

## CALIFORNIA GAMBLING CONTROL COMMISSION

### Approval of Transactions and Enforcement of Security Interests Regulations Workshop Meeting Notes March 25, 2014

#### AGENDA

##### Introductory Comments

Chairman Richard Lopes and Commissioners Tiffany Conklin, Lauren Hammond and Richard Schuetz were present.

Regulations Analyst Helen Geoffroy stated that this workshop was to discuss the proposed text for the Approval of Transactions and the Enforcement of Security Interests regulations, which are designed to create processes for the review and approval of transactions conducted by or connected with every gambling enterprise, third-party provider of proposition player services (TPPPS), and gambling business.

##### Summary of Comments:

###### *General Comments.*

- The proposed text is very broad, very overbroad, and very troublesome. The purpose, necessity, and authority for these regulations are unclear. We should go back and review the purpose. (Cardroom)
- Full disclosure is important, but the information needs to be relevant and the kind of information that the regulators will want to see and review. Reviewing the purpose to determine the best method to get to the Commission the information that they really need and want is a good idea. (Cardroom)
- Section 19824 provides that the Commission has the authority to approve or disapprove transactions as provided in the Gambling Control Act (Act). In light of GRP No. 2, where the Bureau of Gambling Control (Bureau) will be receiving and reviewing the documents, the Commission staff worked closely with the Bureau staff and the Department of Justice's Indian and Gaming Law Section (IGLS) to promulgate these regulations. (Executive Director)
- Under the authority of various sections under the Act, it is the job of the Bureau and the Commission to protect the general public. As for interpretation of the Act, section 19971 provides that "[the Act] is an exercise of the police power of the state for the protection of the health, safety and welfare of the people of the State of California, and [the Act] shall be liberally construed to effectuate those purposes." The statutory basis for these regulations is Section 19901, which provides that it is unlawful to enter into any kind of agreement with any licensee in connection with any controlled gambling operation except in accordance with the Commission's regulations. When enacting Section 19901, the legislature clearly anticipated and expected that the Commission would promulgate

regulations. Starting with the direction of liberal construction of the Act for the health, safety and welfare of the people, and then considering all of the policies and purposes, and then taking into account the authority of Section 19901, the Commission has the authority under the Act to regulate all transactions, which underlines this regulatory process. (IGLS)

- Section 19824 provides for Commission approval of transactions as provided in the Act, but Section 19901 appears to cover only the transfer of interests in a cardroom, not all transactions. It does not appear that the Legislature intended section 19901 to be so broad, nor has this statute ever been construed in this way. (Cardroom)
- Section 19824 also includes the prefatory statement that “the Commission shall have all powers necessary and proper to enable it fully and effectually to carry out the policies and purposes of [the Act].” Clearly the Commission has all powers necessary to promulgate these regulations, and now the question is finding a way that the industry and the regulators can come up with a method that is palatable for everybody. (IGLS)
- Section 19901 contains the phrases “unlawful,” “any other agreement of any sort,” and “any portion of the gambling operation,” and therefore the statute was interpreted broadly and the regulations drafted to accommodate that breadth. An alternative interpretation Section 19901 could be determined, but not at this workshop. (Commission Staff)
- The job of the regulators is to find outliers early, rather than wait for a confidential informant, a patron, or a whistleblower to alert the regulators that something is wrong. Ultimately, the regulations should allow cardrooms to conduct business, but must also allow regulators to protect the public interest. (IGLS)

Section 12xxx. Definitions. [Page 1]<sup>1</sup>

The section for definitions was left unnumbered at this time. These terms may be placed either in Chapter 1, Section 12002, General Definitions, to apply to all of the Commission’s regulations, or they may be placed in Chapter 5, Section 12311, Definitions, to apply to the entirety of Chapter 5.

- The regulations have four components: items that require a paper trail, items that require reporting, items that require pages of language that are to be included in the contract, and items that require pre-approval by the Commission. Each will generate costs to licensees. With respect to the paper trail, most cardrooms do, and should, have a paper trail of transactions. With respect to reporting, this is an added labor cost, especially when reporting requires individual reporting rather than a quarterly report, but this can be accomplished. With respect to the disclaimers or conditions that are to be included in a contract, this is not a labor cost, but the cost may be the failure to consummate the transaction if the other party objects to the conditions. Pre-approvals will generate costs resulting from the delay and expense of waiting for the approval. Discussion on the terms and definitions will heavily depend upon how they are used and what costs or

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<sup>1</sup> All page and line citations refer to the draft regulation text dated February 10, 2014.

burdens will be generated. Therefore, it may be useful to discuss how the process would be used first. (Cardroom)

Section 12320. General Transactions Provisions. [Page 7]

This section is designed to set forth processes for review and approval of the transactions conducted by each gambling enterprise, third-party provider of proposition player services, and gambling business. When a transaction is triggered for review by the Bureau, the licensee must submit notice of the transaction within 30 days of execution.

There are two options offered for those transactions triggering a review based upon a monetary threshold. The first option is to submit those transactions on a 30-day basis along with the other triggered transactions. The second option is to submit those transactions on a quarterly basis.

- Because these transactions require reporting but do not require pre-approval, do we need an individual report of each transaction on a rolling basis, or will a periodic report suffice? A quarterly report may be more useful and efficient to discover a specific transaction, or pattern of transactions, that may need further investigation. The report would list the transactions together instead of requiring the comparison of individual reports. (Cardroom)
- Subsection (c), the exclusion for reporting transactions made with entities on terms available to the general public, is unclear as to scope and how it is applied. Do better price terms based upon volume make this section inapplicable to the transaction? (Cardroom)
  - Regulators need input like this to draft the regulations. Examples can go both ways, but what we need is industry input on how to keep the industry in business, yet the regulators can still regulate. (IGLS)
- The real-world examples, including those submitted in written comments, illustrate the issues with the application of this section, including subsection (c). Are employment agreements subject to subsection (c) or not subject to subsection (c)? What if a transaction is both a proprietary agreement and a leasing agreement? In the written comments, it was suggested that employment agreements and legal services agreements be included in subsection (c) or have their reporting limited; that advice ancillary to an agreement for goods or services should not be included as a consulting agreement; and that agreements below market pricing should be included in subsection (c), whether the pricing is based upon volume discounts or not. (Cardroom)
  - This text is based upon the outline presented in October 2012, and the reporting option was included at that time. Corrections can be made, such as to incorporate those employees already licensed into the exemption from reporting as already reported to the Bureau. However, as discussed in other regulations, determinations based upon market price become difficult. It is also hard to create exceptions that do not also create loopholes. How do we move forward and create regulations that can work for everyone? (Commission Staff)
  - These regulations still require communication on why the provisions as written do not work, and so the examples are useful. Complication and confusion can result

in an unintentional failure to comply. And large amounts of information just to find one document that someone got creative with is burdensome on the industry and the Bureau. How can we best protect the public welfare? Public welfare protection is not likely to be found in uniform purchases or auto lease agreements. (Cardroom)

- Reasonable thresholds may negate some of the problems. Also, we need to look at those transactions that should be exempt, or exempt until they reach some threshold. Perhaps thresholds could be spaced by tiers. (Cardroom)
- The regulations should begin by covering the basics, such as the sale of interests. Then if you want more than that, set high dollar amount thresholds. If the Bureau wants to see what is going on they can perform an audit. Large amounts of transaction reporting won't do anything for anyone. (Cardroom)
  - The Bureau approached the regulations by looking at what types of transactions should be regulated. But maybe certain breakers could be built into the regulations. Regulating only sales and relying upon audits is not an acceptable method of regulation. (IGLS)
- If the definitions remain broad, do not separate them by type of transaction. Just require periodic reporting, perhaps quarterly or annually, of transactions that reach a specified threshold. Perhaps a quarterly report of transactions that reach a high threshold and an annual report that reaches a lower threshold. (Cardroom)
- There is a large amount of money in this industry; as regulators, we should know the identity of the recipients of this money. Regulation of the flow of money in this industry needs to improve. We need a system of disclosures and regulations that allow us to have a good idea of where the money is going without relying upon audits by the Bureau. (Commission)
- The regulations as drafted are too inclusive and cause problems. Perhaps a solution would be to report the people who get the most money, or maybe the top five who get the most money, which is done for certain types of tax reporting. (Cardroom)
- There are certain kinds of transactions that we knew we would have an interest in and would like to look at. These would include ownership transactions, financing transactions, affiliate transactions, property transactions, and premises transactions. There is no dispute that ownership transactions need to be approved in advance. Financing transactions need to be reviewed in advance, and while some may not need pre-approval, it may depend upon the identity of the other party. Affiliate transactions require awareness that they are going on, but perhaps can be just reported. Property transactions and premises transactions may be viewed in the same way as affiliate transactions. We created a broad sweep, and the purpose of this workshop is how to develop appropriate limitations. (IGLS)
- To develop thresholds for the regulations, perhaps the Bureau could provide to the Commission the audits or the data from the audits so that we could promulgate regulations. (Executive Director)
  - There is not a consistent method or methodology in the accounts to compare apples to apples and oranges to oranges across audits. However, we can see if this information could be provided to the Commission. (IGLS)

- The easiest threshold for the industry would be straight dollar amount, and to avoid categories. It may be overly inclusive, but it is easy and simple. (Commission)
  - An idea for a specific threshold could be to copy the tribal vendors, who are required to report anything \$25,000 or more. (Executive Director)
  - A threshold of \$25,000 is too low. (Cardroom)
  - Even large gaming tribes report anything \$25,000 or over, and those reports require Commission approval. So setting \$25,000 as a reporting threshold seems acceptable. (Commission)
- If reporting by type of transaction is unacceptable, then reporting should be based upon a monetary amount. If not a monetary amount, it may have to be by percentage. But there needs to be uniformity, and we need to do something. (Commission)
- For employee contracts, a concern is outliers. There needs to be a method to review or be aware of those receiving income that is outside the norm. (IGLS)
  - No one should have a problem submitting employee handbooks, which are a part of an employee agreement. (IGLS)
  - Employee handbooks specifically state that they are not part of the contract, but merely general information on policy and conduct. There is no compensation stated in the handbook. (Cardroom)
  - We need to find a way to find employee agreements or employee compensation methods that are outliers. (IGLS)
  - An employee getting a salary that doesn't make sense is a concern. How do we arrive at a solution to look at those transactions? For employee salaries, perhaps a threshold of \$75,000 as a reporting threshold would be appropriate. Or perhaps \$100,000. Industry should suggest an appropriate threshold. (Commission)
  - One solid threshold may not be appropriate – a cardroom could have marketing persons regularly making \$80,000. Outliers would be well into the six-figure dollar amount, but that shouldn't be decided today. (Cardroom)
  - Attorney agreement issues were brought up in the written comments. We need to come up with a different kind of reporting or review process, if there is going to be a review process at all for attorney contracts. But IGLS cannot support the position that attorney contracts should never be reported or provided. The issue is not what the attorney is engaged to do, but if funds are being misused. (IGLS)
- Semi-annual reports are already submitted to the Bureau, so to have semi-annual reporting of transactions may make sense. (Cardroom)

Section 12321. Notice. [Page 9]

This section sets forth the information that is to be provided to the Bureau when submitting transactions or agreements for review.

- In light of the discussion, identification by type of transaction may no longer be necessary. (Cardroom)
  - For some transactions, identification by the type of transaction may be necessary. Financing, affiliate, employment, and ownership transactions need identification.

As the notice concept was originally suggested, different transaction types would require different information that would be appropriate for that transaction type. The notice information, as originally submitted, allows for an expedited review by the Bureau. (IGLS)

- As we go through subsection (b) to determine what stays and what doesn't, this may help to determine if a title is needed or not. For example, if a summary and a purpose are required by subsection (b), so we need to still classify the transaction? (Cardroom)
- That can be reviewed as this evolves. The original idea was to force the industry to identify which of the provided categories the transaction fit into to make review easier. (IGLS)
- As written, notice will require more than a print out of what is in the bookkeeping system. This will require someone to sit down and write out information on each transaction. For example, summarizing the terms of the contract may be complicated. Even a lease of kitchen equipment can be four or five pages long. Contact information of all natural parties and agents is burdensome, especially if a company has a lot of employees. Perhaps just the entity and contact person information should be provided. Some of this information might be able to be consolidated, clarified, and simplified. (Cardroom)
- When a transaction needs pre-approval or is otherwise already required to be approved or licensed, the same information that is required now should remain. But for the new reporting requirements, a list of transactions that includes an amount, a purpose, and the name of the company, that would be a great starting point. (Commission)

Section 12322. Interested Transaction Conditions. [Page 10]

This section provides that a licensee cannot complete an interested transaction without prior formal approval, and that the license of the seller or transferor must remain active for the duration of the transaction approval period. As specified in the definitions, interested transactions are those that would include or otherwise entitle a party to any portion of interest, control, or influence over a gambling enterprise, third-party provider of proposition player services or gambling business.

- Were interested transactions, which include premises transactions, meant to incorporate an encumbrance of the property, such as an easement on the property? (Cardroom)
  - Not necessarily. The basis for premises transactions is section 19853, and therefore there may be instances when we are concerned and may require licensure or approval. (IGLS)
  - We want to stop any unsuitable ownership, which is covered by pre-approval, and we want to thwart any inappropriate diversion of funds, which would be reported under the suggested \$25,000 monetary threshold. (Commission)
- Are all financing transactions interested transactions which require pre-approval? (Cardroom)
  - The financing transaction may be overly-inclusive as well. The current draft may include things we don't need, but when a financing transaction includes obtaining

a great deal of money from a bank or money from a private lender, we are interested. (IGLS)

- The conditions when an interested transaction needs pre-approval needs to be limited. (Cardroom)
  - An alternative would be to limit the definition of interested transaction. (Commission Staff)
- The use of the terms “seller” or “transferor” is inappropriate as some of these transactions do not create a sale or transfer. (IGLS)

Section 12323. Requirements for Formal Approval of Transactions. [Page 11]

This section sets forth the requirements for requests for formal approval. These requirements generally include a fee, a cover sheet with a summary of the transaction including information required for notice pursuant to Section 12321, a copy of all final transaction documents, and any applications for licensure if licensure of any party will be necessary.

- Is there a form to complete this request? (Executive Director)
  - As drafted, this would be a packet of information. There is no form for the request at this time. (Commission Staff)
- As currently drafted, there appears to be a hierarchy, so that if a transaction is both an interested transaction and a security interest in gaming collateral, it is approved under Article 3. (Cardroom)
- A line of credit from an institutional lender is often used for securing the dealer’s bank and chip liability rather than cash. It is unclear how securing those lines of credit would fit into this procedure. The paperwork may not be completed within the 120 days and the institutional lender is likely to balk at the California Gaming Law Addendum (Addendum). (Cardroom)
  - How to define “institutional investor” may need to be reviewed, as some persons should not be included as an institutional investor. (IGLS)
  - Perhaps an expedited process could be developed for agreements that are simply renewed. (IGLS)
  - The Addendum has been used in the past and has not caused an issue with institutional lenders. When a lender has had an issue and required tweaking of the Addendum, we were able to work it out with the lender. (IGLS)
  - For large projects that involve large amounts of money, the lender might be willing to sit down and negotiate terms. But for a \$500,000 line of credit that involves a standardized instrument, it’s hard to imagine that Wells Fargo would be willing to accept this Addendum. (Cardroom)
  - The number of terms and conditions could also be simplified. The lender could be made aware that the Commission has jurisdiction over certain types of transactions and their approval and enforcement, but the Addendum seems more complex than what would be necessary to serve the Commission’s interest. (Cardroom)
  - The Addendum is based on prior financing transaction reviews by the Commission. Several of these provisions were negotiated between the lender and

the Cardroom and then consolidated into the Addendum. This way, the lender could use its own forms, yet allow IGLS and the Commission to easily review the document for the appropriate terms. This particular version has been used three times with minor tweaks and no objections strong enough for the lender to walk away. (IGLS)

- When a document is being approved by the Commission, the Commission can condition the approval or require certain terms and conditions. But for interested transactions, such as auto leases or lines of credit, do we need this list of terms and conditions? There are some transactions that are conducted in the ordinary course of business that should not require pre-approval. (Cardroom)
  - Lines of credit should not require pre-approval. (Commission)
- If we have a universe that actually does not need pre-approval, we need to define that universe. And then, in that universe, the documents that really need the additional terms and conditions must be limited. We need to find which financing transactions, for example, need approval and which are to be reported. (Cardroom)
  - No regulation is going to catch everything, but do we need to require everybody to jump through hoops on even ordinary transactions. (Cardroom)
  - We can concur with this statement. When developing the concept of financing transactions, typical lending situations were envisioned, not lines of credit or auto leasing. (IGLS)
  - So certain categories of leases and financing transactions should be subject to reporting only. To define this category, it should be done by threshold and not by type, except in the case of lines of credit. (Cardroom)
- We have heard that the triggers should not be by “type,” but then there should be “categories.” That is semantics. But what we need is direction to redraft the regulations and create something of substance that will not harm your business but will give us what we need. (Commission)
- How often and for what purpose does this industry use leases? (IGLS)
  - We used a revolving credit facility rather than leases. (Consultant)
- How are lines of credit handled under current practice, both when secured by a personal guarantee and not the property of the gambling business, and then when secured by the cardroom assets? (Cardroom)
  - Neither of those transactions currently come before the Commission for approval. They may come up during licensing renewal reviews. (Executive Director)
  - Would a change in the financial structure of a business or a large loan come before the Commission for review? (Cardroom)
  - Yes, such as a security agreement in ownership interests or purchase of ownership interests in a cardroom. (IGLS)
  - What types of transactions are necessary for approval? Or what can we carve out? (Cardroom)
  - Carving out would be best. To ensure that unsuitable persons are not connected with the gambling industry, then any loan agreement should be subject to review. (IGLS)

- A cardroom enters into a loan with an institutional investor, like a chartered bank. Repayment is not tied to the profit and losses, there is a fixed or variable commercial rate, and there is no security interest in the gambling enterprise security. Is pre-approval necessary? (Cardroom)
- Yes. The financial stability of the borrower is an issue to be reviewed. The “institutional investor” may be unsuitable for the gaming industry, so a transaction with that party would need to be reviewed. (IGLS)
- What if the definition for institutional investor is satisfactory, and then a cardroom enters into a loan with an institutional investor and repayment is not tied to the profit and losses, there is no security interest in the gambling enterprise security, and the total indebtedness of the business does not exceed a set benchmark. Is pre-approval necessary? (Cardroom)
- That is a policy decision for the Commission. (IGLS)

Section 12324. Transactional Provisions Statement. [Page 13]

- Most of this information is in the law. However, Subsection (d) includes that venue for a dispute must be filed and heard in Sacramento. What is the authority for that provision in the regulation? (Cardroom)
  - Venue is typically something that can be agreed upon between the parties. But if you have a case with the Commission, Sacramento, California must be the venue. (IGLS)
  - Statutory authority allows the choice of alternate venues. Venue can be San Mateo County or San Francisco County. (Cardroom)
  - Venue can be in San Francisco County but cannot be in San Mateo County. The consenting parties may chose venue, but venue is determined by the Commission or whichever department that you are suing. If it is an administrative process that we began, we may still be able to choose venue. (IGLS)

Section 12325. Transaction Formal Approval Processing Times. [Page 21]

This section sets forth how a formal approval request would be submitted to the Bureau and processed. This section contains two options for processing timeframes. The first option is to maintain the same processing time for all formal approvals. The second option is to allow an expedited processing time for those transactions where all parties that require licensure are already licensed.

- Formal approval is fine, but these time frames would cause problems with most major financial lending institutions in regards to how long it would take to process these approvals. Guidelines and structures to follow are necessary so that the cardrooms can confirm that they are giving the regulators what they need. This will also help the Bureau review submitted documents. Perhaps a form that would address the concerns of the regulators for preliminary approval would be acceptable. Another option is to provide an exception for institutional investors. If the process is too burdensome or takes too long, cardrooms could either lose the ability to do business with commercial lenders, or the commercial lenders could make lending from them more expensive. (Consultant)

- The intent of the California Gaming Law Addendum was to create a document that would contain all of those concerns and leave the parties to negotiate just the deal points. (IGLS)
- Some kind of streamlined system would be preferable. A line of credit for workers' compensation may need a response in 30 days, and cannot wait for approval in 120 days. Delays for approval can also cause problems with the deal, including prices and availability. Perhaps a form to check off requirements would be acceptable. (Cardroom)
- In other jurisdictions, there is a grid of requirements that needs to be met, and then the Executive Director approves the transaction. But this may not be possible with our structure. (Commission)
  - Process times would still be an issue. (Cardroom)
  - Before the reorganization, our legal staff would handle that function. That position was moved to the Bureau during the reorganization. (Executive Director)

Section 12326. Transaction Amendments or Subsequent Assignments. [Page 22]

This section provides how amendments or subsequent assignments of an approved transaction are to be handled. Notice to the Bureau will suffice for non-substantive amendments. Substantive amendments or subsequent assignments require the transaction to be processed as if it were a new transaction.

- If there is an amendment, can it go to a staff counsel or the Executive Director to determine if an amendment is substantive or not substantive? (Cardroom)
  - The Commission followed that process in the past, but that function has been transferred to the Bureau in accordance with GRP No. 2. (Executive Director)

Section 12327. Shelf Approval. [Page 23]

This section provides an option for a preliminary review and approval for the concept of the sale of a gambling enterprise, third-party-provider of proposition player services or a gambling business.

- There should be some provision that disclosures provided for shelf approval be held in confidence. The ideas behind shelf approval may not be the public's business, and the market interference of an approval may hinder the process. (Commission)
  - The Bagley-Keene Act may prohibit such a provision, but this would need to be researched. (IGLS)
  - We can review your comments and work with legal to review the Bagley-Keene Act, and then make note of that suggestion in the next draft accordingly. (Executive Director)

Section 12328. Confidentiality Agreements. [Page 24]

This section is provided as an option. This section prohibits a licensee or an affiliate of a licensee from entering into or to causing another to enter into an agreement that prevents someone from responding to or cooperating with the Commission, the Bureau, or the Department of Justice.

- This section was based upon experience, as well as the regulations of the Financial Industry Regulatory Authority (FINRA) and the Security Exchange Commission (SEC). In some investigations, we have found that former employees would not disclose matters to the Bureau because they had signed confidentiality agreements with former employers. (IGLS)
- This section may violate Fifth Amendment rights if the investigation involves criminal matters. (Cardroom)
  - Privileges granted under the Evidence Code, the California Constitution, or United States Constitution would not be waived, including the Fifth Amendment or the spousal privilege. However, a provision to clarify that could be included. (IGLS)
- So it would be acceptable if the contract said that the individual is required to keep the privileges provided by the Evidence Code? For example, an attorney for a corporation that must communicate with individuals of that corporation. In that scenario, the corporation can direct the attorney to maintain the privileges of the Corporation? (Cardroom)
  - This would need to be considered, but there would be no attorney-client privilege if there was a crime and the attorney assisted in the crime. (IGLS)
  - It is agreed that if the privilege is limited by the scope of the privilege itself. But the agreement can protect privileges? (Cardroom)
  - All we are trying to do is prohibit the use of confidentiality provisions to prevent people from cooperating with law enforcement. (IGLS)
  - If the protection of statutory privileges is protected and that protection is implied, there is no harm in stating the protection. (Cardroom)
  - The protection of statutory privileges can be included in the employee handbook. (IGLS)
  - But the issue is if such an inclusion in the handbook would be a violation of this regulation. The regulation could add a few words providing that an agreement may state that an employee must maintain privileges. (Cardroom)
  - That would be acceptable. (IGLS)
  - Would that also include the Fifth Amendment privileges, even for a corporation? (Cardroom)
  - That is a detailed question on who can waive a privilege, and a regulation is not the place to deal with that question. (IGLS)

Section 12331. Approval of a Security Agreement for Gaming Collateral. [Page 26]

This section sets forth the requirements for submitting a request for the formal approval of a security interest for gaming collateral. It should be noted that in subsection (a), page 26, line 9, “interested transaction” should read “security interest in gaming collateral.”

- The definition of gaming collateral includes all collateral. This brings the conversation back to how to minimize this and only approve what the Commission really needs to approve. (Cardroom)

- The definition of gaming collateral was not intended to include non-gaming collateral. (Commission Staff)
- If a new gaming collateral definition includes gambling equipment, then a threshold should be established to trigger approval. (Cardroom)

Section 12332. Processing and Review of a Security Agreement for Gaming Collateral.  
[Page 28]

This section provides the process for submitting a security interest for gaming collateral to the Bureau for review.

- No comments were made.

Section 12333. Enforcement of a Security Interest in Gaming Collateral. [Page 29]

This section sets forth the process for the enforcement of the security interest in gaming collateral. This section includes the process for alerting the Bureau of events of default, including the three options in Section 12333, subsection (c), page 29, line 15, as to when the Bureau must be alerted: immediately, within 24 hours, or within five business days.

- When notification is given, does the Bureau state that it is in receipt of the notice? (Commission)
  - This is a new process, so there is no established procedure. (IGLS)
  - Notice within 24 hours would require electronic communication. (Commission)
- Five business days is fine. (IGLS)
- Sooner is better. (Commission)
- For an event of default, a differentiation should be made between an initial event of default, which is more of a notice, and an uncured event of default. (Cardroom)
  - Many events of default do involve a cure period, so this change is acceptable. It should be notification of an uncured event of default. (Cardroom)
  - The language should include defaults that are waived by the security holder as well. (Consultant)

**PUBLIC COMMENT:**

Executive Director Littleton asked for additional public comment. No comments were made.

**ADJOURNMENT:**

Executive Director Littleton adjourned the meeting at 4:10 p.m.