

CALIFORNIA GAMBLING CONTROL COMMISSION  
**FINAL STATEMENT OF REASONS**  
CGCC-GCA-2022-02-R

**HEARING DATE:**

October 19, 2022

**SUBJECT MATTER OF PROPOSED REGULATIONS:**

Spousal Form Update

**SECTIONS AFFECTED:**

California Code of Regulations, Title 4, Division 18: Section 12080, 12112, 12114, 12272, 12274, and 12278

**UPDATED INFORMATION:**

The Initial Statement of Reasons (ISOR), as published on August 12, 2022, is included in the file and is hereby incorporated by reference as if fully set forth herein. The information contained therein is updated as follows:

**PROPOSED ACTION:**

CHAPTER 2 LICENSES AND WORK PERMITS

ARTICLE 2. INITIAL AND RENEWAL LICENSES AND WORK PERMITS

**Amend 12112. Initial License Applications; Required Forms.**

Section 12112 provides the documents a person applying for an initial California Gambling Control Commission (Commission) approval must submit to the Bureau of Gambling Control (Bureau).

Subsection (a) provides the application forms that are required for all applications. Application for Owner Category License, CGCC-CH2-05, provides the application for third-party providers of proposition player services (TPPPS) and cardroom business and endorsee licensees. Since the notice of this proposed action, two other Commission proposed actions, OAL Matter Numbers 2022-00721-10C and 2023-0306-03C, were adopted and made changes to the form Application for Owner Category License, CGCC-CH2-05, including revising the form date. As such, this form has been modified to a new form date of 04/23 so that it is clear that this newest version is the most recent. This is a non-substantive change. The other proposed changes to the form remain unaffected.

Subsection (f) is proposed to provide the Spousal Information form, CGCC-CH2-12. The original proposed action revised the requirement to submit the form to be consistent with Section 12114, which requires the form in all cases with the submittal of the Application for Owner Category License. This proposed action has been modified to require the submittal in all cases with the submittal of the Application for Owner Category License if the applicant is a natural

person, as a non-natural person cannot have a spouse or a registered domestic partner and so requiring the form in conjunction with those applications is not necessary.

The form is amended as follows:

- The Spousal Information form provides instructions on how to complete the form.
  - The proposed action included the modification of a portion of the form’s instructions instructing an applicant when they must complete the form. This provision has been repealed and replaced with a check box as indicted below.
  - The proposed action included two check boxes that instructed an applicant when to complete the form. One of the check boxes, which instructed applicants without spouses to skip to Section 5, has been modified to include registered domestic partners. This modification is necessary to keep the requirements of the form consistent for applicants who have either a spouse or registered domestic partner.
  - In conjunction with the repeal of a portion of the instructions, mentioned above, the form has been modified to include a third check box. This check box instructs that if an applicant’s spouse or registered domestic partner is licensed or applied for a license with the associated owner category licensee, the applicant can skip to Section 5 of the form. Because the spouse has already submitted an application for or received licensure, the designation of ownership interests is not relevant.
- Section 1 requires contact information for the applicant’s spouse. Currently, the form requires providing a mailing address if different than the current residence; however, the form did not request the current residence. The form has been modified to request current residence information.
- Section 2 requires information related to the relationship of the spouse to the business. This assists the applicant in identifying if their spouse is required to submit an owner application. Currently, the form includes a note after item 4, which applies to “The above items.” The note has been modified to specify “items 1) through 4).” This is a non-substantive change that does not impact the effect of the provided note.

**Amend 12114. Renewal License Applications; Required Forms.**

Section 12114 provides the documents a person applying for a renewal license must submit to the Bureau.

Paragraph (5) of subsection (c) requires the submittal of a Spousal Information form in all cases with the submittal of the Application for Owner Category License. As mentioned above, under subsection (f) of Section 12112, the requirements of this paragraph and subsection (f) have been revised to be the same. As such, with the modification of Section 12112 to limit the submittal of the Spousal Information form to only applicants who are natural persons, this provision is likewise modified for the reasons mentioned above.

CHAPTER 3 CONDITIONS OF OPERATION FOR TPPPS BUSINESSES

ARTICLE 3. TPPPS CONTRACT

**Amend 12272. Review and Approval of TPPPS Contracts.**

Section 12272 provides the process by which the Bureau reviews and approves a TPPPS contract.

Since the notice of this proposed action, another Commission proposed action, OAL Matter Number 2022-0721-10, made the changes proposed in this rulemaking action. As such, Section 12272(a)(2)(A) and accompanying amendments to the Application for Contract Approval to Provide Proposition Player Services, CGCC-CH3-02, are withdrawn from this proposed action.

**Amend 12274. Expedited Review and Approval of TPPPS Contracts.**

Section 12274 provides the process by which the Bureau reviews and approves a TPPPS contract on an expedited basis.

Since the notice of this proposed action, another Commission proposed action, OAL Matter Number 2022-0721-10, made the changes proposed in this rulemaking action. As such, Section 12274(c)(1) is withdrawn from this proposed action.

**Amend 12278. Extension of TPPPS Contracts.**

Section 12278 provides the process by which the Bureau reviews and approves requests to extend an existing TPPPS contract.

Since the notice of this proposed action, another Commission proposed action, OAL Matter Number 2022-0721-10, made the changes proposed in this rulemaking action. As such, this section is withdrawn from this proposed action.

**UNDERLYING DATA:**

Technical, theoretical, or empirical studies or reports relied upon: None.

**REQUIRED DETERMINATIONS:**

**LOCAL MANDATE:**

A mandate is not imposed on local agencies or school districts.

**BUSINESS IMPACT:**

The Commission has made a determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states. This determination is based on the following facts or evidence/documents/testimony: This proposed action imposes no mandatory requirement on businesses. The proposed action clarifies existing application submittal requirements.

**ECONOMIC IMPACT ASSESSMENT/ANALYSIS:**

**IMPACT ON JOBS/NEW BUSINESSES:**

The Commission has determined that this regulatory proposal will not have a significant impact on the creation of new jobs or businesses, the elimination of jobs or existing businesses, or the expansion of businesses in California. For this purpose, the consolidated small business definition provided in Government Code section 11346.3, subdivision (b), paragraph (4) was utilized.

The basis for this determination is that this proposed action imposes no mandatory requirement on businesses or individuals and does not significantly change the Commission's current practices and procedures. The proposed action clarifies existing application submittal requirements.

**BENEFITS OF PROPOSED REGULATION:**

It has been determined that the proposed action will protect the health, safety, and general welfare of California residents by aiding and preserving the integrity of controlled gambling.

**CONSIDERATION OF ALTERNATIVES:**

No reasonable alternative to the regulations would be more effective in carrying out the purpose for which the action is proposed. No reasonable alternative would be as effective as and less burdensome to affected private persons than the proposed action, nor would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Set forth below are the alternatives that were considered and the reasons each alternative was rejected: No reasonable alternative has been developed or otherwise identified and brought to the attention of the Commission.

**COMMENTS, OBJECTIONS OR RECOMMENDATIONS / RESPONSES:**

The following public comments/objections/recommendations were made regarding the proposed action during the public comment periods:

**I. 45-DAY WRITTEN COMMENT PERIOD**

The Commission received the following written comments/objections/recommendations regarding the text of the proposed action during the 45-day written comment period that commenced August 12, 2022 and ended September 26, 2022:

**A. AMEND SECTION 12112. INITIAL LICENSE APPLICATIONS; REQUIRED FORMS.**

This section provides the applications and other documents necessary for submitting an initial license application for a cardroom category license or TPPPS category license.

1. Subsection (a) [pg. 1<sup>1</sup>] provides that an application must include either a completed Application for Employee Category License, CGCC-CH2-04, or Application for Owner Category License, CGCC-CH2-05 [pg. 8].

- a. **Yolanda Morrow, representing the Bureau of Gambling Control within the Department of Justice (Bureau)**: Ms. Morrow suggested that below form field “Associated Owner Category Licensee” on page 1 of the application should be added “Business Entity may include, but is not limited to, a corporation, sole proprietorship or partnership” as this will assist the Bureau in identifying ownership structures associated with an owner category license. Additionally, the Bureau recommends including a new form field of “gambling establishment.”

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that the form field “Associated Owner Category Licensee” requires the cardroom business licensee’s name, which is the business that operates the gambling establishment. Additionally, section 3 of the form requires a breakdown of each person (natural and non-natural) who is required to be licensed as an endorsee, which would identify the ownership structure.

- b. **Yolanda Morrow, representing the Bureau**: Ms. Morrow recommended amending the explanation of cardroom endorsee license, in section 1A of the form [page 9], as follows:

An endorsed licensee is ~~any other type not covered above, such as:~~ an officer in a corporation, a shareholder, a limited partner in a partnership, any person who receives any percentage share of the revenues earned, or any funding source. An endorsed license also includes, but is not limited to, a sole proprietor, LLC, corporation, partnership, trust, or business entity that operates a gambling establishment.

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that this suggestion appears to confuse the term “cardroom business license” and “cardroom endorsee license.” A cardroom business licensee (who applies for a cardroom business license) is the person who “operates a gambling establishment,” while cardroom endorsee licensees (who apply for a cardroom endorsee license) are the people who own or control a cardroom

---

<sup>1</sup> Page numbers for I. 45-Day Written Comment Period refer to Specific Language of Proposed Regulations, dated June 29, 2022.

business licensee and are required to be endorsed on the license certificate. The confusion of these terms makes the suggestion not relevant.

- c. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended amending the language in section 1B [pg. 9] related to the badge replacement request:

The Bureau will provide a replacement badge to a licensee if the requestor has a current valid initial, renewal, temporary, or interim license or Commission work permit pursuant to the California Code of Regulations, Section 12108. Additionally, the requestor must submit a Badge Replacement Request, CGCC-CH2-01 form (New 11/21) to the Bureau and pay the application fee in the amount of \$8-Application Fee.

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that this comment appears to be moot. Another rulemaking, OAL Matter Number 2022-0721-10, amended the Application for Owner Category License form, CGCC-CH2-05, and removed the Badge Replacement information from this form.

- d. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended amending the language of section 3 [pg. 10] to require a “current organization chart for the gambling establishment (cardroom) that includes the owner licensee, all endorsed licensees, and all key employees.”

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that this form is directed at both cardroom business licensees and TPPPS business licensees with the goal of making requirements consistent between the two license types whenever possible, and that requiring an organization chart for one license type and not the other would be inconsistent. Additionally, the terms used in the request are inconsistent with the terms defined in the Commission’s regulations. Finally, with the original adoption of this form, OAL Matter Number 2020-1013-02, the Commission elected to remove the requirement that an organizational chart be provided.

- e. **Yolanda Morrow, representing the Bureau:** Ms. Morrow proposed amending a requirement to section 3 [pg. 10] that requires the names of proposed games:

Name of Proposed Games (This is only applicable for initial applications).

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that Business and Professions Code section 19864, subdivision (b)(3), requires that “[t]he application for a gambling license shall include...the gambling games proposed to be conducted.” The requirement makes no distinction between initial and renewal licenses.

- f. **Yolanda Morrow, representing the Bureau:** Ms. Morrow proposed the repeal of the requirement in section 3 [pg. 10] that requires the applicant to indicate endorsed owners.

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that Business and Professions Code section 19864, subdivision (b)(4), requires that “[t]he application for a gambling license shall include... the names of all persons directly or indirectly interested in the business and the nature of the interest.” Without this part of the form, there would not be any part that meets the requirement of this provision.

- g. **Yolanda Morrow, representing the Bureau:** Ms. Morrow proposed a new section to the form. This form would be titled Section 4: Entity Structure, and would require the applicant to submit a current organization chart which includes the names and titles of any officers, shareholders, partners, members, trustors, trustees, etc. that pertain to the entity.

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes with the original adoption of this form, OAL Matter Number 2020-1013-02, the Commission elected to remove the requirement that an organizational chart be required.

- h. **Yolanda Morrow, representing the Bureau:** Ms. Morrow proposed a new section to the form. This form would be titled Section 5: Entity Structure, and would require the applicant to submit a current organization chart which includes the names and titles of any officers, shareholders, partners, and members that are associated with the entity. Additional information about the specifics of the entity structure would be

required, such as information including individual officers, directors, shareholders, partners, members, etc., of the entity.

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes with the original adoption of this form, OAL Matter Number 2020-1013-02, the Commission elected to remove the requirement that an organizational chart be required.

- i. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended requiring Designated Agent Information on the application.

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes in a previous rulemaking, OAL Matter Number 2020-1013-02, the Commission elected to remove repetitive and constant submittal of designated agent information, opting for a single, consistent submittal process.

- j. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended requiring contact information on the application.

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes for initial applications, at least one supplemental application is always required and that the supplemental application will include information related to contact information. For renewal applications, the Bureau will already have relevant contact information on file, and the Commission otherwise provides a process that requires the update for contact information and therefore the inclusion here is not necessary.

- k. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended requiring title/capacity as part of the declaration.

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this



action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the form requires the name of the applicant and the associated owner category licensee, and the form is submitted at the same time as part of a complete application. Including the title of the applicant does not provide any necessary information regarding the applicant and their spouse or registered domestic partner.

2. Subsection (b), paragraph (2), [pg. 1] provides that the supplemental form Individual Owner/Principal: Supplemental Information, CGCC-CH2-07 [pg. 12] may be required.

- a. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended a general change to the form which would repeal all instances of “[i]f this applicant currently holds a valid license, this question need only be answered in a manner to update since the last time this form or another supplemental information form was submitted and licensure granted.” [pg. 16-24]

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes in a previous rulemaking, OAL Matter Number 2020-1013-02, the Commission elected to add these statements in order to limit the repetitive information required to be submitted by an applicant.

- b. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended the following changes to the form fields [pg. 12]:

~~Title/Capacity~~ Gambling Establishment/TPPPS  
Associated Owner Category Licensee / Business Entity  
Associated Endorsed Owner, if Applicable / Please identify the business entity structure or officers, directors, shareholders, partners, members, etc. of the entity.

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that this form is submitted by a natural person who is part of the ownership structure. As such, requiring information about any business structure is inconsistent with the purpose of the form. Additionally, the requirement to provide the Associated Owner Category Licensee is the same as Gambling Establishment/TPPPS and requiring it twice is repetitive.

- c. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended the removal of the portion of section 1 that requires identification of the relationship to the owner category licensee [pg. 13]:

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that this part of the form is the only part of the overall application in which a specific natural person indicates all of the ways they need to be endorsed on the license certificate.

- d. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended the addition of “Occupation” to information required for current and former spouses/registered domestic partners [pg. 13].

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the occupation of current and former spouses and registered domestic partners is not relevant because the Commission’s determination of whether to require licensure of the spouse or registered domestic partner is solely dependent on that relationship to the associated owner category licensee.

- e. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended the addition of an additional question to section 8 [pg. 21]:

[Have you been a member, shareholder, officer, manager, or director of any gaming related \[...\] businesses within the past 10 years?](#)

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

- f. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended the addition of an additional question to section 9 [pg. 22]:

[Have you been a member, shareholder, officer, manager, or director of any gaming related \[...\] businesses within the past 10 years?](#)

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that section 9 is a section related to non-gaming business interests and its inclusion here is inappropriate.

- g. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended amending one requirement in section 11 [pg. 26]:

Current balance sheet and income statement for yourself and your businesses for the most [two \[sic\]](#) recent calendar years.”

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

- h. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended not removing the requirement that the Spousal Form be submitted alongside the Individual Owner/Principal: Supplemental Information, CGCC-CH2-07, and adding the following [pg. 26]:

[If the applicant’s spouse is licensed, or applying for licensure, proceed to and complete section 5.](#)

**Response:** This comment was rejected. In all cases where the Individual Owner/Principal: Supplemental Information, CGCC-CH2-07, is required an Application for Owner Category License, CGCC-CH2-05, is also required. As part of this proposal, Spousal Information, CGCC-CH2-12, is being required with an Application for Owner Category License, CGCC-CH2-05, and as such, including the requirement on the Individual Owner/Principal: Supplemental Information, CGCC-CH2-07, is now unnecessarily duplicative. Additionally, the additional instruction is not necessary as Spousal Information, CGCC-CH2-12, includes all relevant instructions.

3. Subsection (b), paragraph (3), [pg. 1] provides the form Key Employee or TPPPS Supervisor: Supplemental Information, CGCC-CH2-08 [pg. 27].

- a. **Yolanda Morrow, representing the Bureau:** Ms. Morrow suggested that because applicants are not required to submit the Internal Revenue Service Request for Transcript of Tax Return during the initial application process, it should not listed on the form [pg. 38]:

~~Internal Revenue Service Request for Transcript of Tax Return (4506-T).  
Provide Original~~

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that by including the form in Section 11, the Commission has required the form, if applicable, when applicants submit the Key Employee or TPPPS Supervisor: Supplemental Information, CGCC-CH2-08.

4. Subsection (f) [pg. 2] provides the form Spousal Information, CGCC-CH2-12 to be completed with an Application for Owner Category License, CGCC-CH2-05 [pg. 39].
  - a. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended the following revision to the form's instructions [pg. 39]:

If the applicant's spouse is licensed, or applying for licensure, proceed to and complete section 5.

~~Please note that if the Spouse is currently licensed or applying for licensure as an owner or an endorsed owner of the associated owner category licensee in conjunction with the applicant, then this form does not need to be completed.~~

**Response:** This comment was approved, in part. The Commission makes the following regulation amendment:

If the applicant's spouse is licensed or has applied for licensure with this associated owner category licensee, proceed to and complete section 5.

~~Please note that if the Spouse is currently licensed or applying for licensure as an owner or an endorsed owner of the associated owner category licensee in conjunction with the applicant, then this form does not need to be completed.~~

- b. **Yolanda Morrow, representing the Bureau:** Ms. Morrow recommended the following changes to the form fields [pg. 12]:

Associated Owner Category Licensee / Business Entity  
Gambling Establishment

**Response:** This comment was rejected. The requirement to provide the Associated Owner Category Licensee is the same as Gambling Establishment or Business Entity and requiring it twice is repetitive.

- c. **Yolanda Morrow, representing the Bureau**: Ms. Morrow recommended amending the mailing address requirement to provide both a Street and Mailing address. [pg. 40]

**Response:** This comment was accepted.

- d. **Joe Patterson, representing the California Gaming Association (CGA)**: Mr. Patterson recommended the following addition to section 2, item 1) of the Spousal Information form:

Note: If this item is selected, and any of items 2-4 are also selected, the spouse is required to submit a complete application as a cardroom endorsed owner or TPPPS endorsed owner. If this item is selected but items 2) through 4) are not selected, complete section 4.

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the existence of a community property interest cannot be "declared" into non-existence, and if it could, it would become the sole and separate property of the owner category licensee, which is already covered by section 3 on the Spousal Information form.

- e. **Joe Patterson, representing the CGA**: Mr. Patterson recommended the following addition to section 2, item 2) of the Spousal Information form:

Note: If this item is selected, the spouse is required to submit a complete application as a cardroom endorsed owner or TPPPS endorsed owner.

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission is proposing the following non-substantive change to the note below section 2, item 4:

Note: If any of items 1) through 4) ~~the above items~~ are selected, the spouse is required to submit a complete application as a cardroom endorsed owner or TPPPS endorsed owner.

- f. **Joe Patterson, representing the CGA**: Mr. Patterson recommended the following addition to section 2, item 3) of the Spousal Information form:

Note: If this item is selected, the spouse is required to submit a complete application as a cardroom endorsed owner or TPPPS endorsed owner.

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission is proposing the following non-substantive change to the note below section 2, item 4:

Note: If any of items 1) through 4) ~~the above items~~ are selected, the spouse is required to submit a complete application as a cardroom endorsed owner or TPPPS endorsed owner.

- g. **Joe Patterson, representing the CGA:** Mr. Patterson recommended the following addition to section 2, item 4) of the Spousal Information form:

Note: If this item is selected, the spouse is required to submit a complete application as a cardroom endorsed owner or TPPPS endorsed owner.

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission is proposing the following non-substantive change to the note below section 2, item 4:

Note: If any of items 1) through 4) ~~the above items~~ are selected, the spouse is required to submit a complete application as a cardroom endorsed owner or TPPPS endorsed owner.

- h. **Joe Patterson, representing the CGA:** Mr. Patterson recommended the following addition to section 2, item 6) of the Spousal Information form:

This includes if the applicant is a trustor or trustee of a trust that owns shares, but their spouse is not a co-trustee or current beneficiary

**Response:** This comment was rejected. The proposed addition is unnecessary as any relevant exclusion is already captured by the Commission's proposed language. Moreover, while the situation provided by the comment might result in the spouse not having a community property interest, not all examples of the provided situation would necessarily result in there being no community property interest.

- i. **Joe Patterson, representing the CGA:** Mr. Patterson recommended adding “Section 4: Declaration of Limited Community Property Interest, to be completed only if Section 2 item 1 is selected and items 2) through 4) are not selected,” with specified declarations to be made by the applicant and the applicant’s spouse.

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the existence of a community property interest cannot be “declared” into non-existence, and if it could, it would become the sole and separate property of the owner category licensee, which is already covered by section 3 on the Spousal Information form. Additionally, “limited community property interest” remains a community property interest and is appropriately subject to the same licensing requirements as a community property interest holder.

- j. **Joe Patterson, representing the CGA:** Mr. Patterson recommended adding a new item to section 4 (moved to section 5 based on prior comments from Mr. Patterson):

[Any documentation that reflects the spouse’s consent to be bound by every provision or restriction contained in a governing document of a business entity that limits the spouse’s community property interest in the owner category licensee business.](#)

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the action of a spouse to voluntarily restrict their “community property interest” does not alter the status of that community property interest. Even with a voluntary restriction, the spouse still retains a community property interest in the cardroom or TPPPS.

## **II. ORAL COMMENT PERIOD**

The Commission received the following oral comments/objections/recommendations regarding the text of the proposed action during the public hearing that was held on October 19, 2022:

### **A. COMMENTS RELATED TO THE PROPOSED ACTION, IN GENERAL.**

1. The following comments were made on the proposed action, in general.

- a. **Joe Patterson, representing the CGA, and Keith Sharp**: Mr. Patterson [4:10]<sup>2</sup> and Mr. Sharp [5:35] generally repeated the comments provided in the CGA's comment letter and requested that the Commission consider them.

**Response:** The comments are summarized and responded to in Section I, above.

- b. **Salma Granich, representing Lewis Roca**: Ms. Granich [7:16] provided information related to the State of Nevada's spousal information submittal and license requirements.

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that the laws governing Nevada controlled gambling and California controlled gambling are substantially and significantly different, as are the laws governing regulations.

- c. **Keith Sharp**: Mr. Sharp [11:28] noted that prior to the existing regulations being adopted, the Bureau would examine if a spouse had any control or direction over the gambling operation and make a decision whether to recommend to the Commission that the spouse be licensed. Mr. Sharp additionally noted that in most cases spouses were not called forward for licensing, and that the new requirement will cause a number of spouses who have been married to licensees for a number of years to now become licensed when licensure has not previously been provided. Mr. Sharp noted that even if a spouse has a community property interest, they do not have the right to operate a cardroom unless the Commission says it is ok. Finally, Mr. Sharp indicated he does not see a nexus between a spouse benefitting from a licensee's income received from a gaming operation, and the need for the spouse's licensure.

**Response:** This comment is not specifically directed at the Commission's proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that Business and Professions Code section 19852 does not make a distinction in the participation level in controlled gaming for owners and others requiring licensure. For example, Business and Professions Code section 19850 requires the licensure of "[e]very person who, either as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, deals, operates, carries on, conducts, maintains, or exposes for play any controlled game in this state, or who receives, directly or indirectly, any

---

<sup>2</sup> Time codes for II. Oral Comment Period refers to the video recording of the California Gambling Control's regulation hearing held October 19, 2022, and are approximate.



*compensation or reward, or any percentage share of the money or property played, for keeping, running, or carrying on any controlled game in this state...*”

Additionally, Business and Professions Code section 19852, subdivision (h), requires the licensure of “[e]ach person who receives, or is to receive, any percentage share of the revenue earned by the owner from gambling activities.” These sections do not exempt an owner in cases in which only their spouse is the active participant in the gambling activities.

- d. **Tiffany Lichtig**: Ms. Lichtig [17:23] requested an expansion in the scope of the proposed action to provide clarification on whether spouses are required to be licensed only for community property purposes. Ms. Lichtig stated that it doesn’t make sense to exempt key employee spouses without also exempting owner spouses.

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that the proposed action and existing regulations on spouses, do not relate to key employees. The proposed action would amend the requirements related to spouses of owner type licensees who are required to be licensed for reasons other than ownership interest, such as because they are a shareholder, director, or officer of a corporation, as required in Business and Professions Code section 19852.

- e. **Lawrence Sherman, of Solomon Ward Seidenwurm & Smith LLP, representing Elevation Entertainment**: Mr. Sherman [20:05] suggested that there should not be a need for a pre- or post-nuptial agreement to demonstrate that the spouse has no ownership interest in cardrooms because shareholder agreements or operating agreements can exclude spouses from being involved in the business. Mr. Sherman noted that spouses can sign a consent or agreement and be bound by those terms and conditions, including limitations on what can be gained in the event of a divorce. Mr. Sherman expressed concern that requiring a spouse to divest of all ownership isn’t fair when the Commission is only looking to ensure there is no involvement in the operation or management of the business and that upon a death or other situation, a spouse should be entitled to the benefits of the sales proceeds or to apply for licensure and continue on.

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that Business and Professions Code section 19852 does not make a distinction in the participation level in controlled

gaming for owners and others requiring licensure. For example, Business and Professions Code section 19850 requires the licensure of “[e]very person who, either as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, deals, operates, carries on, conducts, maintains, or exposes for play any controlled game in this state, or who receives, directly or indirectly, any compensation or reward, or any percentage share of the money or property played, for keeping, running, or carrying on any controlled game in this state...”

Additionally, Business and Professions Code section 19852, subdivision (h), requires the licensure of “[e]ach person who receives, or is to receive, any percentage share of the revenue earned by the owner from gambling activities.” These sections do not exempt an owner in cases in which only their spouse is the active participant in the gambling activities.

- f. **Andreia McMillen, representing the Bureau**: Ms. McMillen [25:31] generally repeated the comments provided in the Bureau’s comment letter and requested that the Commission consider them.

**Response:** The comments are summarized and responded to in Section I, above.

- g. **Tracey Buck-Walsh**: Ms. Buck-Walsh [26:22] expressed concern that this proposal is a poor solution in search of a problem. Ms. Buck-Walsh expressed concern that existing requirements were implemented in response to one or two situations where spouses lied in their characterization of their relationship to the ownership interest in a gambling establishment. Ms. Buck-Walsh suggested that the solution is to enforce existing law by requiring that if an unlicensed spouse is significantly involved in the gaming operation, then they can be called up for licensure or disciplinary action can be pursued against the gambling enterprise. Ms. Buck-Walsh estimated that this proposal would disproportionately impact women, who will either be required to give up, either through a post- or pre-nuptial agreement, a community property interest or they will have to subject themselves to licensure for a business in which they have no involvement or desire to have involvement. Ms. Buck-Walsh expressed concern that the requirement does not serve any legitimate purpose and the Commission should instead focus on the involvement with the gambling operation. It was later clarified that Ms. Buck-Walsh’s comments were largely in regard to existing regulations that became effective in January 2021.

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that Business and Professions Code section 19852 does not make a distinction in the participation level in controlled gaming for owners and others requiring licensure. For example, Business and Professions Code section 19850 requires the licensure of “[e]very person who, either

*as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, deals, operates, carries on, conducts, maintains, or exposes for play any controlled game in this state, or who receives, directly or indirectly, any compensation or reward, or any percentage share of the money or property played, for keeping, running, or carrying on any controlled game in this state...*

Additionally, Business and Professions Code section 19852, subdivision (h), requires the licensure of “[e]ach person who receives, or is to receive, any percentage share of the revenue earned by the owner from gambling activities.” These sections do not exempt an owner in cases in which only their spouse is the active participant in the gambling activities.

- h. **David Shindle:** Mr. Shindle [34:39] indicated that he is an applicant impacted by the change in regulations related to the spousal information form and that the Bureau has requested that his spouse either submit an application for licensure or a post-nuptial agreement that would strip her of access to any of the community property. Mr. Shindle stated that this requirement places an undue burden on spouses and on licensees’ marriages, even though there are other protections and avenues that would deal with any potential problems that could come up and wouldn’t require a person who has no involvement or interest in the gaming industry to be licensed.

**Response:** This comment is not specifically directed at the Commission’s proposed action or to the procedures followed by the agency in proposing or adopting this action, and therefore does not require a response in the final statement of reasons, as provided in Government Code section 11346.9, subdivision (a)(3).

The above being true, the Commission notes that Business and Professions Code section 19852 does not make a distinction in the participation level in controlled gaming for owners and others requiring licensure. For example, Business and Professions Code section 19850 requires the licensure of “[e]very person who, either as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, deals, operates, carries on, conducts, maintains, or exposes for play any controlled game in this state, or who receives, directly or indirectly, any compensation or reward, or any percentage share of the money or property played, for keeping, running, or carrying on any controlled game in this state...”

Additionally, Business and Professions Code section 19852, subdivision (h), requires the licensure of “[e]ach person who receives, or is to receive, any percentage share of the revenue earned by the owner from gambling activities.” These sections do not exempt an owner in cases in which only their spouse is the active participant in the gambling activities.

There were no written comments, objections, or recommendations received regarding the text of the proposed action during the public hearing that was held on October 19, 2022.

**III. 15-DAY WRITTEN COMMENT PERIOD**

There were no comments, objections, or recommendations received during the 15-day written comment period that commenced October 22, 2022 and ended November 7, 2022.

**IV. COMMENT RECEIVED OUTSIDE THE PUBLIC COMMENT PERIODS**

The Commission received the following written comments/objections/recommendations regarding the text of the proposed action outside of any public comment period:

- Patterson, Joe. California Gaming Association. Additional Comments on Proposed Spousal Form update – CGCC-GCA-2022-02-R. October 17, 2022. Via email only.

There were no further comments, objections, or recommendations received regarding the proposed action either within or outside any of the public comment periods.