensee's reply to the management letter, if
24 any.

25 ...

26 Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19853 and 19984, Business
27 and Professions Code. Reference: Sections 19841, 19857 and 19984, Business and Professions
28 Code.

1 **§ 12315. Records and Reports of Monetary Instrument Transactions for**
2 **Gambling Enterprises.**

3 (a) A gambling enterprise is required to file a report of each transaction involving
4 currency in excess of \$10,000, in accordance with section 14162(b) of the Penal Code.

5 (b) A gambling enterprise, regardless of gross revenue, ~~must~~ ~~shall~~ make and keep on
6 file at the gambling establishment a report of each transaction in currency, in accordance
7 with sections 5313 and 5314 of Title 31 of the United States Code and with Chapter X of
8 Title 31 of the Code of Federal Regulations, and any successor provisions. These reports
9 ~~must~~ ~~shall~~ be available for inspection at any time as requested by the Bureau.

10 (c) Nothing in this section ~~may~~ ~~shall~~ be deemed to waive or to suspend the
11 requirement that a gambling enterprise make and keep a record and file a report of any
12 transaction otherwise required by the Bureau or the Commission.

13 Note: Authority cited: Sections 19811, 19824 and 19841, Business and Professions Code.
14 Reference: Section 19841, Business and Professions Code.
15

16 **§ 12316. Unclaimed or Abandoned Property.**

17 (a) A gambling enterprise ~~must~~ ~~shall~~ establish written policies and procedures which
18 comply with California's Unclaimed Property Law (Code ~~of Civil~~ ~~Procedure~~, section
19 1500 et seq.), regarding unclaimed chips, cash, and cash equivalents left at a gaming table
20 or in any player's bank deemed inactive by the terms of the gambling enterprise's policies
21 and procedures, un-deposited checks issued by the gambling enterprise to a patron, and
22 un-deposited checks drawn on a gambling enterprise's account.

23 (b) Records of the date and amount of any unclaimed property sent or reported to the
24 State Controller ~~must~~ ~~shall~~ be kept by the licensee.

25 Note: Authority cited: Sections 19811, 19840, 19841 and 19920, Business and Professions Code.
26 Reference: Sections 19801 and 19841, Business and Professions Code; and Title 10, Chapter 7
27 (Commencing with section 1500), Code of Civil Procedure.
28

29 **ARTICLE 3. TRANSACTION REQUIREMENTS.**

30
31 **§ 12320. General Provisions.**

32 (a) Contracts, invoices, purchase orders, receipts, emails, confirmations, or other
33 documentation may be used meet the requirements of Section 12003 and subdivision (a)
34 of Section 12312.

1 (b) In addition to the requirements of subsection (c) of Section 12003, all writings
2 and supporting documentation required to be maintained by this article must be made
3 available, in accordance with the availability requirements of the Bureau, and any
4 appropriate law enforcement agencies or federal, state, or local regulators upon request.

5 (c) A transaction is considered consummated the earlier of the contract date, or later
6 date if specified in the contract, or the date the cash, property, credit, guaranty, benefit, or
7 security is received.

8 (d) A written contract between a gambling enterprise and a primary owner of a third
9 party provider of proposition player services company for the purpose of providing
10 proposition player services at a gambling establishment is exempt from this article.

11 (e) Unless otherwise required by statute, regulation, or the Commission, transactions
12 conducted with an institutional investor, as defined in subdivision (w) of Business and
13 Professions Code section 19805, do not require licensure of the institutional investor.

14 (f) Individual patron chip transactions, extension of credit to patrons, and patron
15 check cashing are exempt from this article.

16 (g) No licensee, or any of their affiliates, may enter into, or cause any other person to
17 enter into, any agreement that limits contact with or restricts information that can be
18 provided to officials or employees of the Commission, the Bureau, the Department of
19 Justice, or any federal, state, or local agency whose duties include enforcement or
20 licensing.

21 (h) Licensees may not structure, or conduct, any transaction in a manner that
22 interferes with, obscures, or discourages full disclosure of any aspect or to avoid any
23 requirements of any local ordinance or regulation, or any state or federal statute or
24 regulation.

25 Note: Authority cited: Sections 19805, 19811, 19823, 19824, 19826, 19840, 19841, 19853, 19866,
26 19870, 19901, 19902, 19904 and 19984, Business and Professions Code. Reference: Sections
27 19823, 19824, 19841, 19866, 19870, 19901, 19902, 19904 and 19984, Business and Professions
28 Code.

29
30 **§ 12322. Required Contract Terms or Conditions.**

31 The following terms or conditions are required in the transaction documents(s), as
32 applicable:

1 (a) All transactions requiring prior approval pursuant to this article must contain an
2 advisory that the licensee or registrant is subject to the provisions of the Act and the
3 regulations of the Commission and the Bureau.

4 (b) A transaction to sell or lease real property or an interest in property when the
5 Commission required the purchaser or lessee to be approved or licensed pursuant to
6 subdivision (a) of Business and Professions Code section 19853:

7 (1) Cannot specify a closing date that is prior to the approval of that transaction.

8 (2) Must contain a provision satisfactory to the Commission regarding responsibility
9 for payment of any fees due pursuant to any subsequent deficiency determination made
10 under the Act.

11 (c) A transaction for the sale of a gambling enterprise must include a provision for
12 the handling of any outstanding gaming chips consistent with Business and Professions
13 Code section 19906.

14 (d) A transaction for the sale of a gambling enterprise, TPPPS company, or gambling
15 business must contain a provision that requires any proceeds derived from the continued
16 operation of the gambling enterprise, TPPPS company, or gambling business that would
17 otherwise be payable to a new owner to be held in an escrow account and not disbursed
18 until the new owners have been approved by the Commission for a license or registration.
19 This provision does not prevent the payment of any taxes, operating expenses, preexisting
20 obligations, preexisting dependent support, or any other distribution of proceeds that is
21 approved by the Commission.

22 (e) Any lease between a gambling enterprise, TPPPS company, or gambling business
23 and the landlord must contain an acknowledgement that the landlord is familiar with the
24 paragraph (4) of subsection (a) of Section 12326 and will comply with the Act,
25 Commission regulations, and Bureau regulations, to the extent any requirements are
26 triggered by, or result from the lease.

27 (f) Any document evidencing an ownership interest in a gambling enterprise, TPPPS
28 company, or gambling business issued by the licensee must bear the following legend in
29 the body of the document or attached to the document:

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

8 - - -

9 **OPTION 2A – Broader Approval List with Allowances**

10 (g) Any agreement with a gambling enterprise, TPPPS, or gambling business will be
11 deemed to include a provision for its termination without further liability on the part of
12 the gambling enterprise, TPPPS, or gambling business, except for the bona fide
13 repayment of all outstanding sums (exclusive of interest) owed as of, or payment for
14 services or materials received up to the date of termination by the Commission.
15 Additionally, the parties to the agreement will be deemed to agree to indemnify the State
16 of California, Commission, and the Bureau for any liability relating to the termination of
17 an agreement. Any action of the Commission is final and not subject to appeal or
18 evidentiary hearing.

19 - - -

20 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19892, 19900,
21 19901, and 19984, Business and Professions Code. Reference: Sections 19823, 19824, 19841,
22 19855, 19857, 19866, 19870, 19900, 19901, 19902, 19903, 19904, 19906, and 19984, Business
23 and Professions Code.

24
25 **§ 12324. Reporting Requirements.**

26 (a) All transactions must be reported annually to the Bureau. In a year when a
27 renewal application will be submitted, as provided in subdivision (a) of Section 12345,
28 the report must be submitted with the renewal application. In a year when a renewal
29 application will not be submitted, the report is due the first of the month, sixteen months
30 before the expiration of the current license.

1 (b) The report must include a summary of each transaction either still in effect or
2 whose effective date is after the date of the last submitted report. If there are no
3 applicable transactions, the report must include a statement to that effect.

4 (c) The summary of each transaction must include the following:

5 (1) The earliest date any party performed his, her, or its duties or obligations, or
6 received any right, power, benefit, privilege, or compensation pursuant to the transaction;

7 (2) The names of the parties;

8 (3) The purpose of the transaction;

9 (4) A description of any goods or services exchanged, or any rights, powers,
10 privileges, obligations, duties, or liabilities modified as part of the transaction;

11 (5) The total aggregate value associated with the transaction;

12 (6) Any affiliates other than those who are solely affiliates of the reporting licensee,
13 if any;

14 (7) The name of any employee of a licensee who is performing services beyond those
15 reasonably related to the employee's position or classification, the services performed,
16 and the aggregate earnings for these additional services during the year; and,

17 (8) Any Bureau identification number that may have been previously issued to the
18 transaction.

19 (9) For any transaction that has, within the last twelve months, been reported to the
20 Bureau pursuant to this section, the report may instead include only the information
21 required pursuant to paragraphs (2) and (4), the license number the report was issued in
22 conjunction with, and a specific description where the transaction can be found in the
23 report. "Specific description" could include the identification of the page and line
24 number where the transaction could be found.

25 (d) The Bureau must review the documents submitted under this section for
26 compliance with the Act and any specific conditions applicable to the licensee.

27 (e) A bankruptcy filing by a licensee does not relieve that licensee of the reporting
28 requirements of this regulation.

29 Note: Authority cited: Sections 19805, 19811, 19823, 19824, 19826, 19840, 19841, 19853, 19866,
30 19870, 19901, 19902, 19904 and 19984, Business and Professions Code. Reference: Sections

1 19823, 19824, 19841, 19866, 19870, 19901, 19902, 19904 and 19984, Business and Professions
2 Code.

3
4 **§ 12326. Commission Approval of Transactions.**

5 - - -

6 **OPTION 1 – Limited Approval List**

7 (a) Licensees must submit the following transactions to the Bureau for review and
8 receive approval from the Commission before any party to the transaction performs his,
9 her, or its duties or obligations, or receives any right, power, benefit, or compensation:

10 (1) The sale, assignment, transfer, pledge, or other disposition, in whole or in part, of
11 any ownership interest in a gambling enterprise, TPPPS company, gambling business, or
12 any gambling entity even if outside of the United States, including, but not limited to,
13 sale of corporate stock, interest in a partnership, or membership interest in a Limited
14 Liability Corporation;

15 (2) The sale, assignment, transfer, pledge, or other disposition of an option to
16 purchase any ownership interest in a gambling enterprise, TPPPS company, or gambling
17 business;

18 (3) The transfer of possession, ownership, or title of a security interest provided for in
19 subdivision (a) of Business and Professions Code section 19900;

20 (4) The sale, lease, interest, transfer, assignment, encumbrance, or other disposition
21 of any real property associated with a gambling enterprise, TPPPS company, or gambling
22 business when the Commission has previously required the owner of that real property to
23 be licensed or approved;

24 (5) Any transaction in which a licensee obtains a secured or an unsecured loan from a
25 private individual(s) that includes the right to purchase an interest in a new entity to be
26 formed to own a gambling enterprise, TPPPS company, or gambling business;

27 (6) Any transaction or employment agreement between a licensee, or an affiliate of a
28 licensee, and a person, or a person who is under the control of a person, who has been
29 denied a license by the Commission, or has had a license suspended or revoked by the
30 Commission, or has had an application for Commission approval withdrawn with

1 prejudice. Each licensee must use due diligence to reasonably ensure that every person
2 with whom the licensee transacts is suitable under the Act;

3 (7) Employment by a licensee or affiliate of a licensee of any person who has been
4 denied a license by the Commission, has had a license suspended or revoked by the
5 Commission, or has had an application for Commission approval withdrawn with
6 prejudice. This provision does not apply if the Commission has permitted employment of
7 the individual under a work permit issued by a local jurisdiction;

8 (8) Any trust or other estate that permits a person to take part in the operation of a
9 gambling enterprise, TPPPS company, or gambling business, or that provides payment to
10 a person from the profits of a gambling enterprise, TPPPS company, or gambling
11 business;

12 (9) Any transaction that materially amends or modifies any transaction previously
13 approved by the Commission. An amendment will be considered material if the
14 amendment grants, denies, expands, or diminishes any rights or obligations under the
15 transaction;

16 - - -

17 **OPTION 2 – Broader Approval List**

18 (a) [Continued]

19 (10) Any transaction between a gambling enterprise and a third-party provider of
20 proposition player services, other than a TPPPS contract. This includes transactions
21 between a gambling enterprise or TPPPS and an affiliate of either a gambling enterprise
22 or TPPPS, as applicable, or between an affiliate of a gambling enterprise and an affiliate
23 of a TPPPS;

24 (11) Any transaction that would result in an individual who is not an employee of a
25 gambling enterprise, TPPPS, or gambling business operating in any position that would
26 otherwise require licensure. This would include, but not be limited to, players,
27 surveillance personnel, casino cage personnel, compliance personnel, dealers, floor
28 persons, game attendants, chip runners, internal security, internal accounting, any person
29 supervising those individuals, and any key employee;

1 (12) A shareholders' agreement or similar transaction among licensees restricting the
2 sale or other disposition of, requiring the purchase of, or creating a right of first refusal or
3 similar right in, any ownership interest upon the occurrence of a future event; or,

4 (13) Any transaction that covers any of the following subjects:

5 (A) Licensing agreement;

6 (B) Intellectual property agreement;

7 (C) Customer procurement agreement;

8 (D) Tour operator, the operator of a bus program, or the operator of any other type of
9 travel program;

10 (E) Management services agreement;

11 (F) Every agreement that allows a person to conduct business of any type on the
12 premises of a gambling enterprise, TPPPS company, or gambling business;

13 (G) Any agreement that contains a confidentiality clause;

14 (H) Any agreement with a gambling equipment distributor, manufacturer, servicer, or
15 repairer; and,

16 (I) Any agreement with a non-governmental security business or security business
17 provider that provides physical security services to a hotel or any other premises located
18 within a gambling establishment or for any real property occupied by a gambling
19 enterprise, TPPPS, or gambling business.

20 (b) Licensees must submit the transactions in paragraph (2) to the Bureau for review
21 and receive approval from the Commission before any party to the transaction performs
22 his, her, or its duties or obligations, or receives any right, power, benefit, privilege, or
23 compensation if the value in the transaction exceeds the applicable value in paragraph
24 (1), in any fiscal year, of:

25 (1)(A) \$1,000,000 or more for Group I licensees;

26 (B) \$200,000 or more for Group II licensees;

27 (C) \$50,000 or more for Group III licensees; or,

28 (D) \$10,000 or more for Group IV licensees.

29 (2)(A) A transaction with, or involving, another licensee;

30 (B) A transaction with, or involving, an affiliate of another licensee;

1 (C) A transaction involving the forgiveness of a debt or obligation owed by the
2 licensee or his, her, or its affiliate, or any debts to be forgiven by the licensee or his, her,
3 or its affiliate;

4 (D) A consulting agreement of any type;

5 (E) An agreement with an independent agent or independent contractor;

6 (F) A food and beverage agreement;

7 (G) Any personal property leasing agreement;

8 (H) Any transaction involving improvements or fixtures of any real property used by
9 the gambling enterprise, TPPPS company, or gambling business; or,

10 (I) Any transaction that is related to the operation of a gambling enterprise, TPPPS
11 company, or gambling business, with a vendor, for a purpose not otherwise specified in
12 this section.

13 - - -

14 **OPTION 2A – Broader Approval List with Allowances**

15 NOTE: This Option MAY be selected in conjunction with Option 2. This option
16 would move the indicated provisions from subsections (a) and (b). This would have the
17 effect of allowing consummation of the contracts to begin upon submittal and not require
18 the licensees to wait for Commission approval.

19 (c) Licensees must submit the following transactions to the Bureau for review before
20 any party to the transaction performs his, her, or its duties or obligations, or receives any
21 right, power, benefit, or compensation:

22 (1) Customer procurement agreement; [NOTE: (a)(14)(C)]

23 (2) Tour operator, the operator of a bus program, or the operator of any other type of
24 travel program; [NOTE: (a)(14)(D)]

25 (3) Agreement with a gambling equipment distributor, manufacturer, servicer, or
26 repairer; [NOTE: (a)(14)(H)]

27 (d) Licensees must submit the transactions in paragraph (2) to the Bureau for review
28 before any party to the transaction performs his, her, or its duties or obligations, or
29 receives any right, power, benefit, privilege, or compensation if the value in the
30 transaction exceeds the applicable value in paragraph (1), in any fiscal year, of:

- 1 (1)(A) \$1,000,000 or more for Group I licensees;
2 (B) \$200,000 or more for Group II licensees;
3 (C) \$50,000 or more for Group III licensees; or,
4 (D) \$10,000 or more for Group IV licensees.
5 (2)(A) A transaction with, or involving, another licensee; [NOTE: (b)(2)(A)]
6 (B) A food and beverage agreement; [NOTE: (b)(2)(F)]
7 (C) Any personal property leasing agreement; or, [NOTE: (b)(2)(G)]
8 (D) Any transaction involving improvements or fixtures of any real property used by
9 the gambling enterprise, TPPPS company, or gambling business. [NOTE: (b)(2)(H)]

10 - - -

11 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19892, 19900,
12 19901, and 19984, Business and Professions Code. Reference: Sections 19805, 19823, 19824,
13 19841, 19853, 19857, 19866, 19870, 19878, 19900, 19901, 19902, 19903, 19904 and 19984,
14 Business and Professions Code.

15

16 **§ 12328. Transactions and License Requirements.**

17 (a) A written request for formal approval of a transaction must be submitted to the
18 Bureau as follows:

19 - - -

20 **OPTION 1 – Limited Approval List**

21 (1) If one or more persons involved in the transaction are not licensed or registered
22 but will be required, pursuant to the Act or regulation, to be licensed or registered, the
23 transaction approval request must be submitted with the required license or registration
24 applications.

25 - - -

26 **OPTION 2 – Broader Approval List**

27 (2) If all persons involved in the transaction are licensed or registered, or do not
28 require licensure or registration, the transaction request must be submitted at least 150
29 calendar days prior to the proposed closing date of the transaction.

30 - - -

OPTION 2A – Broader Approval List with Allowances

(2) If all persons involved in the transaction are licensed or registered, or do not require licensure or registration, the transaction request must be submitted:

(A) For transactions submitted pursuant to paragraphs (a) or (b) of Section 12326, at least 150 calendar days prior to the proposed closing date of the transaction; or,

(B) For transactions submitted pursuant to paragraphs (c) or (d) of Section 12326, at least concurrently with the proposed closing date of the transaction.

(b) Any licensee submitting a transaction for review must submit the following to the Bureau:

(1) A completed Transaction Review Request Form, CGCC-0XX (New XX/18), which is incorporated in Appendix A to this chapter;

(2) Complete copies of all documents and agreements related to, and intended to effectuate, the proposed transaction;

(3) Any application(s) for licensure or registration, as applicable.

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

(B) For TPPPS company transactions, a completed application for registration and all required fees and deposits, as provided in Section 12202 and Title 11, CCR, Section 2037.

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

Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19900, 19901, 19905, 19951 and 19984, Business and Professions Code. Reference: Sections 19823, 19824, 19826, 19841, 19866, 19901, 19905 and 19984, Business and Professions Code.

§ 12330. Required License or Registration Maintenance.

(a) All required licenses and registrations for gambling enterprises, TPPPS companies, or gambling businesses must continue to be renewed for the duration of the

1 approval period, as applicable, while a transaction is being considered. Nothing in this
2 subsection requires the gambling enterprise, TPPPS company, or gambling business to
3 remain in operation for the duration of the approval period.

4 (b) If the seller or transferor maintains a security interest in the gambling enterprise,
5 TPPPS company or gambling business, the seller or transferor may choose to maintain a
6 valid license or registration as a security interest holder endorsed on the purchaser's or
7 transferee's license, if not otherwise required by the Commission.

8 Note: Authority cited: Sections 19811, 19823, 19824, 19826, 19840, 19841, 19901 and 19984,
9 Business and Professions Code. Reference: Sections 19823, 19824, 19841, 19855, 19866, 19870,
10 19901, 19902, 19904 and 19984, Business and Professions Code.

11
12 **§ 12332. Processing Timelines for Transaction Requests.**

13 (a) A request for the review of a transaction must be processed within the following
14 timeframes:

15 (1) The Bureau must notify the requestor in writing within ten calendar days after the
16 receipt of a request that the request or a resubmitted request is complete and accepted for
17 initial processing, or that a request or a resubmitted request is deficient and identify what
18 specific additional information is required. For the purposes of this subsection,
19 “complete request” means all required documents pursuant to subsection (b) of Section
20 12328.

21 (2) If the applicant does not complete any request within 30 calendar days, the
22 transaction request will be deemed abandoned and no further action will be taken on the
23 request by the Bureau or the Commission. If a transaction approval request is deemed
24 abandoned, the licensee may resubmit a request, which will be treated as a new request
25 for approval under this section.

26 (3) Within 45 calendar days of receiving a complete request the Bureau must submit
27 the transaction to the Commission for consideration, and include any appropriate
28 recommendation related to the transaction and whether any licensure, registration, or a
29 finding of suitability may be necessary. Upon the submission of a transaction to the
30 Commission the Bureau must notify the licensee of any recommendations it provided to
31 the Commission.

1 (4) The Bureau may request further information or documents as needed. The
2 Bureau's 45 calendar day review period is suspended until the Bureau has received all
3 requested information or documents. This request is subject to paragraph (2).

4 (b)(1) Notice that the transaction has been scheduled at a non-evidentiary hearing
5 meeting shall be made within 60 calendar days after submittal of the transaction to the
6 Commission by the Bureau, except that the Commission may notify the applicant, in
7 writing, that additional time, not to exceed 30 days, is needed.

8 (2) At a non-evidentiary hearing meeting, the Commission may take, but is not
9 limited to taking, one of the following actions:

10 (A) Approve the transaction.

11 (B) Disapprove the transaction.

12 (C) Request additional information from either the Bureau or applicant.

13 (D) Determine that an unlicensed party to the transaction requires licensure, or that a
14 licensed party to the transaction requires additional licensure. If the Commission
15 determines that any licensure applications are required, the Commission may elect to
16 withhold taking action on the transaction until such time as all required licensure
17 applications have been acted upon.

18 Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19901, 19901 and 19984,
19 Business and Professions Code. Reference: Sections 19823, 19824, 19826, 19841, 19857, 19901
20 and 19984, Business and Professions Code.

22 **CHAPTER 10. DISCIPLINE, HEARINGS, AND DECISIONS.**

24 **§ 12560. Disciplinary Guidelines for Third-Party Providers of Proposition** 25 **Player Services Licensees or Registrants.**

26 ...

27 (b) A license or registration granted by the Commission for an owner of a third-party
28 provider of proposition player services, as that term is used in California Code of
29 Regulations, Title 4, Section 12200, ~~will~~ must be subject to a minimum discipline of
30 suspension of five days from either specified gambling establishments or all gambling
31 establishments, as the circumstances and factors in mitigation or aggravation apply, and a
32 maximum discipline of revocation, which may be stayed on terms and conditions and any

Underline denotes added text. ~~Strikeout~~ denotes deleted text.

Revision Date: April 23, 2018

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1 monetary penalty as described in paragraph (7) of subsection (d) of Section 12554 of this
2 chapter, if the Commission finds that:

3 ...

4 (23) The owner has provided false or intentionally incomplete information, in
5 violation of California Code of Regulations, Title 4, Chapter 5, Article 3 (commencing
6 with Section 12320), regarding approval of transactions.

7 ...

8 Note: Authority cited: 19825, 19840, 19841, 19930, and 19984, Business and Professions Code.
9 Reference: Sections 19824 and 19930, Business and Professions Code.

10

11 **§ 12562. Disciplinary Guidelines for Gambling Business Licensees or**
12 **Registrants.**

13 ...

14 (b) A license or registration granted by the Commission for an owner of a gambling
15 business, as that term is used in California Code of Regulations, Title 4, Section 12220,
16 ~~will~~ be subject to a minimum monetary penalty of \$2500 and/or a discipline of
17 suspension of five days from either specified gambling establishments or all gambling
18 establishments, as the circumstances and factors in mitigation or aggravation apply, and a
19 maximum discipline of revocation by the Commission if the Commission finds that:

20 ...

21 (15) The owner has provided false or intentionally incomplete information, in
22 violation of California Code of Regulations, Title 4, Chapter 5, Article 3 (commencing
23 with Section 12320), regarding approval of transactions.

24 ...

25 Note: Authority cited: 19825, 19840, 19841, and 19930, Business and Professions Code.
26 Reference: Sections 19853(a)(3) and 19930, Business and Professions Code.

27

28 **§ 12566. Disciplinary Guidelines for Gambling Establishments.**

29 ...

30 (c) A state gambling license for a gambling establishment granted by the
31 Commission ~~will~~ be subject to a minimum discipline of suspension for one day of
32 normal business operation and a maximum discipline of revocation, which may be stayed
33 on terms and conditions and any monetary penalty as described in paragraph (7) of

1 subsection (d) of Section 12554~~(d)(7)~~ of this chapter, if the Commission finds that the
2 gambling enterprise~~establishment~~ has:

3 ...

4 (18) Provided false or intentionally incomplete information, in violation of California
5 Code of Regulations, Title 4, Chapter 5, Article 3 (commencing with Section 12320),
6 regarding approval of transactions.

7 Note: Authority cited: 19825, 19840, 19841, and 19930, Business and Professions Code.
8 Reference: Sections 19823, 19824, 19930, 19941, 19942, and 19982, Business and Professions
9 Code; and Department of Alcoholic Beverage Control v. Alcoholic Beverage Control Appeals
10 Board (2004), 118 Cal. App. 4th 1429, 1444-1445.

11

12 ///

Transaction Review Request Form

BGC-APP 0XX (Rev. XX/18)

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BUREAU USE ONLY
BGC ID# _____



MAIL COMPLETED FORM AND DEPOSIT TO:

BUREAU OF GAMBLING CONTROL

P.O. Box 168024

Sacramento, CA 95816-8024

(916) 227-3584

COMMERCIAL/EXPRESS DELIVERIES ONLY

BUREAU OF GAMBLING CONTROL

2450 Del Paso Road, Suite 100

Sacramento, CA 95834

PLEASE READ THE FOLLOWING INFORMATION CAREFULLY BEFORE YOU COMPLETE THIS FORM

All information must be typed or printed legibly in blue or black ink. If the space available is insufficient, attach a separate sheet of paper and precede each answer with the applicable section number. Please review California Code of Regulations, Title 4, Sections 12320 to 12332 prior to submitting a transaction for review. Failure to provide the requested information may result in the abandonment or denial of this transaction request.

Enclose a check or money order made payable to: Bureau of Gambling Control

SECTION 1: BUSINESS INFORMATION			
<input type="checkbox"/> GAMBLING ENTERPRISE	<input type="checkbox"/> THIRD-PARTY PROVIDER OF PROPOSITION PLAYER SERVICES	<input type="checkbox"/> GAMBLING BUSINESS	
FULL NAME OF BUSINESS ENTITY OR SOLE PROPRIETOR			REGISTRATION/LICENSE NUMBER
MAILING ADDRESS (STREET, CITY, STATE, ZIP CODE)			
PRIMARY TELEPHONE NUMBER	ALTERNATE TELEPHONE NUMBER	FAX NUMBER	
SECTION 2: BRIEFLY EXPLAIN THE PURPOSE OF THE TRANSACTION			
Include information like any compensation or services and who is providing them. If additional space is needed please continue on a separate sheet of paper and attach to this request form.			

SECTION 3: ADDITIONAL REQUIRED ITEMS

THE FOLLOWING ITEMS MUST BE SUBMITTED WITH THIS COMPLETED FORM, AS APPLICABLE. PROVIDE COPIES OF DOCUMENTS UNLESS OTHERWISE STATED. FAILURE TO PROVIDE THE REQUESTED INFORMATION MAY RESULT IN THE ABANDONMENT OR DENIAL OF YOUR TRANSACTION REQUEST.

MARK THE BOX NEXT TO EACH ATTACHED ITEM.

- A NON-REFUNDABLE \$1000 PROCESSING FEE, PAYABLE TO THE BUREAU OF GAMBLING CONTROL.
- AN ATTACHMENT THAT IDENTIFIES THE NAMES, ADDRESSES, AND CONTACT NUMBER OF ALL PARTIES TO THE TRANSACTION.
- AN ATTACHMENT THAT IDENTIFIES ANY AFFILIATION OF ALL PARTIES TO THE TRANSACTION TO ANY GAMBLING ENTERPRISE, TPPPS COMPANY, OR GAMBLING BUSINESS FOR WHICH THEY ARE NOT ALSO LICENSED.
- IF THE TRANSACTION INVOLVES A LENDING ACTIVITY FROM A PERSON THAT IS NOT AN INSTITUTIONAL INVESTOR, DOCUMENTS SUFFICIENT TO SHOW THE SOURCES OF ALL MONEY USED TO FUND THE LENDING ACTIVITY.
- IF THE TRANSACTION INCLUDES A PARTY WHO HAS BEEN DENIED A LICENSE, HAS A SUSPENDED OR REVOKED LICENSE, OR HAS AN APPLICATION WITHDRAWN WITH PREJUDICE, AN ATTACHMENT THAT IDENTIFIES THE FOLLOWING:
 - FOR EMPLOYMENT ONLY: A COPY OF ANY PROPOSED EMPLOYMENT ARRANGEMENT OR AGREEMENT, ANY TERMS AND CONDITIONS, THE EMPLOYEE'S DUTIES AND RESPONSIBILITIES, AND A JOB DESCRIPTION.
 - A DETAILED EXPLANATION AS TO WHY THE SPECIFIED DUTIES AND OBLIGATIONS, PRODUCTS, OR SERVICES CANNOT BE PROVIDED BY, OR ARE NOT OTHERWISE AVAILABLE FROM, PERSONS OR ENTITIES WHO HAVE NOT HAD ADVERSE ACTIONS TAKEN WITH RESPECT TO THEIR LICENSES OR APPLICATIONS.

ADDITIONAL DOCUMENTATION MAY BE REQUIRED BY THE BUREAU OF GAMBLING CONTROL.

SECTION 4: SIGNATURE

PRINTED NAME	SIGNATURE	CAPACITY	DATE (MM/DD/YYYY)
--------------	-----------	----------	-------------------

- This form must be signed by the appropriate person identified below:*
- *By an authorized officer, if requestor /licensee is a corporation, LLC, or joint venture.*
 - *By an authorized partner, if requestor /licensee is a general partnership or limited partnership.*
 - *By the owner, if requestor /licensee is a sole proprietor.*
 - *By an authorized trustor or trustee, if requestor/licensee is a trust.*