

CALIFORNIA GAMBLING CONTROL COMMISSION

**DESCRIPTION**

CGCC-GCA-2025-XX-R

**SUBJECT MATTER OF  
PROPOSED REGULATIONS:**

Transactions

**SECTIONS AFFECTED:**

California Code of Regulations, Title 4, Division 18:  
Sections 12003, 12054, 12068, 12090, 12256, 12311,  
12311.2, 12312, 12313, 12316, 12322, 12324, 12326,  
12328, 12330, 12332, 12334, 12336,

**SPECIFIC PURPOSE OF REGULATORY PROPOSAL:**

**INTRODUCTION:**

The California Gambling Control Commission (Commission) is the state agency charged with the administration and implementation of the California Gambling Control Act (Act).<sup>1</sup> Under the Act, the Commission is required to establish regulations for the reporting of transactions and to establish a process for pre-approving specified types of transactions. These regulations implement various aspects of the Act related to transactions, including requirements and procedures for the maintenance, documentation, recordkeeping, and routine reporting of transactions. Additionally, the regulations implement requirements and procedures governing the review and approval of specific types of transaction agreements prior to closing. These regulations primarily apply to owner category licensees.

**PROBLEM ADDRESSED:**

Business and Professions Code (BPC) sections 19878 and 19900 through 19906 require the Commission's prior approval for specified transactions and for the enforcement of security interests; however, those provisions provide no formal processes for doing so. Additionally, BPC section 19841 requires the Commission to adopt regulations for the reporting and keeping of records of transactions by owner licensees, but currently there are no regulations that specifically address transaction reporting or maintenance requirements. To date, the Commission and the California Department of Justice, Bureau of Gambling Control (Bureau) have been reviewing and approving transactions primarily in accordance with the requirements of the Act, however, this does not provide licensees with optimal clarity concerning their submittals and expectations during the transaction review process.

**PURPOSE:**

The purpose of the proposed action is to implement, interpret, clarify, and make specific the Act's various requirements and regulatory directives concerning transactions conducted by owner category licensees. This includes establishing requirements and procedures for the annual

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<sup>1</sup> Business and Professions Code, Division 8, Chapter 4, section 19800 et seq.

reporting of transactions, the retention and maintenance of transaction records, and for the submission of certain types of transaction agreements that must receive prior approval by the Commission, as specified.

**ANTICIPATED BENEFITS OF PROPOSED REGULATION:**

Consistent with the requirements of the Act, the proposed regulations provide procedures requiring owner category licensees to submit specific types of transaction agreements for prior review and approval, including transactions requiring licensure. These review and approval procedures provide additional clarity and specificity to the requirements of the Act and will assure the public that only suitable persons who receive the Commission's approval are permitted to conduct business within the gambling industry. Additionally, the regulations will strengthen the Bureau's ability to conduct investigations and monitor transactions for compliance by establishing annual transaction reporting requirements for owner category licensees. Further, the regulations provide the Bureau, Commission, and regulated community additional clarity and uniformity to the various transaction requirements of the Act to ensure optimal oversight, transparency, and compliance.

**PROPOSED ACTION:**

This proposed action makes the following changes within Chapter 1, Division 18, Title 4 of the California Code of Regulations:

CHAPTER 1. GENERAL PROVISIONS.

ARTICLE 1. DEFINITIONS AND GENERAL PROCEDURES.

**Amend Section 12003. General Requirements.**

This section provides general requirements concerning the format, retention, maintenance, and Bureau inspection of cardroom and Third Party Providers of Proposition Player Services (TPPPS) records required by the Act and Commission and Bureau regulations.

**Subsection (b)** provides a general retention requirement of five years for records required by the Commission and the Bureau, unless otherwise specified. These records must be maintained in a secure location at the gambling establishment (cardroom), TPPPS business licensee's main office, or if approved in advance by the Bureau, at another facility within the state. Further, before moving the records to a different location, advanced written notice must be delivered to the Bureau, which will be deemed approved if not disapproved within 30 calendar days of the Bureau's receipt of the notice. Minor amendments have been proposed to this section to clarify that the Bureau's approval must be provided, as specified, prior to relocating the records. This is a nonsubstantive, clarifying change that aligns with current practice and is consistent with the original intent of the requirement.

**Subsection (d)** authorizes records to be kept, stored, and submitted in a permanent form or media unless otherwise specified. This section is amended to instead authorize the records to be kept, stored, and submitted in a hardcopy format or in any commonly available digital file format such as, .pdf, .docx, .xlsx, .jpg, .mp3, .mp4, unless otherwise specified by Commission or Bureau regulations. The proposed change is necessary to replace the ambiguous phrase, "a permanent form or media" with a more specific and achievable requirement, and aligns with widely

accepted, modern-day methods for storing records in digital form. Further, the language “unless otherwise specified by Commission or Bureau regulations” is necessary to notify the reader that there are other specific record keeping requirements in regulation (e.g. the record keeping requirements related to transactions specified in Section 12312).

ARTICLE 2. PROCEDURES FOR HEARINGS AND MEETINGS ON APPLICATIONS.

**Amend Section 12068. Decisions Requiring Resignation or Divestiture.**

This section provides guidance to applicants and business entities regarding resignation and divestment of ownership interests where an application has been denied and that decision is final under Section 12066.

**Subsection (e)** provides a default date of 60 days after the effective date of the Commission’s decision, upon which a specified person must be removed. This section contains a nonsubstantive amendment to replace the term “specified person” with “denied applicant.” As referenced throughout Section 12068, “denied applicant” is consistent with the terminology used in the other provisions within this section. As such, this amendment is necessary to improve the clarity of this provision. Further, this change avoids a potential conflict with how the term is used in the Act’s definition of “affiliate” (BPC section 19805(a)).

ARTICLE 4. FEES.

**Amend Section 12090. Schedule of Fees Required for Applications, Approvals, and Registrations.**

This section provides a table containing a schedule of fees associated with each application and requires the applicant to submit a specified fee and deposit with the completed form. Additionally, this section specifies that the Bureau may request additional deposits for background investigations pursuant to other existing laws and regulations.

This section is amended to add an application fee of \$1,200 and a Bureau investigation deposit of \$444 for submitting form CGCC-CH5-01, Application for Approval of a Transaction Agreement, used to submit transaction agreements that require prior review and approval. This fee and deposit have been determined based on historically tracked costs specifically tied to Commission and Bureau staff workload. Establishing the fee and deposit amount is necessary to cover state costs for processing, reviewing, and investigating transaction approval requests, pursuant to the data provided in the Commission’s latest Cost and Fee analysis. Notably, while the current data indicates a higher application fee of \$1,260 is needed to cover the state’s costs associated with these requests, BPC section 19951 limits the maximum fee adopted by the Commission for any application for approval (or licensure) to \$1,200.

CHAPTER 3. CONDITIONS OF OPERATION FOR TPPPS BUSINESSES.

ARTICLE 1. GENERAL PROVISIONS.

**Repeal Section 12256. Transfers and Sales.**

Section 12256 regulates the transfer and sale, in whole or in part, of a TPPPS owner type licensee’s ownership interest to an unlicensed person and provides related application and

notification timelines. Currently, the regulation only requires the Commission’s prior approval of the transaction when the TPPPS owner type licensee is selling or transferring its ownership interest to an unlicensed person. However, the proposed action provides more uniform requirements that apply to all owner category licensees, consistent with the requirements of the Act and the Commission’s authority. As such, this section is proposed for repeal because it is no longer necessary due to the more extensive regulations being added to Article 3 of Chapter 5.

CHAPTER 5. ACCOUNTING AND TRANSACTION APPROVALS.

The title of this chapter, “Accounting and Transaction Approvals,” is being renamed to “Accounting and Transactions” because the scope of the proposed transaction regulations governs more than just approvals. This is a nonsubstantive change.

ARTICLE 1. ACCOUNTING AND FINANCIAL REPORTING.

The title of this article, “Accounting and Financial Reporting,” is being renamed to “Definitions and General Provisions” due to the restructuring and additional articles proposed within this chapter. This is a nonsubstantive change.

**Amend Section 12311. Definitions.**

Section 12311 provides definitions that specifically apply to Chapter 5 in addition to the definitions located in the Act and Section 12002 of the Commission’s regulations. The provisions in this section have been renumbered to be consistent with the changes discussed below.

**Subsection (a)** provides that except as otherwise provided in subsection (b), the definitions in BPC section 19805 and Section 12002 of the Commission’s regulations apply to this chapter. This section is amended to remove the word “shall” because the term is unnecessary and potentially ambiguous. In most connotations, it is used to convey an obligation. However, the word has been used in a variety of contexts to convey a range of ideas including may, should, must, etc. This is a non-substantive, clarifying change to syntax within the meaning of Title 1, CCR, Section 100(a)(4).

**Subsection (b)** is amended to remove one existing definition and add four new definitions used throughout Chapter 5. These definitions are necessary to ensure that the proposed regulations are clear, concise, and easy to understand, and that the meanings of these terms are applied specifically to the transaction requirements.

- **Paragraph (1)** is added to define the term “control.” This definition provides that, as the term is used in the Act’s definition of “affiliate,” control means the possession, direct or indirect, of the power to direct or cause the direction of a person. This definition is necessary to provide the clarity and specificity needed for licensees to accurately identify their affiliates and for implementing the requirements of the Act and the proposed regulations. Notably, the proposed definition has been adapted from Corporations Code section 160(a), which defines control to mean “the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a corporation.” Modifying the definition found in the Corporations Code is necessary due to the Act’s broader definition of affiliate, which is not limited to corporations. Rather, the Act

provides that affiliates can include both natural (e.g., sole proprietor) and non-natural (e.g. corporation, partnership, etc.) persons, regardless of whether they hold a license, as long as one of the three aspects of control (controls, is controlled by, or is under the common control) is present amongst the parties.

- **Paragraph (6)** defines “licensee” to mean a cardroom business licensee or TPPPS business licensee, as applicable. This definition only applies to the use of the term within this chapter. However, Section 12002 contains a broader definition of “licensee,” which means any person who is licensed, or endorsed on a license, by the Commission pursuant to the Act or any regulation adopted pursuant to the Act. As such, the definition in this paragraph is being removed to avoid potential misinterpretation of the term throughout this chapter and to improve regulatory clarity and consistency. Corresponding changes have been made throughout.
- **Paragraph (7)** is added to provide a definition for the term “specified person,” which is defined as a natural person who holds an owner category license, but excludes those that only hold 10 percent or less ownership interest and are not required to be licensed for any reason other than their ownership interest.

This definition is necessary because while the Act defines the term “affiliate,”<sup>2</sup> that definition ambiguously refers to the term specified person without providing any further clarification.<sup>3</sup> Therefore, adding the definition of specified person to the regulation provides the necessary clarity to accurately and consistently identify affiliates.

The definition of “specified person” is limited to a consideration of natural person owners of a cardroom or TPPPS business based upon the context of the Act. The purpose of the Act is to provide assurance to the public that controlled gambling is safe and free from criminal influence. To accomplish this, individuals are required to apply for and receive various types of licenses and other forms of approval. To receive approval, applicants must undergo background checks conducted by the Bureau to determine their suitability. At the highest level, those applicants with direct control over the inner workings and assets of a cardroom or TPPPS undergo the most stringent background checks. These individuals can exert significant influence over the cardroom or TPPPS; therefore, the state has the highest level of interest in these people and in those who can influence or be influenced by them (e.g., affiliates).

Further, many business structures do not include a single main owner, but can include a multitude of individuals and entities, some with very small ownership percentages. Individuals with small ownership interests, even if influenced by others, may not be in a position to control the direction, or effectuate any significant actions of the business. Therefore, an exception within the definition is necessary to exclude individuals that do

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<sup>2</sup> BPC section 19805(a). “Affiliate” means a person who, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, a specified person.

<sup>3</sup> Notably, BPC section 19805(ae) defines the term “person” as follows: “Person,” unless otherwise indicated, includes a natural person, corporation, partnership, limited partnership, trust, joint venture, association, or any other business organization.

not have the ability to exercise significant control over the business, which are identified as individuals with 10 percent or less ownership interest who are not licensed for any reason (such as working as a manager in the facility) other than their ownership interest. The 10 percent ownership interest threshold is consistent with the United States Securities and Exchange Commission's (SEC's) requirements governing insider trading and reporting to ensure transparency and fairness in the market by keeping track of insider activities. Specifically, United States Code, Title 15, Chapter 2B, 78p(a) requires corporate insiders, such as officers, directors, and significant shareholders (those owning more than 10% of the company), to report their transactions involving the company's securities to the SEC. This section helps ensure transparency and fairness in the market by keeping track of insider business activities.

- **Paragraph (8)** is added to provide a definition for the term “transaction,” which means an exchange or transfer of goods, services, funds, or other thing of value. The definition ensures that, in addition to purchase and sale transactions, activities such as gifts and trades are also required to comply with requirements. This provision is necessary to provide a clear, simple, and consistent reference to the term and for interpreting the various requirements being implemented throughout this chapter. Further, when Commission approval is required, this definition helps to draw a distinction between the “transaction agreement” defined in paragraph (10), and the actual “transaction” that closes pursuant to a Commission-approved transaction agreement.
- **Paragraph (9)** is added to establish the definition of “transaction agreement,” which means a document or documents that contain(s) the terms of the transaction. This definition provides a clear, simple, and consistent reference to the documentation containing the agreed upon terms of the parties to the transaction, such as a contract or agreement for the sale or transfer of any ownership interest in an owner category licensee. The Act contains extensive requirements and prohibitions governing transactions, contracts, and agreements associated with controlled gambling and provides that certain transactions are void unless approved in advance by the Commission. In order for the Commission to provide prior approval, applicants must first submit their transaction agreement to the Bureau. The Bureau conducts a review and background investigation to determine whether the transaction is compliant with the Act and then provides a recommendation to the Commission. Only until the Commission approves the “transaction agreement,” may the “transaction” close. As such, these terms are being defined separately in the regulation. The definition of “transaction agreement” provides the clarity and specificity needed to establish clear and consistent requirements concerning the application process for transactions requiring prior approval.

### **Adopt Section 12311.2. General Provisions.**

This section provides general transaction related requirements and exemptions for owner category licensees.

**Subsection (a)** requires owner category licensees to maintain that which is specified in paragraphs (1) and (2) below. Notably, these records must be maintained for a minimum of seven years pursuant to Section 12312.

- **Paragraph (1)** requires owner category licensees to maintain all records containing information related to a transaction required to be reported annually under Section 12324(d)(1) through (7). Such records may include transaction documentation, contracts, invoices, purchase orders, and receipts, and any modifications to those records.
- **Paragraph (2)** requires owner category licensees to maintain all records that relate to a transaction required to receive prior Commission approval under Section 12326, including contracts, invoices, purchase orders, and receipts.

This subsection is necessary to implement the Commission’s regulatory directives in BPC section 19841, to establish specific minimum procedures for licensees to exercise effective control over their internal fiscal and gambling affairs and to ensure owner category licensees maintain sufficient records of transactional business activities. These requirements will also enhance the Bureau’s ability in conducting thorough financial audits and background investigations.

**Subsection (b)** is added to provide that a TPPPS contract and all payments specified therein are exempt from the requirements of Article 3 of this chapter. The Bureau’s requirements for TPPPS contracts and related payments are already governed by existing regulations in Chapter 3. Because TPPPS contracts and any agreements specified therein would otherwise fall under the definition of a transaction, this exemption is necessary to prevent unnecessary double reporting and conflicting requirements as a result of the proposed regulations.

**Subsection (c)** is added to, unless otherwise required, exempt institutional investors from licensure when they are parties to a transaction requiring approval. Institutional investors are defined in BPC section 19805(w) and include lending and investment persons and entities who are strictly regulated by other laws. This exemption is necessary to be consistent with the licensing exemptions for institutional investors provided in the Act located in BPC sections 19852 and 19852.2. In addition, the exemption avoids creating unnecessary and burdensome regulatory barriers for transacting with otherwise-regulated persons that meet the definition of an institutional investor who are licensed for reasons consistent with the policies of the Act.

**Subsection (d)** is added to exempt individual patron chip transactions, credit extensions, and check cashing from the requirements of this chapter. Exempting these types of transactions is necessary to avoid imposing unnecessary and duplicative requirements as there are other regulations that already govern the documentation of transactions with patrons.

**Subsection (e)** is added to prohibit an owner category licensee from entering or causing any other licensee or affiliate from entering into any transaction agreement that limits contact with or restricts information that can be provided to any federal, state, or local government agency with applicable enforcement or licensing authority.

The Commission is required to ensure that the gambling industry is conducted in a manner that does not endanger the health, safety, or welfare of the public. Part of this task is to ensure that only individuals of suitable moral character are involved in the conduct of controlled gambling.

In order to investigate violations and make licensing determinations, the Commission, Bureau, and other federal, state, and local law enforcement agencies often need to obtain information from related licensees and affiliates. Allowing these individuals to engage in transactions that prevent the acquisition of information required to conduct a thorough investigation would directly undermine the role of the Commission, law enforcement, and any other agencies with applicable oversight. Further, it would risk eroding the public's trust and assurance that controlled gambling is conducted in a manner that does not endanger the health, safety, and welfare of the public.

Notably, the Commission understands that in implementing this provision, some information may still be excluded from submittal due to other federal or state laws. It is not the intent of the Commission to require the disclosure of otherwise privileged information, such as information subject to the attorney-client privilege, to the Commission, the Bureau or any other entity.

**Subsection (f)** is added to prohibit owner category licensees from entering into or structuring any transaction agreement that interferes with, obscures, or discourages the full disclosure of any transaction or that evades any federal, state, or local requirements. The Commission is required to ensure that the gambling industry is conducted in a manner that does not endanger the health, safety, or welfare of the public. Part of this task is to ensure that only suitable individuals are involved in the conduct of controlled gambling. This provision is necessary to ensure that individuals maintain their transactions in a suitable manner that is intended to be consistent with all legal requirements in addition to the Act.

**Subsection (g)** is added to specify that, when the Commission withholds taking action on an Application for Approval of a Transaction Agreement, CGCC-CH5-01, the owner category licensee does not have the right to an evidentiary hearing under Section 12056. This provision is necessary to prevent the submission and processing of invalid requests for an evidentiary hearing regarding a pending Application for Approval of a Transaction Agreement for which the Commission has withheld taking action, particularly when the transaction's approval is contingent upon the issuance of a Commission license or other approval.

**Amend Section 12312. Chapter 5 Records Retention and Maintenance.**

This section provides specified records retention requirements for cardroom business licensees and TPPPS business licensees. The title of this section, "Record Retention and Maintenance; General Provisions," is amended to "Chapter 5 Records Retention and Maintenance" for better clarity and specificity. This is a nonsubstantive change with no regulatory effect. While all requirements under this section previously applied to "licensees," as currently defined in Chapter 5, this section is being amended due to the removal of that definition as previously discussed. Further, this section is being restructured and amended so that the requirements of subsections (a) and (b) apply more specifically to different license categories.

**Subsection (a)** requires each cardroom business licensee and TPPPS business licensee to maintain all records required by this article for a minimum of seven years. In replacing "licensee" with "owner category licensee," this subsection is amended so that the requirement also applies to cardroom endorsee licensees and TPPPS endorsee licensees. This change is

consistent with the additional transaction requirements applicable to owner category licensees, which are proposed throughout this Chapter.

Additionally, a reference to “notwithstanding the requirements of Section 12003” is added to the requirement. Because Section 12003 already applies to the records required by the Commission and Bureau in general, this change clarifies that the longer seven-year retention time does not affect the other general records retention requirement.

Further, “article” is replaced with “chapter,” which is necessary due to the new articles containing transaction related requirements being added to this chapter. Currently, Chapter 5 only contains a single article.

**Subsection (b)** has been amended to include the provisions in former subsection (c), (d), and (e), which have been renumbered into paragraphs (1) through (3) consistent with the other changes to this section. Additionally, in new paragraph (4), formerly subsection (e), the reference to subsection (d) is changed to paragraph (3) of subsection (b) of this section to align with the renumbering. These changes are non-substantive.

#### ARTICLE 2. ACCOUNTING AND FINANCIAL REPORTING.

This new article has been created and will include existing Sections 12313, 12315, 12316, and 12318. Previously, this chapter only contained one article containing provisions related to accounting and financial reporting. With the addition of transaction provisions, this separation, which is a nonsubstantive change, provides clarity and allows for more specific referencing.

#### **Amend Section 12313. Financial Statements and Reporting Requirements.**

This section provides general financial statement and reporting requirements for cardroom business licensees or TPPPS business licensees.

**Subsection (a)** requires each licensee to prepare financial statements covering all financial activities for each fiscal year in accordance with generally accepted accounting principles and as further specified under this section. This provision contains nonsubstantive changes to align with the removal of the definition of “licensee” in this chapter.

Additionally, this subsection currently specifies that if a cardroom owner type licensee owns or operates lodging, food, beverage, or any other non-gambling operation at the gambling establishment, the financial statements must reflect the results of the gambling operation separately from those non-gambling operations. This section would be amended to also apply to affiliates that own or operate any lodging, food, beverage, or other non-gambling operation at the gambling establishment. This requirement is necessary for consistency with the proposed regulations and the requirements of the Act concerning licensees and their affiliates.

Furthermore, this amendment is necessary to ensure the Bureau receives clear and transparent financial reports if other non-gambling businesses within the gambling establishment are owned or operated by affiliates and will assist the Bureau in conducting financial audits.

**Subsections (c), (d), and (e)** provide accounting and financial statement reporting requirements. These subsections contain nonsubstantive amendments to replace the term “licensee” with

“cardroom business licensee or TPPPS business licensee,” consistent with the removal of the definition of “licensee” from Section 12311 as previously discussed.

**Amend Section 12316. Unclaimed or Abandoned Property.**

This section provides requirements for cardroom business licensees that pertain to the handling of unclaimed or abandoned property left in a cardroom, as specified.

**Subsection (a)** requires cardroom business licensees to establish written policies and procedures that comply with California’s Unclaimed Property Law for handling the following:

- Unclaimed chips, cash, and cash equivalents left at a gaming table or in any player’s bank deemed inactive, as determined by the terms of the licensee’s policies and procedures;
- Undeposited checks issued by the cardroom business licensee to a patron; and,
- Undeposited checks drawn on a cardroom business licensee's account.

The first amendment to this subsection replaces the shorthand statutory reference to California’s Unclaimed Property Law with the full name of the Code of Civil Procedure. This is a nonsubstantive change consistent with statutory references found in other Commission regulations.

The second amendment would require a cardroom business licensee’s written policies and procedures to address the handling of unclaimed chips, cash, and cash equivalents left in a safe deposit box deemed inactive as specified. The Commission notes that because some gambling establishments have safe deposit boxes, regulatory changes are necessary to appropriately contemplate the possibility of unclaimed chips, cash, and cash equivalents being left in these locations.

**ARTICLE 3. TRANSACTION REQUIREMENTS.**

This new article is added to enhance the structural organization of this chapter, pursuant to the proposed requirements for transactions.

**Adopt Section 12322. General Requirements.**

This section is added to set forth general requirements concerning certain types of information that must be included within the transaction agreement. Further, this section consolidates multiple transaction-related requirements of the Act, and pursuant to the Commission’s authority and responsibilities, makes these requirements applicable across all owner category licensees. These requirements are necessary for establishing clear instructions and acceptable methods for drafting and executing transaction agreements involving an owner category licensee and to ensure that all parties are appropriately informed of their legal duties and obligations under the Act.

**Subsection (a)** requires certain provisions to be included in a transaction agreement, as applicable.

- **Paragraph (1)** establishes three provisions in subparagraphs (A), (B), and (C) that must be included in any transaction agreement that is required to receive the Commission’s prior approval under Section 12326. These provisions are necessary to inform any parties

to the transaction that are not already involved in controlled gambling of the applicable laws and regulations that apply to licensees conducting business under the Act.

- **Subparagraph (A)** requires transaction agreements under Section 12326 must contain a provision stating the owner category licensee is subject to the Act and regulations of the Commission and the Bureau. This provision is necessary to ensure optimal clarity and transparency in transaction agreements required to receive prior Commission approval by informing all parties that there are specific laws and regulations that apply to owner category licensees conducting business under the Act.
- **Subparagraph (B)** requires transaction agreements under Section 12326 must contain a provision stating that the transaction agreement is subject to Commission approval prior to becoming effective. Article 7 of the Act contains extensive requirements and prohibitions governing transactions, contracts, and agreements associated with controlled gambling and provides that certain transactions are void unless approved in advance by the Commission. Section 12326 provides additional specificity to those requirements by providing the types of transactions that must be submitted to the Commission and receive approval before becoming effective. The provision required by this paragraph is necessary to ensure optimal clarity and transparency in a transaction agreement subject to the requirements of Section 12326 by informing all parties that the Commission must provide its approval prior to the transaction agreement taking effect.
- **Subparagraph (C)** requires transaction agreements under Section 12326 must contain a provision that prohibits any party to the transaction agreement from engaging in any activity that requires a license prior to obtaining the required license. BPC section 19855 requires a person to obtain a state license before engaging in any activity or occupying a position that requires the license. Requiring this provision is necessary to ensure optimal clarity and transparency in a transaction agreement by providing proper notice to all parties to the licensing requirements in the Act and Commission regulations. Further, this requirement should assist in reducing unintentional violations, suitability issues, and disqualifications for licensure under the Act.
- **Paragraph (2)** requires a transaction agreement to contain a provision that meets the requirements of BPC section 19903, as applicable. BPC section 19903 requires any contract to sell or lease any interest in real or personal property where the buyer or lessee must be approved or licensed by the Commission pursuant to BPC section 19853(a), must contain a provision satisfactory to the Commission, which explains who will pay any outstanding fees due during any period of time before the transaction closes (i.e., before the buyer/lessee takes control). Such fees may include, but are not limited to, additional payment obligations that arise while a transaction agreement is pending review and approval, such as annual fees, application fees, deposits, etc. This requirement is necessary so that all provisions required by the Act are referenced within a single section

of the regulations to provide clear instructions to owner category licensees for drafting transaction agreements.

- **Paragraph (3)** requires a transaction agreement for the sale, assignment, transfer, or other disposition of a cardroom business licensee or its entire gambling operation, must include a provision that is consistent with BPC section 19906 concerning the handling of outstanding gambling chips. BPC section 19906 requires a contract for the sale of a gambling enterprise to specify how unredeemed gaming chips will be honored by the purchaser or a process for redeeming outstanding gaming chips upon the change in ownership. This provision provides additional specificity to the requirement in BPC section 19906 and adapts it to the regulations by using the terms defined in Chapter 1. Additionally, this requirement is necessary so that all provisions required by the Act are referenced within a single section of the regulations to provide clear instructions to owner category licensees for drafting transaction agreements.
- **Paragraph (4)**, requires a transaction agreement for the sale, assignment, transfer, or other disposition of any ownership interest in an owner category licensee, or its entire gambling operation or TPPPS operation, as applicable, must contain a provision requiring the following:
  - Any proceeds earned from the continued operation thereof (as applicable) that would otherwise be payable to the new owner(s), must be held in an escrow account.
  - These escrowed proceeds cannot be disbursed to the new owner(s) until they have been issued the required license by the Commission.

By referring to an “owner category licensee,” this requirement would apply to transaction agreements concerning a change in ownership interest of a cardroom endorsee licensee or TPPPS endorsee licensee, in addition to a cardroom business licensee or TPPPS business licensee.

Additionally, the paragraph specifies that this required provision does not prevent the payment of any taxes, operating expenses, preexisting obligations, preexisting dependent support, debts related to the purchase of any ownership interest in a licensee, or other distribution of proceeds approved by the Commission.

The Act requires a person to be licensed prior to engaging in controlled gambling activity, occupying a position with respect to which a license is required, or receiving a share of revenue earned from gambling activities, as specified. This provision is necessary to ensure the transaction agreement safeguards prospective owner(s) from violating the requirements of the Act by preventing unlicensed parties from receiving any proceeds from gambling related activities.

- **Paragraph (5)** requires a transaction agreement for any lease between a cardroom business licensee and a landlord to contain a provision that acknowledges the following:
  - The requirements of Section 12326(a)(4), and

- The cardroom business licensee is solely responsible for complying with the Act and regulations of the Commission and Bureau when such requirements are triggered by or arise from the lease

This requirement only applies to leases with a cardroom business licensee and is consistent with BPC section 19902. This provision is also necessary to ensure that any prospective landlord understands they may be required to obtain a license from the Commission pursuant to Section 12326(a)(4), and that there may be other requirements under the Act or regulations that must be met prior to the close of the transaction. Additionally, this provision should reduce situations where a licensee may attempt to lease a location that does not meet the requirements of the Act or regulation.

**Subsection (b)** provides that if a transaction agreement required to receive prior Commission approval contains a closing date that occurs prior to the date the transaction agreement is approved, the closing date is void. This requirement does not invalidate any other provision of the transaction agreement. BPC section 19902 specifies that a contract to sell or lease any property or interest in property (real or personal) that requires Commission approval or licensure must not specify a closing date for the transaction that is prior to the approval or licensing by the Commission. Additionally, the statute provides that any provision of a contract that specifies an earlier closing date is void for all purposes; however, the invalidity does not affect the validity of any other provision of the contract. As such, the proposed provision is necessary to implement and provide additional clarity to the requirements of BPC section 19902 and assist in preventing owner category licensees from inadvertently specifying an invalid closing date in a contract or agreement that occurs prior to meeting the requirements of the Act and Commission. Moreover, implementing and expanding the requirements of BPC section 19902 to apply to all transactions requiring prior Commission approval, regardless of whether property is involved, is consistent with the Commission's broad authority and existing directives for transactions under the Act to ensure any unlicensed party is found suitable prior to engaging in any activities that require licensure or approval. Further, this provision is necessary to ensure it does not inadvertently specify an invalid closing date in a contract or agreement that occurs prior to meeting the requirements of the Act and Commission.

**Adopt Section 12324. Annual Reporting Requirements for Transactions.**

Section 12324 would establish annual transaction reporting requirements for specific types of owner category licensees consistent with the Commission's related regulatory mandates found in the Act. Specifically, BPC section 19841(d) requires the Commission to adopt regulations that require owner licensees to report and maintain records of transactions, including transactions involving cash or credit. The information provided in this report may be used to assist the Bureau with relevant investigations or to monitor and determine whether an owner category licensee is conducting transactional business activities in compliance with the Act and regulations. Further, this report will assist the Bureau in conducting routine financial audits, improving compliance oversight and enforcement, and providing recommendations to the Commission concerning licensing and approvals.

**Subsection (a)** requires the transactions identified under this subsection to be reported annually to the Bureau. Additionally, this provision exempts transactions otherwise prohibited by state or

federal law from these reporting requirements. Notably, the Commission understands that in implementing this provision, some information may still be excluded from submittal due to other federal or state laws, which supersede regulation. It is not the intent of the Commission to require the disclosure of otherwise privileged information, such as information subject to the attorney-client privilege, to the Commission, the Bureau or any other entity.

- **Paragraph (1)** requires all transactions conducted by a cardroom business licensee or TPPPS business licensee to be reported annually to the Bureau. Cardroom business licensees and TPPPS business licensees, which are the holders of the license certificate, are subject to the most stringent license application and Bureau background investigation requirements due to their level of influence and control over the internal fiscal and gambling affairs of the business. They are held to the highest standards under the Act and Commission regulations and can employ up to hundreds of licensees and work permittees.
- **Paragraph (2)** requires the following transactions conducted by cardroom endorsee licensees and TPPPS endorsee licensees to be reported annually to the Bureau, as applicable:
  - **Subparagraph (A).** Transactions related to the operation of controlled gambling.
  - **Subparagraph (B).** Transaction related to any activities that take place on the premises of a gambling establishment.

Cardroom endorsee licensees and TPPPS endorsee licensees are required to be licensed by the Commission pursuant to the Act or Commission regulations for various reasons based on their level of involvement with the cardroom business licensee or TPPPS business licensee. This may include revenue sharing, serving as a TPPPS funding source, having the power to exercise significant influence over the gambling operation, or because they fall under the requirements of BPC section 19852 or 19853. Because the holder of an endorsee license has less of an ability to exercise control over the cardroom business licensee or TPPPS business licensee, this requirement appropriately limits their annual transaction reporting requirements to transactions related to the gambling operation or any activities that take place on the cardroom premises.

**Subsection (b)** requires that the annual transactions report must be submitted to the Bureau with the applicable owner category licensee's renewal application. In years when license renewal is not required, the annual report must be submitted in the month the renewal application is ordinarily due. This schedule provides a consistent annual reporting timeframe that effectively matches the needs of the Bureau and the owner category licensee.

Currently, owner category licensees are required to submit fiscal information to the Bureau as part of their renewal application every two years. Requiring the submission of an annual transactions report is necessary so that the Bureau has access to current information for conducting annual compliance checks during periods not connected to the renewal application.

Requiring reports to be submitted annually may also assist in reducing persistent violations that may occur several times over a two-year period.

**Subsection (c)** requires that the annual report must include a summary of all transactions from the past 12 months as required by subsection (d). If there are no applicable transactions to report, the report must include a statement to that effect. These requirements are necessary to provide owner category licensees clear and uniform procedures for reporting transactions and to provide the Bureau with the ability to consistently monitor the transactions of all owner category licensees.

**Subsection (d)** provides a list of information required to be reported in the summary of each transaction. Requiring this basic information is necessary to establish uniform and consistent reporting requirements, providing the Bureau with the ability to readily review a summarized report of each owner category licensee's transactions required to be reported under subsection (a). The information will enhance the Bureau's ability to conduct routine financial audits and background investigations concerning licenses and approvals. Pursuant to its existing authority, the Bureau may also request additional information if it wishes to further investigate. The summary of each transaction reported must include:

- **Paragraph (1).** The date of the transaction;
- **Paragraph (2).** The names of the transacting parties;
- **Paragraph (3).** The purpose of the transaction;
- **Paragraph (4).** A description of any goods, services, funds or other thing of value exchanged or transferred, except for disclosure of any attorney-client privileged information;
- **Paragraph (5).** The value associated with the transaction;
- **Paragraph (6).** The names of all affiliates (as defined in the Act) and all specified persons (as defined in the regulations) of any party to the transaction; and,
- **Paragraph (7).** The Bureau identification number issued to the related transaction agreement.

**Subsection (e)** provides specific types of transactions that are exempt from the annual reporting requirements. These exemptions help keep the regulations focused on implementing the requirements and spirit of the Act without creating unnecessarily burdensome reporting requirements for the industry. The exemptions should also increase efficiency during the review process. Notably, the Bureau still has the authority to request any information exempted in this subsection if necessary. Specifically, the transactions identified in paragraphs (1) through (5) are not required to be included in the annual report:

- **Paragraph (1)** excludes payments to a government entity. Payments such as taxes, licensing fees, or other required governmental payments are exempt from the annual reporting requirements because their review is unnecessary. If a licensee fails to make any required government payments, such as taxes, the Bureau will discover that information as part of their background investigation. Additionally, government officials that contract or have relationships with businesses in the private sector are already subject to strict oversight, compliance, and reporting requirements.
- **Paragraph (2)** excludes payments to or services from a utility company that provides standard public services, such as power, gas, phone, internet, storm drainage, water, municipal waste management, cable television, streaming services, and/or satellite television, etc. Every building is required to have certain basic utilities, for example power and water, and the payment of such does not warrant special notification to the Bureau. Even utilities such as phone or internet when paid consistent with normal rates, are not necessary to undergo the Bureau's review. Further, companies that provide these services are already subject to strict regulatory requirements by other governmental agencies with applicable oversight.
- **Paragraph (3)** excludes payments to or services from a publicly traded company that is providing standard public services and does not have any other relationship with the reporting owner category licensee. A publicly traded company is one whose shares are available to be purchased and sold by the general public on stock exchanges, such as the New York Stock Exchange (NYSE) or National Association of Securities Dealers Automated Quotations (NASDAQ). Such companies have undergone the process of an initial public offering and are subject to strict regulatory requirements and reporting standards that provide transparency and investor protections. While the purpose of this report is to allow the Bureau to monitor the transactional business activities of an owner category licensee, due to the structure, nature, and existing regulatory oversight that exists over a publicly traded company, any payments or services provided are unlikely to be fraudulent or result in one party significantly controlling the direction of another.

Additionally, this provision contains language that excludes specific types of transactions with an institutional investor from the exemption. Monies received or payments made in connection with a loan from an institutional investor, as defined in BPC section 19805(w), are still required to be reported by the owner category licensee (as applicable). Maintaining this reporting requirement is necessary so that the Bureau is able to review the information associated with the transaction and verify that the purported institutional investor meets the statutory definition provided in the Act.

- **Paragraph (4)** excludes payments to, or services from, an insurance company that provides standard and publicly available services and has no other relationship with the licensee. This exemption is necessary due to similar reasons provided above.
- **Paragraph (5)** excludes any payments to employees for payroll. This exemption is necessary to keep the regulations focused on implementing the requirements of the Act without creating unnecessarily burdensome reporting requirements for the industry. The

exemptions should also increase efficiency during the review process. Notably, the Bureau still has the authority to request payroll information if needed.

**Subsection (f)** specifies an owner category licensee that files for bankruptcy will not be relieved from the reporting requirements of this section. Regardless of the licensee's business status, all licensees are still under the jurisdiction of the Bureau and Commission and must continue to meet the requirements of the Act and regulation. This requirement is necessary to reduce ambiguity in the regulations and provide clear instructions to the licensee, that it must continue to submit an annual transaction report during the bankruptcy process.

**Subsection (g)** contains a sunrise clause that exempts owner category licensees from being required to submit an annual transactions report until at least 12 months after the effective date of the regulations. After this sunrise period, an owner category licensee is required to submit their annual report with their renewal application pursuant to the requirements of subsection (b). This sunrise provision is necessary to prevent possible timing issues with the effective date of the regulations and a licensee's ability to report transactions for the entire 12-month period prior to the reporting deadline.

**Adopt Section 12326. Prior Commission Approval Required for Specified Transactions.**

Section 12326 specifies the types of transaction agreements an owner category licensee is required to submit for Bureau review and Commission approval. This section consolidates multiple provisions of the Act that require certain transactions to receive prior approval from the Commission. These requirements are necessary for the Commission to maintain effective oversight of all parties involved in the controlled gambling industry and to protect the health, safety, and welfare of the public.

**Subsection (a)** specifies an owner category licensee must submit the following transaction agreements for Bureau review and Commission approval in accordance with the application requirements in Section 12328:

- **Paragraph (1).** A transaction agreement for the sale, assignment, transfer, pledge, hypothecation, or other disposition of any ownership interest in an owner category licensee or its entire gambling or TPPPS operation, as applicable. This includes, but is not limited to, the sale of a corporate stock, interest in a partnership, or membership interest in a limited liability company (LLC). This requirement is consistent with various provisions of the Act requiring the Commission's prior approval of specified ownership interest transactions. Specifically, BPC section 19892 requires prior approval for the sale of a gambling enterprise that is either a LLC or a partnership, and section 19904 requires prior approval for the sale of a gambling enterprise that is a corporation. Additionally, BPC section 19858 provides license suitability standards for those who have any financial interest in a business or organization that is engaged in any form of prohibited gambling. However, these statutes do not cover the sale of sole proprietorships for gambling enterprises and TPPPS businesses. As such, the proposed provision is necessary to implement clear and consistent requirements across all applicable business structures and owner category license types, including sole proprietorships and TPPPS businesses.

- **Paragraph (2).** A transaction agreement for the sale, assignment, grant, transfer, pledge, hypothecation, or other disposition of an option to purchase any ownership interest in an owner category licensee, or its entire gambling operation or TPPPS operation, as applicable. This provision implements BPC section 19892, which provides that the grant of an option to purchase the interest in a cardroom business licensee that is partnership or LLC is void unless approved in advance by the Commission. Additionally, this provision is necessary to implement these requirements consistently across all applicable business structures and owner category license types, including sole proprietorships and TPPPS businesses.
- **Paragraph (3).** A transaction agreement for the transfer of possession, ownership, or title of a security interest in a security as required by BPC section 19900(a). This provision is necessary to implement and further specify the requirements of BPC section 19900(a), which provides the following three types of security interests cannot be enforced without the prior approval of the Commission: (1) a corporation that holds a gambling license in this state, (2) a holding company that is not a publicly traded corporation, or (3) a partnership, limited partnership, or a LLC that holds a gambling license in this state.
- **Paragraph (4).** A transaction agreement for the sale, lease, transfer, assignment, encumbrance, or other disposition of any real property or interest therein, associated with an owner category licensee when the Commission had previously required the owner of the real property to be licensed for a reason associated with the property. This provision is necessary to implement and provide additional clarity to BPC section 19902, which requires a contract to sell or lease any property or interest in property (real or personal), when the buyer or lessee is required to be approved or licensed by the Commission under BPC 19853(a), cannot set a closing date that is before the Commission grants that approval or license. Further, if the contract does specify an earlier closing date, that provision has no legal effect. This paragraph ensures consistent implementation of the requirements for licenses and approvals required for certain transactions.
- **Paragraph (5).** Any transaction agreement in which an owner category licensee obtains a secured or unsecured loan from any private individual(s) or entity for the purchase of an owner category licensee. This provision also exempts loans from an institutional investor, as defined in BPC 19805(w). This provision is consistent with the Commission's authority under BPC 19901 and is necessary for the Commission to ensure the suitability and licensure of any person in connection with a controlled gambling operation that does not fall under the Act's definition of an institutional investor. This exemption for institutional investors in this paragraph is consistent with proposed Section 12311.2(c).
- **Paragraph (6).** Any transaction agreement between an owner category licensee or an affiliate of a licensee, and a person or that person's representative agent who has had a Commission license denied, suspended or revoked, or within one year has had an application for Commission approval withdrawn with prejudice. This paragraph implements the BPC section 19878(a), which requires the Commission's prior approval of any contract or agreement between an owner licensee or a California affiliate of an

owner licensee and a person whose license was suspended or revoked by the Commission. Additionally, BPC section 19878(b) requires the Commission's prior approval of any contract or agreement between an owner licensee or a California affiliate of an owner licensee and a person whose application has been withdrawn with prejudice, for the period of time they are prohibited from filing a new license application. The proposed requirement is necessary to adapt and provide additional clarity to these statutory requirements in alignment with the Commission's existing regulations.

- **Paragraph (7)(A).** A transaction agreement that would create or modify any trust or estate, which either allows a person to take part in the operation of an owner category licensee, or provides payment to a person from the owner category licensee. Consistent with the requirements of BPC section 19850, this provision is necessary to ensure that all persons allowed to participate in or receive payment from the operation of an owner category licensee, such as payments related to a share of the licensee's profits, are first found suitable and licensed by the Commission.
  - **Subparagraph (B).** A transaction to amend a trust or estate already licensed by the Commission, which either changes the person that takes part in the operation of an owner category licensee or changes the person that receives payment from the owner category licensee. This provision is necessary to ensure that any significant changes to a trust or estate that has been licensed by the Commission are thoroughly reviewed and approved prior to changes taking effect. This provision is also necessary to safeguard against the circumvention of any Commission approvals, conditions, or limitations required.

**Subsection (b)** prohibits any unlicensed person that is a party to a transaction agreement from participating in any activities requiring licensure, prior to obtaining the required license from the Commission. The Commission is charged with providing assurance to the public that controlled gambling is safe and free from criminal influence. To accomplish this, individuals are required to undergo Bureau background checks and obtain various types of licenses and approvals from the Commission prior to engaging in any regulated activities. Each license and approval is specific in its application as to the activities the licensee is allowed to participate in. Being licensed to operate one cardroom in no way authorizes the same person to operate a different cardroom. For example, a person that holds a license to operate Cardroom A would need to apply for and receive a new and separate license to operate Cardroom B. As such, the language "unlicensed party" draws a key distinction within this provision to clarify that all parties to the transaction must obtain the specific licenses and/or approvals to consummate a transaction.

**Adopt Section 12328. Application for Approval of a Transaction Agreement.**

Section 12328 specifies the application and documentation an owner category licensee is required to submit to the Bureau for any transaction required to receive Commission approval prior to becoming effective pursuant to Section 12326. This includes any transactions involving an unlicensed party that will be required to be licensed pursuant to the Act or Commission regulations.

**Subsection (a)** requires the owner category licensee to submit a complete application to the Bureau pursuant to the requirements of Section 12326. Additionally, this provision defines “complete application” as one that includes all of the following items:

- **Paragraph (1).** The completed form, Application for Approval of a Transaction Agreement, CGCC-CH5-01 (New XX/25) which is attached to Appendix A of Chapter 5. The contents and requirements of this form are further discussed below.
- **Paragraph (2).** The required application fee and deposit that must be submitted with the application, as specified in Section 12090.
- **Paragraph (3).** A complete copy of the proposed transaction agreement, which is the document or documents that contain(s) the terms of a transaction.
- **Paragraph (4).** Complete copies of all documentation related to, and intended to effectuate, the proposed transaction, as provided in the transaction agreement. This would include all supporting documents connected to the transaction agreement, such as attachments, side agreements, financing documents, escrow instructions, etc.

This subsection is necessary to identify and provide clear instructions to the owner category licensee of what is required to be submitted to the Bureau when applying for the review and approval of a transaction agreement. This section is also necessary to establish uniform procedures and methods for applying for approval by adopting an application form into the appendix of this chapter.

*Application for Approval of a Transaction Agreement, CGCC-CH5-01 (New XX/25)*

The form Application for Review and Approval of a Transaction Agreement contains general requirements for filling out the form and instructions for submitting the required application fee and deposit to the Bureau. Additionally, the form contains the following sections to be completed by the applicant, as applicable:

- **Section 1** requires basic information about the applicant. This includes checkboxes to identify the specific owner category license type (cardroom business licensee, TPPPS business licensee, cardroom endorsee licensee, or TPPPS endorsee licensee), the name of the applicant, license number, and all essential contact and identification information. This information is necessary so that the Bureau can identify the owner category licensee making the request and how to contact them.
- **Section 2** requires a brief explanation of the purpose of the transaction agreement. The explanation must specify all compensation or services being provided and identify the party or parties providing them. Identifying each party and what they are receiving or providing will assist the Bureau in processing the application and determining whether any additional information, approvals, or licensure is required.
- **Section 3** requires the owner category licensee to identify any unlicensed parties to the transaction, including business entities and individuals, if the licensure of those parties is

required for the transaction to close. The Commission does not have regulatory authority over unlicensed persons and as such, only an existing owner category licensee can apply for the approval of a transaction agreement. This section is necessary to provide the Bureau with proper notice that they can expect to receive a corresponding license application for any unlicensed party listed, pursuant to Section 12330.

- **Section 4** of the form contains checkboxes for the items that must be submitted to constitute a complete application, including:
  - The non-refundable application fee and deposit specified in Section 12090, payable to the Bureau. This is necessary to cover state costs associated with processing and reviewing the transaction approval request, pursuant to the amounts determined annually by the Commission's Cost and Fee Analysis.
  - An attachment that identifies the names, addresses, and contact numbers of each party to the transaction agreement. This information is necessary to clearly identify for the Bureau each party to the transaction agreement. The information can be used to conduct background investigations on all parties to verify the transaction would not violate any requirements of the Act and regulations. Furthermore, the Bureau can use this information to request additional information from specific parties.
  - An attachment that identifies the names of all affiliates and specified persons of any party to the transaction, as applicable. This is necessary so that the Commission and Bureau can properly consider all parties and relationships associated with the transaction and any requirements or limitations that may be necessary to comply with the Act and regulations.
  - All documents required under Section 12328, as applicable. This provision ensures the applicant reviews and includes all applicable documents required for submitting a complete application.
  - If the transaction includes a party who has been denied a license, has had their license suspended or revoked, or who has had an application that was withdrawn with prejudice within the past year (as specified), an attachment is required that provides a detailed explanation as to why no other person that is otherwise qualified can provide these services. This provision is consistent with the Commission's discretion under the Act, and it is necessary to properly consider the reasons they should allow a party who has previously been denied a license, has had their license suspended or revoked, or who has had an application withdrawn with prejudice, to be involved in controlled gambling.

This section also contains a note to the applicant that additional documentation may be required by the Bureau. This language provides notice to the applicant that the Bureau may request additional information in response to reviewing the information provided in the application.

- **Section 5** of the Transaction Review Request Form provides a space for the application to be signed under penalty of perjury. This is necessary for the applicant to confirm the information they are providing is true, accurate, and complete and that the application was submitted by someone who was authorized to do so.

**Adopt Section 12330. Application for Approval of a Transaction Agreement Requiring Licensure.**

BPC section 19855 provides that every person required to hold a license by the Act or regulation must obtain the required license prior to engaging in the licensed activity. Additionally, various provisions of the Act require certain transactions to be approved in advance by the Commission. As such, this section is necessary to establish a timeline for submitting a license application associated with an application for approval of a transaction agreement. Specifically, when the approval of an application submitted under Section 12328 is contingent upon the licensure of one or more unlicensed persons, this section requires each person to submit, individually, the required license application to the Bureau within 30 calendar days. Because a license application contains an applicant's sensitive and personal information, this provision is necessary to provide a separate but parallel process, keeping the information submitted by each party confidential while allowing the applications to be tracked together. The 30-calendar day deadline also prevents unnecessary delays in the transaction approval process.

**Adopt Section 12332. Required License Maintenance.**

Section 12332 provides license maintenance requirements for owner category licensees. Specifically, it requires owner category licensees to maintain any active license required by the Act or Commission regulations until a transaction being considered for approval is closed, as applicable. While all required licenses must continue to be renewed during the transaction review and approval process, the owner category licensee's business does not need to remain in operation. This provision is necessary to ensure the regulations remain consistent with the requirements of the Act by requiring the relevant parties to remain licensed and suitable at all times while a transaction is under consideration.

**Adopt Section 12334. Processing Timeliness and Requirements for an Application for Approval of a Transaction Agreement.**

This section establishes the timelines and procedural requirements for processing an Application for Approval of a Transaction Agreement (Form CGCC-CH5-01) under Section 12328, as follows.

**Subsection (a)** requires that within 10 business days of receiving the application, the Bureau will serve the applicant with a written notice that provides information consistent with one of the following:

- **Paragraph (1).** A notification that the application is deemed to be complete in accordance with Section 12328 and is accepted for initial processing, or
- **Paragraph (2).** A notification that the application is deemed to be deficient and a request specifying the additional information required for a complete application. Additionally, the Bureau must notify the applicant of the requirements of subsection (b), which specifies the response deadline and related requirements.

This submittal process is consistent with other approval processes and provides the communication necessary to confirm acceptance of an application or to allow the applicant an opportunity to correct any deficiencies.

**Subsection (b)** provides that if the applicant fails to provide the additional requested information from the Bureau within 30 calendar days of being served with a deficiency notice, the application is deemed abandoned, and no further action will be taken. If this occurs, any subsequent application submitted by the applicant will be subject to the timelines and requirements that apply to a new application.

This process is consistent with other approval processes and is necessary to prevent the backup of unresolved applications. Further, providing the Bureau with the ability to abandon an application if the applicant is unresponsive provides the Bureau with an opportunity for better workload management and efficiencies. The provision also provides clarity to the applicant on how application resubmittals will be treated.

**Subsection (c)** provides that after initially deeming an application complete under paragraph (a)(1), the Bureau may still issue additional requests for specific information or documentation. When such a request is made, the review period is suspended until the Bureau receives all requested information. These requests are also subject to the 30-day abandonment rule in subsection (b). This provision is necessary to clarify that the Bureau's determination that an application is complete and accepted for processing does not prevent the Bureau from requiring additional information from the applicant during the review period.

**Subsection (d)** establishes a 90-calendar day deadline from the date of receipt of the complete application, for the Bureau to recommend the Commission to approve or deny the application. Further, this provision specifies the Bureau's recommendation must include specific information. This includes a copy of the complete application; any concerns with regard to possible violations of the Act, regulations, and other laws related to controlled gambling; a summary of the proposed transaction including any proposed changes in ownership structure; and information summarizing the Bureau's financial review concerning the source of funds. Requiring this information is necessary to ensure the Commission has the essential information to make an informed decision.

**Subsection (e)** requires the Bureau, upon submitting its recommendation to the Commission, to provide the applicant with a copy of its recommendation. This requirement is necessary to ensure there are no ex-parte communications between the Bureau and the Commission, consistent with the requirements of the Act and Commission regulations.

**Subsection (f)** provides that once the Bureau has submitted the transaction to the Commission for review, the Commission has 60 calendar days to provide notice that the transaction has been scheduled for a Commission meeting. However, the Commission may notify the applicant, in writing, that additional time is needed, not to exceed 30 days. This provision is necessary to provide a concrete review and consideration timeline and is consistent with other related timelines established in the Commission's existing regulations.

**Subsection (g)** applies the existing notice requirements of Section 12006 to this section, providing the clarity and specificity necessary to implement the timelines within this section.

**Subsection (h)** specifies that if the transaction involves any unlicensed person(s) that must apply for licensure under Section 12330, the processing timelines for the transaction agreement application are subject to the timeframes for license applications under BPC section 19868 and applicable Commission regulations. This carve out is necessary to provide a parallel and synchronized application and review process for both types of applications and to avoid conflict with the existing deadlines established for license applications.

ARTICLE 4. OWNERSHIP INTEREST DOCUMENTS.

**Adopt Section 12336. Requirements for Documents Evidencing Ownership Interest in an Owner Category Licensee.**

This section sets out the content requirements for documents that evidence ownership in an owner category licensee and establishes a post-transaction reporting obligation.

**Subsection (a)** requires any document evidencing ownership interest in an owner category licensee must include specific statutory statements concerning ownership and transfer restrictions under the Act, as follows:

- **Paragraph (1)** provides that for corporations, these documents must include statements required by BPC section 19882(c) and 19904, which generally cover ownership disclosure, transfer restrictions, and conditions related to the conduct of controlled gambling.
- **Paragraph (2)** provides that for LLCs and partnerships, these documents must include a statement required by BPC section 19892(d), which contains ownership and transfer-related disclosures similar to that which is required for corporations.

This section is necessary to implement the requirements of the Act to explicitly notify any interested party that Commission approval is required before a license certificate changes possession.

**Subsection (b)** specifies that within 30 days of the closing of a transaction requiring the Commission's approval under Section 12326, the licensee must submit written notification to the Bureau and Commission confirming that the requirements of subsection (a) have been met. This section is necessary for the Bureau and Commission to verify the owner category licensee is in compliance with the Act.