



# INDUSTRY MATTERS

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## THE PEN IS MIGHTIER THAN THE HANDSHAKE

By Stacey Luna Baxter  
Executive Director

Written agreements are an everyday part of life. You sign an agreement to buy a car or lease an apartment. You click "yes" to terms and conditions when you shop online. You sign your name to credit card transactions. Agreements are ingrained in daily life and for good reason – they protect all parties involved.



In business, written agreements are arguably more important. Handshake deals may be OK, until they are not. Relationships can go south, memories can fade with time, or the agreement may have outlived its original purpose. Any number of circumstances may arise that put agreements to the test, and usually the challenges are more easily

overcome when there is a bona fide record on file.

California's gambling industry is a perfect example of why written agreements are incredibly important. Every industry stakeholder is obligated to ensure the industry is free from all things illegal, unethical and immoral. The public entrusts the California Gambling Control Commission (Commission) and Bureau of Gambling Control (Bureau) to ensure this obligation is upheld and apply scrutiny fairly but firmly, to prevent any unsavory characters from harming the industry.

Documented agreements that provide details, such as the scope of work, deliverables, parties involved, and money being exchanged, help ease any doubts that might be raised when compared to a similar verbal agreement.

Gaming regulators must "Follow the Money," and when the path of where the money is flowing isn't clear, questions (often a lot of questions) from the regulators are inevitable and may even result in a lengthier investigation, an evidentiary hearing, conditions placed on a license or a license revocation.

Fortunately, outcomes like this are often avoidable. Both the Commission and Bureau want the licensure process to flow as smoothly as possible. Handshake agreements raise red flags and warrant further investigation, complicating an already complicated process.

Taking the extra time and effort at the beginning of an agreement to put the particulars of the agreement in writing will likely save you, the Bureau, and the Commission time, and possibly save you from the sometimes uncomfortable lines of questioning from the Commissioners on the dais.

## Licenses for Corporations:

Must send information statement, minutes, officers needing license

By Fred Castano  
Licensing Division

When submitting an initial or renewal application for your corporation, please remember to include an updated Statement of Information from the Secretary of State and a copy of the most recent board meeting minutes.

Pursuant to Business and Professions Code section 19883, all officers and directors, shareholders, lenders, holders of evidence of indebtedness, underwriters, agents, or employees of a corporate owner-licensee must be licensed.

In addition, any changes to the corporate officers must be reported to the Bureau of Gambling Control within 10 business days, and they must apply for a State Gambling License within 30 calendar days. The Statement of Information and the meeting minutes identify who may need to be licensed pursuant to this regulation.

You can visit [www.sos.ca.gov](http://www.sos.ca.gov) for more information on obtaining a Statement of Information.

**Calendar**

**Upcoming Commission Meetings**

April 14, 2016  
April 25, 2016  
May 12, 2016  
May 26, 2016  
June 9, 2016  
June 23, 2016

☞

**Gaming Policy Advisory Committee-**  
April 25 at 1:30 p.m.

**Upcoming State Holidays**  
(Office Closed)  
May 30 - Memorial Day

## California Gambling Control Commission

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### Commissioner

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### Commissioner

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## Gaming Policy Advisory Committee: *INDUSTRY VOLUNTEERS OFFER REGULATORY ADVICE*

By Stacey Luna Baxter

*Executive Director*

The Gaming Policy Advisory Committee (GPAC) consists of 10 members appointed by the Commission who provide advisory recommendations concerning matters of controlled gaming regulatory policy and other relevant gambling-related issues (excluding tribal gaming). The GPAC currently has a vacancy in its Member of the General Public at Large, Category H seat. The Commission is looking for an individual that has no financial agreements with the cardroom industry. For more information, visit [www.cgcc.ca.gov](http://www.cgcc.ca.gov).

If you have a topic you'd like the GPAC

to consider, please email [GPAC@cgcc.ca.gov](mailto:GPAC@cgcc.ca.gov).

All GPAC meetings are open to the public.

2016 GPAC members are:

**Category A** – Yolanda Morrow

**Category B** – Robert Jacobson

**Category C** – Darrell Miers

**Category D** – Joy Harn & Haig Kelegian, Jr.

**Category E** – Keith Sharp & Kermit Schayltz

**Category G** – Leonard Powell

**Category H** - Vacant



## *Commissioner represents California at 20th Annual Gaming Law Minefield*

By Tiffany Conklin

*Commissioner*

I recently had the opportunity to participate on a panel while attending the American Bar Association's Gaming Law Minefield 2016 Conference. This annual conference allows attendees to discuss relevant legal, regulatory, and ethical issues confronting both commercial and Native American gaming.



My panel, Online Gaming in Indian Country, broadly discussed the legislative and regulatory restrictions on tribes seeking to enter the online gaming sphere. Panelists highlighted and provided litigation updates to the Santa Ysabel tribe in California and the Iowa tribe's efforts in Oklahoma to offer online gaming to persons not physically located on tribal land.

The panel wrapped up with a discussion on internet gaming legislation in California, its history and the prospects for a successful bill in the current legislative session.

### **For the record...**

Not sure what happened at a Commission meeting? There are audio recordings and (approved) minutes from previous meetings posted in the "Meetings" section of the Commission's Webpage at [www.cgcc.ca.gov](http://www.cgcc.ca.gov). You can search for specific information by using the custom Google search field in the upper right corner of the homepage. You can also sign up for an email subscription of upcoming agendas.

# Trusts for cardroom ownership require CGCC oversight

*State license, background checks required; shares, revenue can't be transferred without approval*

By Fred Castano  
Licensing Division

Trusts are one of the most common cardroom ownership entities in California, but special rules apply to trusts related to gaming entities in the state.



When cardroom owners establish a trust that would receive ownership interest in a cardroom, that trust must apply for a State Gambling License pursuant to Business and Professions Code section 19852(e).

When a trust applies for a State Gambling License, individual applications must be submitted separately for the trust itself and the trustee, along with a

copy of the trust. The Gambling Control Commission (Commission) will make a determination if any beneficiaries or the trustor are required to submit additional applications.

**One of the most important things to remember about licensing trusts is that no gaming revenue or ownership shares may be transferred into the trust without Commission approval.** Be sure to submit the State Gambling License application(s) and trust as soon as possible following the formation of the trust. Remember, the trust and trustee, and possibly the trustor and beneficiaries, must undergo a background investigation by the Bureau of Gambling Control (Bureau) prior to being considered by

the Commission.

The Commission recognizes that since trusts are used for estate planning and the involved parties may be elderly, it is important that applicants are prompt in submitting applications and responding to inquiries from the Bureau and the Commission. The establishment of the trust and any transactions involving the trust require Commission approval.

Too often, difficulties arise because the Bureau and the Commission are unaware of the trust until distribution is necessary. Proper documentation and obtaining Commission approval prior to these transactions is crucial to avoid administrative and legal complications.

The sooner the documents are submitted, the sooner the Commission will be able to consider the applications, and distributions can be made.

## LEGAL POINT:

The legal process for licensing and permitting does not stop when an applicant separates from an employer.

There will likely be pending action scheduled at a Commission meeting or an Administrative Hearing that will continue after the separation. When an applicant fails to participate in the licensing or hearing process after employment separation, it may result in a revocation or denial decision.

The applicant or employee may not be aware of how a revocation or denial decision could impact their future in gaming or other industries. Employers and Designated Agents are encouraged to advise separating employees to remain engaged in Commission processes and investigate all procedural avenues.

Designated Agents for the separated employee are also advised that they remain a Designated Agent for the employee with all the expected obligations and requirements until they are no longer the Designated Agent on file with the Bureau for the employee. Designated Agents must properly notify the Bureau and the employee before they are no longer considered the Designated Agent.

## OPG tackles problem gambling outreach

By Terri Sue Canale-Dalman  
Dept. of Public Health, Office of Problem Gambling

March was designated as National Problem Gambling Awareness Month. The Office of Problem Gambling (OPG) is charged with raising awareness for problem gambling prevention, as well as overseeing statewide treatment. OPG



increases outreach efforts annually during the month of March to raise awareness of the signs of gambling disorder and the resources available for help, such as face-to-face or telephone counseling, and even text messaging support. Treatment is available year-round at no cost for individuals with a gambling disorder, as well as individuals negatively impacted by the gambler's behavior. Help can be found by calling 1-800-GAMBLER (1-800-426-2537) or by visiting [problemgambling.ca.gov](http://problemgambling.ca.gov).

## CALIFORNIA GAMBLING CONTROL COMMISSION

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Comments, suggestions, questions or ideas for future articles or newsletter topics are always accepted and can be submitted directly to the Commission at the address above or by emailing them to [epetosky@cgcc.ca.gov](mailto:epetosky@cgcc.ca.gov).

# Commission considers proposed regulatory action

## *Proposed changes establish potential ground rules for transactions & reporting*

By Ashley Heebner  
*Legislation and Regulatory Affairs Division*

The California Gambling Control Commission is considering proposed regulations to establish procedures for the review and approval of transactions connected with gambling enterprises (cardrooms), Third-Party Provider of Proposition Player Services (TPPPS) company, and gambling businesses.



Transactions would generally refer to contracts, agreements and any other business activities where goods, services or monies are exchanged. The major provisions of these proposed regulations,

if approved as currently written, would:

- Require any transaction between a licensee and another party that is greater than or equal to \$2,000 within the licensee's fiscal year to be in writing and maintained by the licensee.
- Require prior Commission approval for certain transactions, regardless of the dollar amount involved.
- Require all transactions needing prior approval to include an advisory that the licensee is subject to the provisions of the Gambling Control Act.
- Require any proceeds derived from the operation of a gambling enterprise during a transaction for its sale to be held in an escrow account and not disbursed to the new owner until they have been

approved by the Commission.

- Require all transactions, individually or in the aggregate, with a value of over \$25,000 or more within the licensee's fiscal year to be reported to the Bureau of Gambling Control.
- Allow the Bureau to review all transactions and request documentation regarding these transactions at any time; and, determine on a case-by-case basis, if formal approval by the Commission is necessary.

The Commission held a workshop on Wednesday, February 24, 2016, where comments from the industry and Bureau were received and considered. Full audio of the meeting can be found at [www.cgcc.ca.gov](http://www.cgcc.ca.gov). Staff will continue to work with industry stakeholders and the Bureau to revise the draft regulatory text before scheduling another workshop.