

AUTHOR'S COPY

An act to add Chapter 5.2 (commencing with Section 19990.01) to Division 8 of the Business and Professions Code, relating to gambling, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Chapter 5.2 (commencing with Section 19990.01) is added to Division 8 of the Business and Professions Code, to read:

CHAPTER 5.2. THE INTERNET POKER CONSUMER PROTECTION ACT OF 2014

Article 1. General Provisions

19990.01. This chapter shall be known and may be cited as the Internet Poker Consumer Protection Act of 2014.

19990.02. The Legislature hereby finds and declares all of the following:

(a) The state and the governments of numerous federally recognized California Indian tribes currently maintain and implement substantial regulatory and law enforcement efforts to protect thousands of Californians who play, among other things, real-money poker in, respectively, licensed California cardrooms and authorized tribal government casinos, yet the state provides no licensing requirements, regulatory structure, or law enforcement efforts to protect Californians who play the same games online on an illegal and unregulated basis for money. The Legislature finds that protection of the interests of both the state and persons within its jurisdiction that play real-money games online requires the authorization and establishment of a system for regulating Internet poker gambling within California.

(b) In October 2006, Congress passed the SAFE Port Act (Public Law 109-347), to increase the security of United States ports. That act included a section entitled the



Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA), which prohibits the use of banking instruments, including credit cards, checks, or fund transfers, for interstate Internet gambling, essentially prohibiting poker and other gambling games played online by United States citizens. UIGEA includes exceptions, however, that permit individual states to create a regulatory framework to enable intrastate Internet gambling, in which wagers are made exclusively within a single state whose laws or regulations comply with all of the following:

(1) Contain certain safeguards regarding those transactions, including both of the following:

(A) Age and location verification requirements.

(B) Data security standards designed to prevent access by minors and persons located outside of that state.

(2) Expressly authorize the betting or wagering process.

(3) Do not violate any federal gaming statutes, including all of the following:

(A) The Interstate Horseracing Act of 1978.

(B) The Professional and Amateur Sports Protection Act.

(C) The Gambling Devices Transportation Act.

(D) The Indian Gaming Regulatory Act of 1988 (IGRA).

(c) Despite the absence of enabling legislation in conformity with UIGEA, Californians participate in Internet poker and other forms of Internet gambling operated by offshore operators that are not regulated by California or United States authorities. Neither federal nor California laws provide any protections for California participants in those sites, nor do the citizens of California directly benefit from these activities.



This significant rise in Internet gaming within California, together with efforts by other states to begin authorizing and regulating Internet gambling and recent federal claims of illegal activities by certain offshore Internet gambling operators, has increased the need for California to enact on an urgent basis a statutory framework for authorizing and regulating Internet gaming within the state. The Legislature finds that Internet poker is a reality that must be addressed by California in order to protect consumers from compulsive gambling, underage play and exploitation from illegal operators, as well as to meet the needs of its citizens and economy. California also wants to limit the scope of Internet gambling to the game of poker, with which it has extensive regulatory experience.



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(d) By regulating Internet poker, the state will achieve the following:

- (1) Protect and promote its economy.
- (2) Provide California players with a safe and secure environment to play online.
- (3) Ensure fair and transparent Internet gambling.
- (4) Protect player funds and their winnings.
- (5) Protect against underage gambling.
- (6) Combat crime, racketeering, corruption, money laundering, and terrorism financing.
- (7) Enable the poker industry in California, which employs thousands of Californians, to compete fairly in intrastate Internet poker.
- (8) Generate millions of dollars of additional revenues to meet California and tribal governmental needs.

(e) California, thus, has a state interest in authorizing and regulating legitimate Internet poker and in ensuring that those activities are consistent with existing public policy regarding the playing of poker games within the state. The public interest will be best served by requiring that those entities who desire to own or operate Internet poker web sites within the state continue to comply with the existing standards and rigorous scrutiny that must be met in order to qualify to offer poker games within the state.

(f) The Legislature has determined, from experience gained by observing the development of Internet poker throughout the world, and in agreement with the federal requirements for authorizing Internet gambling under UIGEA, that California's regulatory requirements must include all of the following:

(1) A system that is implemented and administered in a fair and transparent manner that ensures that players can participate in an environment that safeguards and secures their personal data in accordance with the latest industry data security standards.

(2) The maintenance of player deposits and winnings in a secure system that enables players to access and withdraw their funds at any time in accordance with published terms and conditions.

(3) The subjection of all authorized Internet gaming software to rigorous testing by independent testing facilities to ensure that the game outcomes are unbiased and unpredictable.

(4) The exclusion of minors and the protection of vulnerable players from compulsive and excessive gambling by installing player verification systems and



enforcing measures to detect these individuals and behavior in order to prevent them from accessing and playing on Internet Web sites.

(5) Ensuring that online gambling activities are free from crime or the use of moneys obtained illegally, including the use of systems designed to detect, prevent, and report suspicious activities and transactions, including, but not limited to, robotic or collusive play, money laundering, or the evasion of state income taxes.

(6) To offer responsible gaming features that limit a player's potential for excessive gambling.

(g) It is in the interest of the state to recapture, to the maximum extent, the hundreds of millions of dollars of public service funding that has been repeatedly cut during the state's budget crisis. It is the intent of the Legislature in enacting this chapter to ensure that the state realizes a minimum of ____ dollars (\$____) of General Fund revenue from operator and license fees and payments during the 2015–16 fiscal year.

(h) The Legislature has considered and finds that authorization of intrastate Internet poker pursuant to this chapter does not violate the California Constitution or interfere with any right or exclusivity provision under any compact between the state and any federally recognized Indian tribe. Neither the equipment, including the computers required to access authorized intrastate Internet poker games under this chapter, any component thereof, nor any building or room, other than where poker is currently authorized, may be used in the operation or play of Internet poker. This chapter also prohibits the offering or use of any slot machine or other gaming device as defined in any of those compacts, or any other device which permits the playing of a gambling game against a computer or device in connection with any Internet poker



game authorized under this chapter. Only nonbanking poker games in which authorized live players play against each other in real time is to be permitted. The Legislature finds that the application of UIGEA in California would not be prohibited by the activities contemplated by this chapter and that the chapter does not violate federal law by infringing upon tribal sovereignty.

(i) This chapter does not prohibit any federally recognized Indian tribe within California with a tribal-state gaming compact with the state pursuant to IGRA from participating in authorized Internet poker games pursuant to these provisions.

19990.03. It is the intent of the Legislature to create a licensing and regulatory framework that will achieve all of the following:

(a) Ensure that authorized games are offered for play only in a manner that is consistent with federal and state law.

(b) Authorize the California Gambling Control Commission to issue licenses, with the recommendation of the Department of Justice, to applicants that meet the qualifications and background requirements consistent with this chapter, and to authorize those agencies to conduct the investigations necessary to carry out those duties.

(c) Ensure that game play authorized by this chapter is offered only to registered players who are physically present within the borders of California at the time of play and who are 21 years of age or older.

(d) Include all of the provisions in this chapter as terms of the license between the state and each licensee, subject to the enforcement provisions delineated in this chapter.



(e) Grant power to the state agencies authorized in this chapter to oversee the operations of each licensee and to enforce the provisions of this chapter to ensure that the interests of the state and registered players are protected.

(f) Establish a process that includes the ability to conduct background investigations as necessary to determine an applicant's suitability to participate in the gaming industry, and financial ability to obtain a license and the required software from the applicant's own resources, in order to prevent a person from using a false identity to acquire a license, and requires that each employee of a licensee receive all necessary licenses and work permits from the state prior to engaging in any activities for which that license or permit is required.

(g) Ensure that the state is able to collect income tax revenues from authorized players in California.

(h) Distribute regulatory fees that have been deposited into the Internet Poker Fund, as established in Section 19990.86, which shall be administered by the Controller, subject to annual appropriation by the Legislature, and which shall not be subject to the formulas established by law directing expenditures from the General Fund, for the following:

(1) The actual costs of license oversight, consumer protection, state regulation, and problem gambling programs.

(2) Other purposes related to this chapter as the Legislature may decide.

(i) Create systems to protect each player's private information and prevent fraud and identity theft.



(j) Ensure that authorized players are able to have their financial transactions processed in a secure, safe, and transparent fashion, including the segregation of player deposits from other operator funds, the right to terminate accounts and obtain the return of deposits, the payment of winnings on a timely basis, and full accountability of all bets made, moneys collected, and prizes and pots paid out, including the basis therefor under game rules.

(k) Ensure that all authorized Internet gambling games offered by a licensee are fair and honest, including, but not limited to, verifiable protections against cheating, collusion, nonrandom card shuffles or dealing, and advance knowledge of cards dealt.

(l) Ensure that all applicable gaming regulatory agencies have unrestricted access to the premises and records of each licensee that relate to the operation, maintenance, control, money handling, or other material aspect of any authorized game and that these premises and accounts be in strict compliance with state and tribal gaming laws and regulations concerning credit authorization, account access, and other security provisions and that all of the operator's computers, servers, and other components of the gaming system, and any bank or other repository where player's or operator's funds in connection with the poker room operation are deposited, are physically located within California.

(m) Require that each licensee provide players with easily accessible customer service.

(n) Require that each licensee's Internet Web site contain information relating to problem gambling, including a telephone number that an individual may call to seek



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information and assistance for a potential gambling addiction, provided that operators shall not be required to disrupt game play with that information.

(o) Require that each licensee and all of its service providers, including tribal governments, meet the requirements applicable to it in connection with authorized games.

(p) Ensure that there are no artificial business constraints on the licensee, such as limits on the percentage of revenues that may be paid to service providers or limits on the number of intrastate Internet poker rooms a licensee may operate or that the state may issue overall.

(q) Ensure that all employees of the licensee are located, and all gaming activities operated by it are conducted, physically within the state and that the activities of licensees relating to gaming activities remain within the state's regulatory jurisdiction, either because they are conducted within state boundaries or by entities that have agreed to subject themselves to the state's regulatory and enforcement jurisdiction, provided that this chapter does not prohibit the use of servers or other equipment located outside California where that equipment is maintained solely for backup purposes.

(r) Create an express exemption from disclosure, pursuant to the California Public Records Act under subdivision (b) of Section 6253 of the Government Code, that exempts from public disclosure proprietary information of a license applicant or a licensee in order to permit disclosure of confidential information to state agencies while achieving the public policy goals of deploying secure systems that protect the interests of the state and players.



(s) Preserve the authority of the state to opt out of or into any federal framework for Internet poker, or to enter into an agreement with other states to provide Internet poker, provided these schemes or frameworks meet the criteria and address the issues concerning the matters set forth herein and are in compliance with applicable law.

(t) As a matter of public policy requiring statewide consistency, preempt any city, county, or city and county from enacting any law or ordinance regulating or taxing Internet poker activities covered in this chapter.

Article 2. Definitions

19990.05. For the purposes of this chapter the following words have the following meanings:

(a) "Authorized game" means a game of poker as defined in this chapter that has been approved by the commission for play on the Internet in an authorized poker room. Authorized games may only be operated by licensed poker room operators on an authorized poker platform.

(b) "Authorized player" means a registered player who has provided the information and met the qualifications to play an authorized game.

(c) "Authorized poker platform" means a software system that has been approved by the regulatory agency to manage and operate the play and presentation of authorized games, provided that player management systems and funds management systems, as defined in this chapter, shall be in software modules that are separate from the poker platform software and shall not be under the operation or control of, or accessible to,



an authorized platform operator unless the platform operator is also the licensed poker room operator for the poker room on which the platform is operated.

(d) "Authorized poker room" means a virtual cardroom on the Internet with one or more virtual card tables in which authorized players can play authorized games, provided that this chapter does not prohibit an authorized poker room from offering "play-for-free" or "play-for-fun" poker games to authorized players. Authorized poker rooms may only operate games on an authorized platform and shall handle financial and player management functions through authorized software that is separate and distinct from the game management system.

(e) "Authorized poker room skin," or "skin," means a portal to an authorized poker room which may be provided by a poker room licensee to any person or entity, a skin sponsor, that is, itself, qualified to hold an authorized poker room license, and shall be regulated in accordance with subdivision (o) of Section 19990.20.

(f) "Background investigation" means a process of reviewing and compiling personal and criminal history and financial information through inquiries of various law enforcement and public sources to establish a person's qualifications and suitability for a license to participate in the gambling industry.

(g) "Bet" means the placement of money or something of monetary value at risk of being lost depending of the outcome of a game.

(h) "Commission" means the California Gambling Control Commission, except that where the described function also involves a function to be served by the department, the term "commission" shall also mean the department to the extent of those functions.



(i) "Compact" means a tribal-state gaming compact entered into between a federally recognized tribe and the State of California pursuant to the IGRA, or procedures issued in lieu thereof by the Secretary of Interior that are in effect ("Secretarial Procedures").

(j) "Core functions" and "core functioning" mean the management, administration, or control of the following:

- (1) Bets or wagers on authorized games.
- (2) The processing, qualifying, or participation of authorized players.
- (3) Payments to and from authorized players.
- (4) The offering, conduct, presentation, or operation of authorized games.

- (5) Intellectual property related to authorized games and poker rooms, including the trademarks, trade names, service marks, or similar intellectual property under which a licensee identifies its games to its customers.
- (6) The systems internal to the authorized platform or poker rooms that account for, or govern, the payments to or from authorized players or the deposit accounts, or in connection with the authorized games or other transactions related thereto, including the maintenance of accounting records of moneys owed to, or paid to or from, players by the operator. "Core functions" and "core functioning" do not include the financial services or transactions provided by banks, credit card companies, or other financial services providers that supply funds or credit to authorized players to enable them to participate in authorized games. Those services or transactions shall be independent from, and not controlled by, the licensed platform or poker room operator and shall be



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operated in accordance with applicable law governing those financial services and transactions.

(k) "Department" means the Department of Justice, except that where the described function also involves a function to be served by the commission, the term "department" shall also mean the commission to the extent of those functions.

(l) "Deposit account" is a fund maintained by an authorized poker room on behalf of authorized players into which the players may deposit cash for use for betting in games or for deposit of player winnings from games.

(m) "Employee work permit" means a permit issued to an employee of a licensee by the commission after a background investigation and finding of suitability.

(n) "Finding of suitability" means a finding by the regulatory agency that a person meets the qualification criteria described in Article 4 (commencing with Section 19990.20), and that the person would not be disqualified on any of the grounds specified in that article.

(o) "Funds management system" means an authorized software system that is dedicated to managing player funds in authorized games, including, but not limited to, tracking player accounts, bets, pot collections and awards, player credits, financial reporting requirements, and other financial transactions associated with the operation of authorized games. Funds management systems may only be operated by a licensed poker room operator and only in connection with an authorized poker room under its management and control.

(p) "Gamble" or "gambling" means the placing of a bet or something of value at risk on the chance that the outcome of a game or event over which the player does



not have total control will occur and that will result in the winning of a prize for correctly predicting the outcome.

(q) "Game" means a contest in which players may win or lose depending on skill, chance, or a combination thereof, depending on the rules of play.

(r) "Gaming system" means the combination of hardware, software, and data networks specifically described in Section 19990.35.

(s) "Good standing" means that a person has not had a California gaming license or determination of suitability suspended or revoked by a final decision of an agency that has issued that license or has been issued a final order by a court of competent jurisdiction to cease conducting gaming activities. A suspension, revocation, or order shall be deemed final for purposes of this definition when it is no longer subject to challenge or appeal through administrative or court processes. The reinstatement of a finding of suitability or license following a suspension or revocation shall restore a person's eligibility to be considered suitable or for a license, unless the determination of reinstatement itself bars that restoration.

(t) "Gross revenues" means the total amount of moneys paid by players to the operator to participate in authorized games before deducting the cost of operating those activities except for fees to intermediate and payment processing fees. Gross revenues do not include player account deposits, amounts bet, except to the extent that those bets are used for generating fees to the operator as permitted under this chapter, and only to the extent those bet portions are retained by the operator, discounts on goods or services, rebates or promotional discounts or stakes provided to players, or revenues



from nongaming sources, such as from food, beverages, souvenirs, advertising, clothing, and other nongaming sources.

(u) "Initial license" means a license issued under this chapter on or before a date set in the regulations adopted by the commission pursuant to paragraph (1) of subdivision (a) of Section 19990.70 for the issuance of the first licenses that will be issued under this chapter and that shall be issued simultaneously.

(v) "Intermediary" means a party that enters into an agreement with a licensee to recruit players to the licensee's authorized poker room.

(w) "Internal control system" means the system utilized by the authorized operator to ensure that all procedures involving the play of the game, the payment, receipt, rewarding, deposit, or other handling of moneys, the integrity of the game equipment, the player actions to be scrutinized, enforcement of the age and geographic restrictions on players, and all other aspects of the game and the poker room are being carried out in a way that will comply with game rules and laws, uphold the integrity of the game, and prevent fraud or cheating from occurring.

(x) "Internet poker" means an authorized game.

(y) "Internet Poker Fund" means the fund established pursuant to Section 19990.86.

(z) "Internet Poker Licensing Fund" means the fund established pursuant to Section 19990.20.

(aa) "Internet self-exclusion form" means a form on which an authorized player notifies an authorized poker room operator that he or she must be excluded from participation in authorized games for a stated period of time.



(ab) "Intrastate" means within the borders of California.

(ac) "Key employee" means any natural person employed by a licensed operator or service provider licensee who is an officer or director of the licensee, or who, in the judgment of the commission, has the authority to exercise significant influence over decisions concerning the operation of the licensee, over the operation of an authorized platform or poker room, or over any core function associated therewith.

(ad) "Land-based gaming entity" means a licensee that is a card club operated pursuant to Chapter 5 (commencing with Section 19800).

(ae) "Licensee" means a licensed operator, a service provider, or any other person holding a license under this chapter.

(af) "Licensed operator" means an authorized poker room operator, an authorized poker platform operator, or both.

(ag) "Operator" means a person that operates an authorized platform or poker room.

(ah) "Owner" means a person that has a financial interest in or control of a licensee, service provider, or other entity required to be found suitable under this chapter.

(ai) "Per hand charge" means the amount charged to an authorized player to enable him or her to play a hand in an authorized game. Notwithstanding any other provision of state law, per hand charges may be collected on behalf of all participants in an individual game through the collection by the operator of a percentage of the pot or each bet made into the pot.



(aj) "Per hand game" means a game for which the operator charges the player for each hand played.

(ak) "Person" means a natural person, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, including a tribal government, governmental subdivision, agency, or instrumentality, public corporation, or any other legal or commercial entity.

(al) "Play-for-fun game" means a version of a lawfully played gambling game in which there is no requirement to pay to play or any possibility of winning any prize or other consideration of value. Play-for-fun games are typically offered for training, educational, marketing, or amusement purposes only.

(am) "Play-for-free game" means a version of a lawfully played gambling game that may include prizes or pots, without requiring a fee or other consideration for the right to play.

(an) "Player management system" means an authorized software system dedicated to managing the activities of players in authorized games. Player management systems may only be operated by licensed poker room operators, and only in connection with poker rooms under their management and control.

(ao) "Play settings" means the options and default parameters made available by an operator to a player in the play of games.

(ap) "Player account" means a record kept by a poker room operator on the gaming system, storing the player's personal details, in which player gaming deposits and winnings are kept separate from an operator's assets.



(aq) "Player session" means a temporary connection established between a player's interface and a gaming system for the exchange of information, for the duration of the time that an authorized player is logged into his or her account.

(ar) "Poker" means any of several nonbanked card games commonly referred to as "poker" that meet all of the following criteria:

(1) Played by two or more individuals who bet and play against each other and not against the house on cards dealt to them out of a common deck of cards for each round of play, including those games played over the Internet using electronically generated and displayed virtual cards.

(2) The object of the game is to hold or draw to a hand containing a predetermined number of cards which, when all cards to be dealt in the round have been distributed and the betting is completed, meets or exceeds the value of the hands held by the other players. The pot of bets made is awarded to the player or players holding the combination of cards which qualify as the winning combination under the rules of play. Values may be assigned to cards or combinations of cards in various ways, such as in accordance with their face value, the combinations of cards held, such as cards of a similar suit or face value, the order of the cards that are held, or other values announced before the round.

(3) The house may deal or operate and officiate the game, and may collect a fee for doing so, but is not a participant in the game itself. The house has no stake in who wins or loses or the amount that is wagered.

(4) Poker may be played in a variety of ways, including dealing all cards to the players so that they may not be seen by others, dealing the cards open face to the



players, dealing through a combination of both, or creating a common set of cards that may be used by all players. The particular rules and winning combinations are made known to the players before each round is dealt.

(5) All bets are placed in a common pot. At one or more predetermined point during the game a player may resign, challenge other players to make additional bets into the pot, or demand that players reveal their hand so a winner can be determined.

(6) A poker game that has been approved by the commission for play in an authorized live poker club in California under the Gambling Control Act shall be eligible for qualification by the commission as the basis of an authorized intrastate Internet poker gambling game, except that neither pai gow nor any other game in which persons other than authorized players to whom the cards in the game are dealt, and by whom they are held and played, are permitted to be on a game outcome or other game feature, or who may otherwise control the play of the hand, shall be authorized, offered, or played in connection with an intrastate Internet poker game. Subject to this limitation, the rules governing play in an authorized poker game under this chapter shall generally be the same as if the game were lawfully played in a live poker club.

(7) Video games, slot machines, and other similar devices that individuals play against the house or device and win based on valuations or combinations of cards that are similar to those valuations or combinations used in live, interactive poker games, commonly known as "video poker" and "video lottery," are not "poker" and are not permitted under this chapter.

(as) Other characteristics defining "poker" under this chapter include the following:



(1) Live players with equal chances of winning competing against each other over the Internet in real time and not against the house or any device.

(2) Success over time may be influenced by the skill of the player.

(3) The bets of one player may affect the decisions of another player in the game, and the decisions of one player may affect the success or failure of another.

(4) The term "poker" includes poker tournaments in which players pay a fee to the operator of the tournament under tournament rules approved by the applicable gaming regulatory agency.

(at) "Poker enterprise" means a person or entity meeting the definition of a "gambling enterprise" under subdivision (m) of Section 19805 that conducts poker, and any other requirements under law for operating a land-based gaming entity.

(au) "Proprietary information" means and includes all information that, whether or not patentable or registerable under patent, copyright, trademark, or similar statutes, (1) can be protected as a trade secret under California law or any other applicable state law, federal law, or foreign law, or (2) derives independent economic value, actual or potential, from not being generally known to the public or to other persons that can obtain economic value from its disclosure or use. "Proprietary information" includes, but is not limited to, computer programs, databases, data, algorithms, formulas, expertise, improvements, discoveries, concepts, inventions, developments, methods, designs, analyses, drawings, techniques, strategies, new products, reports, unpublished financial statements, budgets, projections, billing practices, pricing data, contacts, client and supplier lists, business and marketing records, working papers, files, systems, plans and data, and all registrations and applications related thereto.



(av) "Registered player" means a player who has submitted the required registration information to an authorized poker room operator in order to be eligible to become an authorized player in an authorized game in that poker room.

(aw) "Regulatory agency" means the commission, a tribal gaming commission with jurisdiction over the tribal license applicant and licensee, or both, and the department, as provided in this chapter.

(ax) "Player's agreement" means the legal agreement to be offered by an authorized poker room operator and accepted by a registered player as a condition of becoming an authorized player and qualified for play in an authorized game. The player's agreement shall delineate, among other things, permissible and impermissible activities in which the player may or may not engage on the Internet poker Web site and the consequences of engaging in those activities.

(ay) "Registration information" means the information provided by a person to a poker room operator in order to record the person's interest in becoming an authorized player in that poker room.

(az) "Robotic play" means the use of a machine or software by a player or operator to simulate or automate player action at any point in a game, or otherwise to act as a substitute for a live player.

(ba) "Service provider" means a person that, under a service provider license, does any of the following:

(1) Supplies goods or services to an authorized platform operator or poker room operator to enable the operator to operate that platform or poker room. Service providers may not provide goods or services directly to authorized players or authorized games



in connection with the operation of any authorized platform or poker room, but shall only do so through and by a licensed platform or poker room operator.

(2) Provides a gaming product or service to a licensee for use in an authorized game, including providing intermediary services.

(3) The term "service provider" does not include a provider of goods or services to a licensed platform or poker room operator, or to an authorized player, that are not principally used in connection with the operation of an authorized game, including, but not limited to, the financial services or transactions provided by banks, credit card companies, or other financial service providers that supply funds or credit to authorized players to enable them to participate in authorized games. Those services or transactions shall be independent from, and not controlled by, the licensed platform or poker room operator, and shall be operated in accordance with applicable law governing those financial services and transactions.

(bb) "State" means the State of California.

(bc) "Tournament" means a competition in which players play a series of games to decide the winner.

(bd) "Tournament charge" means the amount charged by the operator for an authorized player to play in a tournament.

(be) "Tournament winnings" means the amount of a prize awarded to an authorized player in a tournament.

(bf) "Tribe" means a federally recognized Indian tribal government located within California.



(bg) "Tribal enterprise" means an entity that is wholly owned and controlled by one or more tribes and no others, and shall be treated as a tribe for the purpose of this chapter.

(bh) "Tribal regulatory agency" means the person, agency, board, committee, commission, or council designated under tribal law or the rules of the tribal enterprise to carry out the primary gaming regulatory responsibilities for a tribe or tribal enterprise, provided that tribal enterprises that are combinations of tribes or tribal enterprises shall include within their rules a designation of a specific tribal regulatory agency to register with the commission and function as the primary tribal regulatory agency with regulatory jurisdiction over the combination. That designation may not be changed except upon 20 days' written notice to the commission.

(bi) "Wagering suspense account" means a segregated account that temporarily holds the bets in a game pending the outcome of the game.

Article 3. Authorized Games

19990.10. To the extent permitted by federal law, the operation of gambling games on the Internet shall be authorized as long as all players and their betting activities are located within the state and the games are not played by minors.

19990.11. Notwithstanding any other law, a person in California shall be 21 years of age or older to participate as a registered player in an authorized game.

19990.12. (a) A person in the state shall not offer the opportunity to play an Internet gambling game, and a person shall not offer the opportunity to play an



authorized game to anyone located within this state without holding a valid operator's license issued by the state to offer the play of authorized games.

(b) It is unlawful for a person to offer or play an Internet gambling game that is not authorized by the state.

(c) Except as stated in this chapter, this chapter does not impose a limitation, restriction, or requirement on the offering of "play-for-fun" or "play-for-free" games on the Internet.

(d) It is unlawful for a person to offer the use of, or aggregate, except at a license poker room operator's lawfully operating live site, computers or other devices or equipment in a public setting or for consideration for the purpose of enabling others to access, play or participate over the Internet, directly or indirectly, in an authorized game or any other gambling activity, or to promote or market the playing of those games or activities, whether or not those games or activities are controlled games or authorized under this chapter.

(e) A violation of this chapter is punishable as a misdemeanor.

19990.13. Any money, other representative of value, or real or personal property used in, or derived from, the play of a gambling game provided on the Internet that is not authorized by the state pursuant to this chapter is subject to seizure by the commission or by a peace officer. Upon a finding by a court that the money, other representative of value, or real or personal property was used in, or derived from, the play of a gambling game provided on the Internet that is not authorized by the state pursuant to this chapter, that money or property shall be forfeited to the Internet Poker



Fund established in Section 19990.86. This chapter does not apply to play-for-fun or play-for-free games.

19990.14. Only poker games that are offered for play or played in an authorized poker room are authorized games.

Article 4. Licensing Internet Poker Gambling

19990.20. (a) There shall be the following three categories of licenses:

(1) Platform operator licenses. Platform operator licenses shall be required of a person operating an authorized platform.

(2) Poker room operator licenses. Poker room operator licenses shall be required of a person operating an authorized cardroom.

(3) Service provider licenses. A service provider license shall be required of a person providing goods or services to, or in connection with, the operation of an authorized poker platform or an authorized poker room.

(b) Entities eligible to apply for, receive, and maintain a platform operator license or a poker room operator license pursuant to this chapter are the following:

(1) A poker enterprise, as defined in Section 19990.05, that holds an owner license to operate a land-based gaming entity issued pursuant to subdivision (a) of Section 19851, subject to oversight by, and in good standing with, the commission.

(2) A federally recognized California Indian tribe with a valid gaming ordinance or resolution and a valid compact authorizing it to offer gaming under the federal Indian Gaming Regulatory Act of 1988, or a tribal enterprise controlled by, and subject to,



the powers and immunities of one or more members, partners, or shareholder tribes that have that authorization. A tribal enterprise may have as its members, partners, or shareholders any combination of federally recognized tribes or tribal enterprises.

(3) A legal entity whose members, partners, or shareholders or any combination of poker enterprises, Indian tribes, and tribal entities, each of which is eligible to hold the same kind of license as or to be held by the combination.

(4) In the case of a platform operator license, the applicant, or, if a combination, each of its members, partners, or shareholders, shall have been lawfully offering and operating live on-premises poker gambling games for in-person players within California.

(c) A service provider license may be issued to any person or form of entity, provided the applicant meets the regulatory requirements for the license.

(d) For the purposes of this section, an incorporation or other change in legal form of ownership during the three years immediately preceding application for licensure that did not alter the ownership qualifications of the entity, does not disqualify an entity otherwise eligible for licensure.

(e) Initial licenses for purposes of this section are licenses issued pursuant to applications properly and completely filed with the appropriate regulatory commission not later than 120 days prior to the date on which the first license issued pursuant to this chapter shall take effect. Subject to the power of the appropriate regulatory commission to deny, revoke, suspend, condition, or limit an operating license, as provided in this chapter, a license is eligible for renewal at the end of each term. Failure



of a licensee to file an application for renewal prior to the expiration date of the license may be deemed to be an abandonment of the license.

(f) Platform operator licenses issued under this chapter shall be for a term of up to 10 years, and shall require payment of a license fee payment of ____ dollars (\$____).

(g) Poker room operator licenses issued under this chapter shall be for a term of 10 years and shall require a license fee payment of ____ dollars (\$____).

(h) Service provider licenses issued under this chapter shall be for a term of 10 years and shall require a license fee pay of ____ dollars (\$____).

(i) A license applicant shall submit to the commission, together with its application, an application deposit as determined by the department, in consultation with the commission, and any tribal regulatory agency with jurisdiction over the applicant's intended poker room or platform for the reasonably anticipated costs to complete a necessary background investigation and evaluate the suitability of the applicant.

(j) All moneys collected pursuant to this section shall be deposited into the Internet Poker Licensing Fund, which is hereby created, to be administered by the department. Notwithstanding Section 13340 of the Government Code, all moneys in the fund are continuously appropriated to the department and the commission, without regard to fiscal years, in the amounts necessary for the department and the commission to perform their duties under this section.

(k) An operator and service provider license applicant who intends to function as an operator licensee or service provider to a tribal poker room or platform, including a tribe or tribal enterprise providing those services under this chapter, and any others



required to be licensed in connection therewith under this chapter, tribal license applicants, shall, if required by the tribal gaming agency, obtain a license from the tribal regulatory agency exercising jurisdiction over that platform or poker room, under the procedures set forth in this section. However, if no tribal gaming agency process is required, this subdivision does not apply. The parties intend that the licensing process provided for pursuant to this chapter shall involve joint cooperation among tribal regulatory agencies, the commission, and the department. The licensing process shall be as follows:

(1) All tribal license applicants shall pay the required fee to the commission and obtain a certified receipt verifying payment.

(2) The certified receipt of payment shall be presented to the tribal regulatory agency prior to that agency beginning the background and licensing process.

(3) Tribal gaming agencies receiving those applications shall notify the commission of those applications within five days following receipt thereof.

(4) In reviewing an application for a license, the tribal regulatory agency shall determine whether issuance of the license would meet the licensing standards set forth in this chapter. A license may not be issued unless, based on all information and documents submitted, the tribal regulatory agency is satisfied that the applicant meets all of the criteria set forth in Sections 19990.22 and 19990.23, including those which must be met to find that an applicant is suitable for licensing.

(5) Each applicant for a tribal regulatory agency license shall submit the completed application along with the required information and a tribal regulatory agency application fee, if required, to the tribal regulatory agency in accordance with



the rules and regulations of that agency. At a minimum, the tribal regulatory agency shall require submission and consideration of all information required under Sections 19990.22 and 19990.23. For applicants who are business entities, the licensing provisions shall apply to the entity as well as to each of the following:

- (A) Its officers and directors.
- (B) Its principal management employees, including any chief executive officer, chief financial officer, chief operating officer, and general manager.
- (C) Its owners or partners, if an unincorporated business.
- (D) Its shareholders who own more than 10 percent of the shares of the corporation, if a corporation.

(E) Each person or entity, other than a financial institution that the tribal regulatory agency has determined does not require a license under the preceding section, that, alone or in combination with others, has provided financing in connection with any gaming authorized under this chapter, if that person or entity provided more than 10 percent of (i) the startup capital, (ii) the operating capital over a 12-month period, or (iii) a combination thereof. For purposes of this section, where there is any commonality of the characteristics identified in subparagraphs (A) to (E), inclusive, between any two or more entities, those entities may be deemed to be a single entity. Nothing herein precludes the tribe or tribal regulatory agency from requiring more stringent licensing requirements.

(6) The tribal regulatory agency shall conduct, or cause to be conducted, all necessary background investigations reasonably required to determine that the applicant



is qualified for a gaming license under the standards set forth in Sections 19990.22 and 19990.23.

(7) In lieu of completing its own background investigation, and to the extent that doing so does not conflict with or violate this chapter, the tribal regulatory agency may contract with the commission and the department for the conduct of background investigations, may rely on a state certification of nonobjection previously issued under a gaming compact involving another tribe, or may rely on a state gaming license previously issued to the applicant, to fulfill some or all of the tribal regulatory agency's background investigation obligation. An applicant for a tribal license shall be required to provide releases to the commission to make available to the tribal agency background information regarding the applicant. The commission shall cooperate in furnishing to the tribal regulatory agency that information, unless doing so would violate any agreement the commission has with a source of the information other than the applicant, or would impair or impede a criminal investigation, or unless the tribal regulatory agency cannot provide sufficient safeguards to ensure the state gaming agency that the information will remain confidential or that a provision of the information would violate state or federal law.

(8) If the tribe adopts an ordinance confirming that Article 6 (commencing with section 11140) of Chapter 1 of Title 1 of Part 4 of the Penal Code is applicable to members, investigators, and staff of the tribal regulatory agency, and those members, investigators, and staff thereafter comply with that ordinance, then, for purposes of carrying out its obligations under this section, the tribal regulatory agency shall be considered to be an entity entitled to receive state summary criminal history information



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within the meaning of paragraph (12) of subdivision (b) of Section 11105 of the Penal Code. The Department of Justice shall provide services to the tribal regulatory agency through the California Law Enforcement Telecommunications System (CLETS), subject to a determination by the CLETS advisory committee that the tribal regulatory agency is qualified for receipt of those services, and on those terms and conditions as are deemed reasonable by that advisory committee.

(9) Upon completion of the necessary background investigation, the tribal regulatory agency may issue a license on a conditional or unconditional basis. Nothing herein shall create a property or other right of an applicant in an opportunity to be licensed, or in a license itself, both of which shall be considered to be privileges granted to the applicant in the sole discretion of the tribal regulatory agency.

(10) Any tribal license application under this chapter may be denied, and any license issued may be revoked, if the tribal regulatory agency determines that the application is incomplete or deficient, or if the applicant is determined to be unsuitable or otherwise unqualified for a gaming license. Pending consideration of revocation, the tribal regulatory agency may suspend a license. All rights to notice and hearing shall be governed by the rules of the tribal regulatory agency, which shall meet minimum requirements to be developed among the tribes, the commission, and the department, and as to which the applicant will be notified in writing, along with notice of an intent to suspend or revoke the license.

(11) Except as provided in subparagraph (B), upon receipt of notice that the commission or department, collectively or individually, the state regulatory agency, has determined that a person would be unsuitable for licensure in a similar application



filed in connection with a nontribal operation, the tribal regulatory agency shall not issue the requested license or, if that notice is received after issuance of the license, promptly revoke that license, provided that the tribal regulatory agency may, in its discretion, reissue a license to the person following entry of a final judgment reversing the determination of the commission and department in a proceeding in state court conducted pursuant to Section 1085 of the Civil Code.

(12) The tribal regulatory agency may summarily suspend the license of any employee if the tribal regulatory agency determines that the continued licensing of the person or entity could constitute a threat to the public health or safety or may violate this chapter.

(13) Upon receipt of a completed license application and a determination by the tribal regulatory agency that it intends to issue the license, the tribal regulatory agency shall transmit to the commission a notice of intent to license the applicant, together with all of the following:

(A) A copy of all tribal license application materials and information received by the tribal regulatory agency from the applicant.

(B) An original set of fingerprint cards.

(C) A current photograph.

(D) Except to the extent waived by the commission, those releases of information, waivers, and other completed and executed forms as the tribal regulatory agency shall require.

(14) As a part of any application process required by a tribal regulatory agency under this subdivision, the tribal regulatory agency shall also require the applicant to



file an application with the state gaming agency, prior to issuance of any license, for a determination of suitability for licensure under this chapter. Upon receipt of completed license application information from the tribal regulatory agency, the state gaming agency may conduct a background investigation pursuant to state law to determine whether the applicant would be suitable to be licensed for association with a poker room or platform subject to the jurisdiction of the gaming agency. If further investigation is required to supplement the investigation conducted by the tribal regulatory agency, the applicant will be required to pay the statutory application fee charged by the state regulatory agency pursuant to this chapter, but any deposit requested by the state regulatory agency shall take into account the initial deposit already provided by the applicant, reports of the background investigation already conducted by the tribal regulatory agency, and any other burdens on the applicant.

(15) Failure to pay the application fee may be grounds for denial of the application by the state regulatory agency.

(16) The state regulatory agency and tribal regulatory agency shall cooperate in sharing as much background information as possible, both to maximize investigative efficiency and thoroughness, and to minimize investigative costs. The state regulatory agency shall not impose a greater burden or cost upon an application originating from a tribal applicant or regulatory agency than if the application originated in connection with a nontribal operator.

(17) Upon completion of the necessary background investigation or other verification of suitability, the state regulatory agency shall issue a notice to the tribal regulatory agency certifying that the state has determined that the applicant would be



suitable, or that the applicant would be unsuitable, for licensure in connection with a poker room or platform under this chapter and, if unsuitable, stating the reasons therefor. Prior to denying an application for a determination of suitability, the state regulatory agency shall notify the tribal regulatory agency and afford the tribe an opportunity to be heard. If the state regulatory agency denies an application for a determination of suitability, that agency shall provide the applicant with written notice of all appeal rights available under state law.

(18) The tribal regulatory agency shall require a licensee to apply for renewal of a determination of suitability at the time the licensee applies for renewal of a tribal license under this chapter.

(19) The state regulatory agencies and the tribal gaming agencies under gaming compacts then in effect shall cooperate in developing standard licensing forms for tribal gaming license applicants, on a statewide basis, that reduce or eliminate duplicative or excessive paperwork, which forms and procedures shall take into account the requirements under this chapter and the expense thereof.

(l) An application deposit amount from a license applicant that remains after completion of a background investigation and the finding of suitability shall be refunded to the applicant. If additional moneys are needed to complete the investigation of the license applicant, the applicant shall pay the funds necessary to complete the investigation.

(m) There is no limit on the number of Internet poker rooms an authorized poker room licensed operator may operate, or on the number of skins that can be offered



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through an authorized poker room, but each room shall require a separate license and license fee.

(n) All initial licenses issued pursuant to this chapter shall take effect on the same date, as determined by the commission, but not later than one year after this chapter becomes effective.

(o) In addition to the licenses required under this chapter, an application may be made to become a skin sponsor, under the following rules:

(1) Skins are intended to serve as an alternative means by which those who meet gaming suitability requirements may participate in intrastate Internet poker on a nonoperational basis by permitting, through contractual arrangements with authorized poker room operators and compliance with applicable regulations, the opportunity to offer players authorized games in an authorized poker room, but under the skin sponsor's brand or other identity rather than that of the authorized poker room operator. Skins are typically represented on an Internet Web site through graphics and words distinguishing it from those employed directly by the authorized poker room.

(2) Other than the approval of designs, logos, graphics, and other advertising considerations, skin sponsors shall have no operation or control over the skin or authorized poker room, or any access to the platform or games played thereon.

(3) All games played through a skin shall be treated the same as other authorized games played in the host poker room and shall be offered only to authorized players.

(4) Players entering games from skins or directly through the poker room may be mixed among the tables in the poker room and need not be informed as to the source from which other players entered the room.



(5) An unlimited number of skins for an authorized poker room may be issued to one or more skin sponsors by the poker room licensee. A fee to the commission for a skin sponsorship shall be collected and paid to the commission in the amount of _____% of the fee to be paid to the licensed poker room operator for operating the skin on the sponsor's behalf, but the fee to the commission shall be equal to or greater than _____ dollars (\$_____) annually.

(6) Players accessing the authorized poker room through a skin shall be authorized and, in all other respects, treated and subject to the same rules as any other player in the room.

(7) Additional rules governing advertisements, identifications, and notifications to players regarding skins shall be issued by the regulatory agency.

19990.21. An entity described in subdivision (b) of Section 19990.20 is eligible for a platform operator license or a poker room operator license. There is no limit on the total number of operating licenses the state may issue. An eligible entity may jointly apply for a license, either as a partnership or some other combination of eligible entities, as long as that combination is comprised entirely of eligible entities. An eligible entity that is a partnership, consortium, or other combination of eligible entities may itself have an interest in only a single license.

19990.22. (a) Factors to be considered in evaluating the application for a license shall include, but are not limited to, quality, efficiency, reliability, financial viability, durability, adaptability, timely performance, integrity, and security.

(b) (1) A nontribal license applicant shall be a resident of California or an entity organized in California, domiciled in California, and in good standing with the Secretary



of State and Franchise Tax Board, and subject to auditing, enforcement of the terms of the license, and state taxation.

(2) The following applies to tribal license applicants:

(A) The commission shall consult with California tribal governments and regulatory agencies to develop a registration and application process that takes into account, and avoids duplication of, efforts by the commission and tribal governmental gaming agencies to perform background and other suitability tests applicable to tribes under their tribal-state compacts.

(B) A tribal license applicant shall be federally recognized as a tribe, perform a substantial portion of its governmental functions within the borders of California, and be subject to a tribal-state gaming compact.

(C) A tribal enterprise license applicant shall include with its license application an express and limited waiver of all tribal owners' sovereign immunity solely for the purposes of enforcing the terms of a license issued under this chapter and any regulations promulgated thereunder, and with regard to a claim, sanction, or penalty arising therefrom, and for no other purpose.

(D) Tribal applicants who have conducted live poker games for in-person players on their tribal lands for at least three continuous years prior to filing their license application and are in good standing shall be presumed to be suitable to hold a gaming license.

(3) A licensed operator cannot accept goods for services from a service provider that has not been licensed as a service provider under this chapter.



(4) All facilities, bank accounts, and accounting records of a license applicant related to authorized gaming activity shall be located in California.

(5) Proprietary information supplied by a license applicant to a state agency shall be exempt from public disclosure to the extent permitted under Section 6253 of the Government Code.

(6) In addition to other confidentiality protections afforded to license applicants, the state and its regulatory agencies and the tribe and their regulatory agencies shall treat the proprietary information of a license applicant as confidential to protect the license applicant and to protect the security of a prospective intrastate Internet poker platform or poker room. This chapter does not prohibit the exchange of confidential information among state agencies, tribal gaming agencies, or both, considering a license application, nor does it prohibit the state or its agencies from entering into agreements to share applicant background information with other gaming licensing agencies in other jurisdictions.

19990.23. (a) The commission or, if application for licensing in connection with a tribal platform or poker room, the appropriate tribal regulatory agency, if required under subdivision (k) of Section 19990.20, shall review the suitability and capability of a license applicant in conformity with the rules set forth in this chapter.

(b) With respect to nontribal licenses, the commission may establish a process to conduct a preliminary determination of suitability based on a partial investigation of license applicants that are seeking licensure along with a determination of which license applicants may be subject to a partial investigation. A partial investigation is intended to screen out applicants that do not meet the prima facie evidential showing



that it meets the suitability requirements of this chapter. A partial investigation shall include fingerprint-based state and federal criminal history checks and clearances, and inquiries into various public databases regarding credit history and civil litigation. A partial investigation shall also include a review of the applicant's financial status, which shall include the required submission of a report prepared on behalf of the applicant by a department-approved forensic accounting, audit, or investigative firm, in a format developed by the department, and at the applicant's expense. The report shall include the financial information necessary for the department to make a preliminary determination of suitability. The department may specify additional requirements regarding the contents of the report and any other financial information or documentation required to be submitted with the application. A full investigation shall be conducted of only those persons that pass the partial investigation and that will undergo a full investigation pursuant to subdivision (c). Those applicants that do not pass the partial investigation may appeal the decision to the commission.

(c) The commission shall conduct a full investigation into the suitability of a license applicant that initially applies to the commission for a license, and in the case of tribal license applicants, if required under subdivision (k) of Section 19990.20, following approval of the license by the tribal regulatory agency.

(d) Notwithstanding any provision of this chapter to the contrary, an applicant that is a tribe and that is subject to a tribal-state compact, secretarial procedures for class III gaming under IGRA, or a gaming ordinance or resolution approved under IGRA that is in effect, shall be presumed suitable and shall not be required to pay the application fee. However, tribal officials and other agents or representatives of the



tribe are exempt from the suitability determinations pursuant to this section only when, as set forth in subparagraph (C) of paragraph (3), the tribe holds the license through a separate and independent tribal entity. In all other instances the investigation shall include all of the following persons:

- (1) The license applicant.
- (2) All officers, directors, partners, and members of the license applicant.
- (3) The owner or owners of the following:
 - (A) The license applicant.
 - (B) An affiliate of the license applicant.

(C) A person deemed by the department to have significant influence over the license applicant or its service providers or their respective operations. Notwithstanding any provision of this section to the contrary, in the event the tribal applicant is a separate and independent entity of the tribe, such as a tribally and wholly owned corporation or limited liability company, with control vested in a board or committee that is separate from the tribe's governing body, except for the basic tribal eligibility requirements set forth in Section 19990.20, that may be met by the tribe, those tribal entities shall meet any other requirements for licensure pursuant to this chapter. Only the officers, directors, and key employees of those entities, and not the elected officials of the tribal owner, shall be required to meet the suitability requirements of this section, except when those tribal officials have authority to exercise direct control over the operations of the entity.

(D) A person that directly or indirectly holds a beneficial interest or ownership interest of 10 percent or more of a service provider or player recruiter of the licensee. The commission may require a person with a smaller interest to be found suitable in



the exercise of its discretion where it deems appropriate. If the person is not a natural person, the department may determine which officers, directors, and owners of the person are significantly involved in the management or control of the person as it relates to core functions so as to require an investigation into suitability.

(e) A full investigation shall include a review and evaluation of the license applicant's qualifications and experience to provide the services anticipated of a licensee, which shall include the required submission of a report prepared on each applicant by an outside firm contracted and supervised by the department, in a format developed by the department, and at the applicant's expense. The report shall include information necessary for the department to make a determination of suitability, as specified in regulation, consisting of, but not limited to, personal history, prior activities and associations, credit history, civil litigation, past and present financial affairs and standing, and business activities. The department may specify additional requirements regarding the contents of the report and other information or documentation required to be submitted with the application. If the license applicant is using or providing gaming software, the license applicant shall also provide compliance certification of its gaming software by a department-approved certification entity.

(f) An institutional investor holding less than 10 percent of the equity securities of a service provider's holding or intermediary companies shall be granted a waiver of an investigation of suitability or other requirement if all of the following apply:

- (1) The securities are those of a corporation, whether publicly traded or privately held.
- (2) Holdings of those securities were purchased for investment purposes only.



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(3) The institutional investor annually files a certified statement with the department to the effect that it has no intention of influencing or affecting the affairs of the issuer, the licensee, or service provider, as applicable, or its holding or intermediary companies.

(4) Notwithstanding paragraph (3), the institutional investor may vote on matters submitted to the vote of the outstanding security holders.

(5) The certification described in paragraph (3) shall include a statement that the institutional investor beneficially owns the equity securities of the corporation for investment purposes only, and in the ordinary course of business as an institutional investor, and not for the purpose of causing, directly or indirectly, the election of members of the board of directors, or effecting a change in the corporate charter, bylaws, management, policies, or operations of the corporation or any of its affiliates. The certification also shall indicate any changes to the structure or operations of the institutional investor that could affect its classification as an institutional investor, as listed in paragraph (7). Additionally, the certification shall state that the institutional investor and corporation shall maintain gaming compliance policies and procedures to implement and ensure compliance with this chapter and regulations promulgated thereunder.

(6) An institutional investor granted a waiver under this subdivision that subsequently decides to influence or affect the affairs of the issuer shall provide not less than 30 days' notice of that intent and shall file with the department a request for determination of suitability before taking an action that may influence or affect the affairs of the issuer. However, the institutional investor may vote on matters submitted



to the vote of the outstanding security holders. If an institutional investor changes its investment intent, or the department finds reasonable cause to believe that the institutional investor may be found unsuitable, the institutional investor shall take no action other than divestiture with respect to its security holdings until it has complied with any requirements established by the department, which may include the execution of a trust agreement. The institutional investor and its relevant holding, related, or subsidiary companies shall immediately notify the department and, if a tribal license is involved, the tribal regulatory agency, of any information about, or actions of, an institutional investor holding its equity securities when that information or action may impact upon the eligibility of the institutional investor for a waiver pursuant to paragraph (2).

(7) If at any time the regulatory agency finds that an institutional investor holding a security of a licensee under this chapter has failed to comply with the terms of this chapter, or if at any time the department finds that, by reason of the extent or nature of its holdings, whether of debt or equity securities, an institutional investor is in a position to exercise such a substantial impact upon the controlling interests of a licensee that investigation and determination of suitability of the institutional investor are necessary to protect the public interest, the department may take any necessary action otherwise authorized under this chapter to protect the public interest.

(8) For purposes of this subdivision, an "institutional investor" includes all of the following:

(A) A retirement fund administered by a public agency for the exclusive benefit of federal, state, or local public employees.



(B) An investment company registered under the federal Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

(C) A collective investment trust organized by banks under Part Nine of the Rules of the Office of the Comptroller of the Currency.

(D) A closed-end investment trust.

(E) A chartered or licensed life insurance company or property and casualty insurance company.

(F) A federally regulated or state-regulated bank, savings and loan, or other federally or state-regulated lending institution.

(G) An investment adviser registered under the federal Investment Advisers Act of 1940 (15 U.S.C. Sec. 80b-1 et seq.).

(H) Other persons as the department may determine for reasons consistent with the public interest.

(g) The tribe or tribes that own a tribal enterprise, and the officers, directors, and employees of that tribe or tribes, are not subject to suitability review as a condition of the tribal enterprise obtaining a license pursuant to this chapter, provided that the tribal enterprise is controlled by an independent board of directors. The officers, directors, and employees of the tribal enterprise are not hereby exempted from suitability review.

(h) Except as otherwise provided by statute or regulation, every person, that, by statute or regulation, is required to hold a license shall obtain a license prior to engaging in the activity, or occupying the position, with respect to which the license is required. An applicant for licensing, or for any approval or consent, shall make a full and true disclosure of all information to the appropriate regulatory agencies as necessary to



carry out the policies of the state relating to the licensing and control of poker. The burden of proving a person's qualifications to receive a license is on the applicant.

(i) The regulatory agencies may issue a finding of suitability for a license applicant to obtain a license only if, based on all of the information and documents submitted, the commission is satisfied that each of the persons subject to investigation pursuant to this section is both of the following:

(1) A person of good character, honesty, and integrity, or, if an entity, in good standing in its jurisdiction of organization and in all other jurisdictions in which it is qualified, or should be qualified, to do business.

(2) A person whose prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the public interest of this state, or to the effective regulation and control of controlled poker, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled poker or in the carrying on of the business and financial arrangements incidental thereto.

(j) The commission shall issue a finding that a license applicant is not suitable to obtain a license if it finds that a person subject to investigation pursuant to this section is described by any of the following:

(1) Failed to clearly establish eligibility and qualifications in accordance with this chapter.

(2) Failed to timely provide information, documentation, and assurances required by this chapter or requested by the department, or, with respect to a license applicant,



failed to reveal any fact material to qualification, or supplied information that is untrue or misleading as to a material fact pertaining to the suitability criteria.

(3) Been convicted of a felony, including a conviction by a federal court or a court in another state or foreign jurisdiction for a crime that would constitute a felony if committed in California, except that a conviction of a felony involving the hunting or fishing rights of a tribal member while on his or her reservation shall not be included among the class of disqualifying felonies.

(4) Been convicted of a misdemeanor in a jurisdiction involving dishonesty or moral turpitude within the 10-year period immediately preceding the submission of the application, unless the applicant has been granted relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code. However, the granting of relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code shall not constitute a limitation on the discretion of the department or affect the applicant's burden.

(5) Has associated with criminal profiteering activity or organized crime, as defined in Section 186.2 of the Penal Code.

(6) Has contemptuously defied a legislative investigative body, or other official investigative body of a state or of the United States or a foreign jurisdiction, when that body is engaged in the investigation of crimes relating to poker, official corruption related to poker activities, or criminal profiteering activity or organized crime, as defined in Section 186.2 of the Penal Code.

(7) Is less than 21 years of age.

(8) Has knowingly and willfully accepted a bet after December 31, 2006, from a person located in the United States on any form of Internet gambling, including, but



not limited to, poker, that has not been affirmatively authorized by law of the United States or of each state in which a person making that bet were located, or has been the holder of a direct or indirect financial interest in a person or entity that has accepted that bet.

(9) Has knowingly facilitated or otherwise provided services with respect to bets or gambling games using the Internet involving persons located in the United States for a person described in paragraph (8), acting with knowledge of the fact that these bets or gambling games involved persons located in the United States.

(k) Actions on license applications will be treated as follows:

(1) The commission shall reject the license application of an applicant found to be ineligible for licensure.

(2) If denial of the application, or approval of the license with restrictions or conditions on the license, is recommended, the department shall prepare and file with the commission written reasons upon which the recommendation is based. Prior to filing its recommendation with the commission, the department shall meet with the applicant, or the applicant's duly authorized representative, and inform the applicant generally of the basis for a proposed recommendation that the application be denied, restricted, or conditioned.

(3) This section neither requires the department to divulge to the applicant confidential information received from a law enforcement agency or information received from a person with assurances that the information would be maintained confidential, nor to divulge any information that might reveal the identity of an informant or jeopardize the safety of a person.



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(4) Denial of an application shall be without prejudice to a new and different application filed in accordance with any regulations adopted by the department with respect to the submission of applications.

(5) A request to withdraw an application for a license may be made by the license applicant at any time prior to final action on the application by the department by filing a written request with the commission to withdraw the application, absent knowledge of a specific reason to suspect that the person or entity may be found unsuitable.

(6) The commission shall waive the application of the provisions of paragraph (8) or (9) of subdivision (j) for an applicant who can demonstrate by clear and convincing evidence that its conduct in connection with bets and gambling games involving persons located in the United States was not unlawful under federal law and the laws of each state in which persons making the bets were located. In making this determination, the commission may consider evidence that the applicant was prosecuted under the laws of any state, the United States, or another jurisdiction. However, the termination of a prosecution in a manner other than a conviction does not constitute evidence that the applicant's conduct was lawful. This section does not waive the need to comply with all otherwise applicable license and suitability requirements.

(l) This section shall not be construed to prohibit a tribal regulatory agency from conducting its own analysis of suitability for a person or entity applying for licensure in connection with a tribal platform or poker room, or from providing the results of its suitability analysis to the commission, as provided under subdivision (k) of Section 19990.20.



19990.23.5. A finding of suitability by a state gaming agency within the United States with expertise recognized within the gaming industry that is also recognized as meeting this standard by the department, shall be grounds for a state provisional finding of suitability with respect to a particular person or entity until a permanent suitability finding is issued by the department as to that person or entity.

19990.24. In addition to any other data that the department shall request from a license applicant as a matter of law, and to ensure that a license applicant is legally, technically, and financially qualified to become a licensee, the department shall request that a license applicant name, describe, or provide all of the following:

(a) The license applicant's experience and qualifications to provide the services anticipated of a licensee as set forth in Article 5 (commencing with Section 19990.30).

(b) The names of all of the license applicant's owners, executives, and employees at the time the application is submitted, as well as sufficient personally identifiable information on each of those persons to conduct background investigations as required by the department.

(c) For those owners, executives, and employees who would be required to hold a work permit if the license application were granted, the application shall include information regarding their qualifications to obtain that permit. That information may be in the form of work permit applications to be processed by the department along with the license application.

(d) The fingerprints of the owners, directors, managers, executives, and employees of the licensee and its affiliates, using live scan technology.



(e) Documentation and information relating to the license applicant and its direct and indirect owners, including, but not limited to, all of the following:

(1) Proof of the license applicant's formation in California, including, as applicable, articles of incorporation, articles of organization, bylaws, operating agreement, partnership agreement, or other formation or charter documents. For a tribe or tribal enterprise, this requirement shall be satisfied by providing documentation regarding the tribe's federal recognition and its operation of a substantial portion of its governmental activities in California.

(2) Current and historical audited financial and accounting records performed in accordance with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS).

(3) Documents describing legal and regulatory proceedings in which the license applicant has been or is a party.

(4) Documents relating to the license applicant's business history and structure.

(5) Documents relating to the nature and sources of the license applicant's financing, including, but not limited to, operating agreements, partnership agreements, stock purchase agreements, loan capital agreements, pro forma cap tables, pro forma statements of profits and loss, investor rights agreements, voting agreements, and shareholder agreements. These materials may be submitted subject to a request for confidentiality.

(6) Documentation that demonstrates that the license applicant is financially qualified to perform the obligations of a licensee as described in this article. An applicant for licensure as an operator shall provide documentation establishing that, if the license



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is granted, the license applicant is qualified to pay the license fee required by subdivision (a) of Section 19990.58 from its own assets, or its owners' assets, or through credit extended to the entity in an amount not to exceed the entity's own assets, or its owners' assets.

(7) An independent financial audit report by a certified public accountant.

(f) A description of the functions, goods, or services that the license applicant intends to provide through licensed service providers, rather than conducting directly.

(g) A description of the games and services the license applicant proposes to offer to authorized players, in the case of an applicant for an operator's license, or of the goods or services the license applicant proposes to offer to licensed operators, in the case of an applicant for a service provider's license.

(h) In the case of an applicant for an operator's license, a description of the manner in which the licensee's facilities will accomplish the goals of this chapter, including, but not limited to:

(1) The licensee's location within the state.

(2) The licensee's security systems.

(3) The license applicant's proposal for the manner in which it will facilitate compliance with all of the standards set forth in this chapter and federal law, including, but not limited to, Section 5362(10)(B) of Title 31 of the United States Code.

(i) In the case of an applicant for a license, the system requirements that the license applicant plans to implement to achieve the state's goals under this chapter, including, but not limited to, the following:

(1) Connectivity and level of service.



- (2) The system architecture of the gaming equipment.
- (3) The software architecture of the gaming system.
- (4) The network architecture of the gaming system.
- (5) The security employed for the protection of the gaming system.
- (6) The security employed for the protection of online players.
- (7) Connectivity with systems belonging to service providers.
- (8) Methods employed to maintain high service availability.
- (9) Change management procedures.
- (10) Information security policies.
- (11) Disaster recovery procedures.
- (12) Policies to ensure transparency and integrity in gaming.
- (13) Financial policies for the protection of player funds.
- (14) Gaming systems, including, but not limited to, hardware and software that

ensure all of the following:

- (A) The games are legal.
- (B) The games are independent and fair and played by live persons.
- (C) Game and betting rules are available to all registered players.
- (D) All data used for the conduct of each game are randomly generated and

unpredictable to the same extent that a properly shuffled finite deck of tangible playing cards would be random and unpredictable.

(15) Accounting systems, including, but not limited to, those for any of the following:

- (A) Authorized player accounts.



(B) Per hand charges.

(C) Transparency and reporting to all state agencies.

(D) Distribution of funds, pursuant to the license and this chapter, to the state and authorized players.

(E) Ongoing auditing and ongoing internal control and compliance reviews.

(16) Facility security systems to protect the intrastate Internet poker Web site from internal and external threats.

(j) The license applicant's proposal to facilitate the statutory duties and responsibilities of the state agencies with jurisdiction over aspects of the licensee's operations, including, but not limited to, all of the following:

- (1) The department.
- (2) The commission.
- (3) The Treasurer.
- (4) The Franchise Tax Board.

(k) In addition to demonstrating that the license applicant is legally, technically, and financially qualified to become a licensee, an applicant for an operator's license shall also provide compliance certification of its gaming software by a department-approved certification entity to ensure that it complies with the requirements of this chapter.

19990.25. (a) The holder of an owner license issued pursuant to subdivision (a) of Section 19851 that is in good standing, is not unqualified to operate a land-based poker entity by reason of an investment in a license applicant or a licensee.



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(b) An official representative of the government of a federally recognized California Indian tribe with a tribal-state gaming compact with the state or conducting gaming activities pursuant to secretarial procedures, or the tribe itself or its subsidiaries, is not unqualified to operate a land-based poker entity by reason of an investment in a license applicant or a licensee.

(c) (1) A license applicant whose application is denied by the state regulatory agency may bring an action to appeal that decision to the Superior Court of the County of Sacramento. Damages or other monetary awards shall not be permitted.

(2) The Superior Court of the County of Sacramento shall uphold the decision by the state regulatory agency if there is substantial evidence to support the department's decision to deny the license application.

(3) If the Superior Court of the County of Sacramento finds for the license applicant, it shall return the application to the department for action consistent with the decision of the court.

Article 5. Rights and Obligations of Licensees

19990.30. (a) A licensee shall comply with the terms of this chapter.

(b) A licensed operator may cease its operations after providing the department with a 90-day advance notice of its intent and a statement explaining its reasons for doing so, which may include the fact that continuing to operate the intrastate Internet poker Web site is commercially infeasible. In response to that notice, the state may file an action in the Superior Court of the County of Sacramento if it deems that action



necessary to protect a state interest, including, but not limited to, the interests of authorized players.

(c) If a dispute arises between the state and the licensee, the department or a licensee may file an action in the superior court of a county in which the department has an office for an interpretation of the rights and responsibilities of the state and the licensee pursuant to this chapter.

19990.31. (a) Prior to initiating operations and thereafter, a licensee shall ensure that each employee has been issued an employee work permit by the department, pursuant to standards adopted by the department, prior to that person having access to the licensee's facilities. The permit shall be renewed every two years.

(b) An employee work permit shall not be issued unless, based on all of the information and documents submitted, the department is satisfied that the applicant is, at a minimum, all of the following:

(1) A person of good character, honesty, and integrity.

(2) A person whose prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the public interest of this state, or to the effective regulation and control of controlled poker, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled poker or in the carrying on of incidental business and financial arrangements.

(3) A person who is in all other respects qualified to hold an employee work permit as provided in this chapter.

(c) An applicant for an employee work permit is disqualified for any of the following reasons:



(1) Failure of the applicant to clearly establish eligibility and qualification in accordance with this chapter.

(2) Failure of the applicant to provide timely information, documentation, and assurances required by this chapter or requested by a state official, or failure of the applicant to reveal any fact material to the qualification, or the supplying of information that is untrue or misleading as to a material fact pertaining to the qualification criteria.

(3) Conviction of a felony, including a conviction by a federal court, a court in another state, or a court in another country, for a crime that would constitute a felony if committed in California.

(4) Conviction of the applicant for a misdemeanor involving dishonesty or moral turpitude within the 10-year-period immediately preceding the submission of the application, unless the applicant has been granted relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code. However, the granting of relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code shall not constitute a limitation on the discretion of the department or affect the applicant's burden under subdivision (b).

(5) Association of the applicant with criminal profiteering activity or organized crime, as defined in Section 186.2 of the Penal Code.

(6) Contemptuous defiance by the applicant of a legislative investigative body, or other official investigative body of a state or of the United States, when that body is engaged in the investigation of crimes relating to poker, official corruption related to poker activities, or criminal profiteering activity or organized crime, as defined in Section 186.2 of the Penal Code.



(7) The applicant is less than 21 years of age.

(d) A licensee shall apply for an employee work permit on behalf of each employee.

(e) An employee work permit shall not be issued unless the applicant meets the qualification standards adopted by the commission.

(f) The department shall establish a fee to be paid by a licensee for the cost of background investigation on employee work permit applications submitted on behalf of that licensee's employees. The department and the commission shall establish processes for the revocation or suspension of an intrastate Internet poker license or employee work permit, and to withdraw an application for an intrastate Internet poker license or employee work permit.

(g) (1) A licensee shall not enter into, without prior approval of the department, a contract or agreement with a person who is denied a poker license or employee work permit pursuant to Chapter 5 (commencing with Section 19800), or whose poker license or employee work permit is suspended or revoked by the department, or with a business enterprise under the control of that person, after the date of receipt of notice of the department's action.

(2) A licensee shall not enter into a contract or agreement with a person or entity that has knowingly and willfully accepted a bet from a person located in the United States on a form of Internet gambling, including, but not limited to, poker, after December 31, 2006, that has not been affirmatively authorized by a law of the United States or of each state in which the person making that bet was located, or has been the holder of a direct or indirect financial interest in a person or entity that has accepted



a bet. This section does not apply to a person or entity that has demonstrated, by clear and convincing evidence, pursuant to the process described in paragraph (6) of subdivision (i) of Section 19990.23, that its conduct in connection with bets and gambling games involving persons located in the United States was not unlawful under federal law and the laws of each state in which persons making bets were located.

(h) A licensee shall not employ, without prior approval of the department, a person in a capacity for which he or she is required to have an employee work permit, if the person has been denied a poker license or an employee work permit pursuant to Chapter 5 (commencing with Section 19800), or if his or her poker license or employee work permit has been suspended or revoked after the date of receipt of notice of the action by the department. A licensee shall not enter into a contract or agreement with a person whose application for a poker license or an employee work permit has been withdrawn with prejudice, or with a business enterprise under the control of that person, for the period of time during which the person is prohibited from filing a new application for a poker license or an employee work permit.

(i) If an employee who is required to hold an employee work permit pursuant to this chapter is denied an employee work permit, or has his or her employee work permit revoked by the department, the employee shall be terminated immediately in all capacities. Upon notifying the licensee of the department's action, the employee shall have no further involvement in the poker operation. Notwithstanding any provisions of this chapter to the contrary:

(1) If an employee who is required to hold an employee work permit pursuant to this chapter has his or her employee work permit suspended, the employee shall be



suspended in all capacities. Upon notifying the licensee of the department's action, the employee shall not be permitted to have involvement in the poker operation during the period of suspension.

(2) A licensee shall not designate another employee to replace the employee whose employment was terminated or suspended, unless the other employee has an existing work permit.

(j) A licensee shall not pay to a person whose employment has been terminated or suspended pursuant to subdivision (i) remuneration for a service performed in a capacity in which the person is required to hold an employee work permit, except for amounts due for services rendered before the date of receipt of notice of the department's action of suspension or termination.

(k) Except as provided in subdivision (i), a contract or agreement for the provision of services or property to a licensee for the conduct of an activity pertaining to the operation of an authorized game, which is to be performed by a person required by this chapter, or by regulations adopted pursuant to this chapter, to hold an employee work permit, shall be terminated upon a suspension or revocation of the person's employee work permit.

(l) In a case in which a contract or agreement for the provision of services or property to a licensee or an affiliate thereof, or for the conduct of an activity at an intrastate Internet poker Web site, is to be performed by a person required by this chapter or by regulations adopted by the department to hold an employee work permit, the contract shall be deemed to include a provision for its termination without liability on the part of the licensee or affiliate, upon a suspension or revocation of the person's



employee work permit. In an action brought by the department to terminate a contract pursuant to subdivision (k), it is not a defense that the agreement does not expressly include the provision described in this subdivision, and the lack of express inclusion of the provision in the agreement is not a basis for enforcement of the contract by a party thereto.

(m) If a licensee does not comply with the requirements of this section, the department may impose a civil fine of not more than ____ dollars (\$____) per occurrence. In the event that a licensee negligently, willfully, or wantonly fails to comply with these requirements, the department may initiate an enforcement action and subject a licensee to a civil fine of ____ dollars (\$____) and an order to suspend _____ or revoke the licensee's license.

19990.32. (a) The licensee is responsible for providing current and accurate documentation on a timely basis to all state agencies, as provided in this chapter.

(b) In addition to any other confidentiality protections provided to persons licensed by the state, the state and its agencies shall treat the proprietary information provided by a licensee as confidential to protect the licensee and to protect the security of the gaming system.

19990.33. (a) Changes in ownership of the licensee shall be approved by the department prior to the closing of a proposed transaction.

(b) The department shall investigate to ensure that a person acquiring an interest in a licensee is suitable and otherwise financially, technically, and legally qualified to be a licensee consistent with this chapter. If an acquiring person is found to be unsuitable to be a licensee or otherwise not financially, technically, or legally qualified to be a



licensee, the licensee or the acquiring person may challenge that determination consistent with subdivision (c) of Section 19990.25.

(c) A change in the elected officers of a tribal government licensee shall not be considered to be a change in interest or ownership of the licensee.

19990.34. All facilities, software, and any other property, both tangible and intangible, used by the licensee in offering authorized games for play on an authorized platform or in an authorized poker room shall be owned or licensed by the licensed operator and shall be approved by the department.

19990.35. The gaming system is divided into three parts:

(a) A player management system that shall include all the technology, functions, and internal control system required to establish, manage, administer, and control a player's online gaming account.

(b) A funds management system that shall include all the technology, functions, and internal control system mechanisms required to record and manage real money in the deposit account or in rewards and bonus management systems, whether those systems are for real or noncashable value.

(c) A games management system that shall include all the technology, functions, and internal control system mechanisms required to set up, manage and monitor authorized games, including games content and game logic, but does not receive, process, or store personal information about players, such as their names, addresses, and other contact information, or their funds, except to the extent necessary for the system to function, and in accordance with any limitations from the cardroom operator and any applicable regulations.



(d) This section does not prohibit a licensed operator from licensing software, intellectual property, or other goods, services, or information used by the gaming system from a licensed service provider.

(1) The player management system and the fund management system shall belong to, and be the responsibility of, an authorized poker room operator. A licensed poker platform operator shall not have access to the player management system and fund management system, except to the extent expressly authorized in writing by the poker room operator and in conformity with applicable regulations.

(2) The game management system shall belong to, and be the responsibility of, an authorized poker platform operator. Authorized poker room operators shall not have access to the games management system, except to the extent expressly authorized in writing by the poker room operator and in conformity with applicable regulations.

(e) The player management system shall at a minimum carry out the following functions:

- (1) Player registration.
- (2) Player settings.
- (3) Player account management.
- (4) Responsible gaming.
- (5) Player authentication.
- (6) Player authorization.
- (7) Geolocation.
- (8) Set up a safe and secure connection with the player terminal.
- (9) Age verification.



(f) The licensed poker room operator is responsible to control and manage the player identity, and funds and data related to authorized players in that poker room, to ensure the privacy and funds security of authorized players. This section does not prohibit the licensed operator from licensing software, intellectual property, or other goods, services, or information used by the player management or funds management system from a licensed service provider.

(g) The licensed poker platform operator shall ensure that players are eligible to play the games operated by the poker room licensee and implement appropriate security standards to prevent collusion and cheating during games and that all gaming is fair. This provision does not prohibit the licensed operator from licensing software, intellectual property, or other goods, services, or information used by the game management system from a licensed service provider.

(h) An authorized player shall be physically located within the State of California at the time of engaging in an authorized game. However, an authorized player shall not be hindered from accessing his or her player's account from anywhere outside California as long as he or she does not engage in gaming.

(i) An authorized player shall be 21 years of age or older.

(1) An Internet game shall not be provided, directly or indirectly, to an individual under 21 years of age.

(2) Each licensed operator shall do all of the following:

(A) Prior to permitting an individual to play an authorized game, the licensed poker room operator shall verify that the individual is 21 years of age or older. The licensed operator shall match the name, address, and date of birth provided by the



individual to information contained in a database approved by the department as being reliable for those purposes.

(B) If the licensed poker room operator is unable to verify that the individual is 21 years of age or older pursuant to subparagraph (A), the licensed operator shall require the individual to submit an age-verification kit consisting of a writing signed by the individual attesting that he or she is 21 years of age or older and a copy of a valid form of government identification. For the purposes of this section, a valid form of government identification includes a driver's license, state identification card, passport, official naturalization or immigration document, such as an alien registration receipt card or an immigrant visa, or United States military identification. The licensed operator also shall verify that the physical billing address on the check or credit card provided by the person matches the address listed in the government identification.

(C) The licensed poker room operator shall not permit authorized players to make payments by money order or cash.

(3) If a licensed poker room operator complies with the requirements of paragraph (2), and a person under 21 years of age participates in an authorized game provided by the licensee, the licensee is not in violation of this section.

(4) The department may assess civil penalties against a person that violates this section, according to the following schedule:

(A) Not less than one thousand dollars (\$1,000) and not more than two thousand dollars (\$2,000) for the first violation.

(B) Not less than two thousand five hundred dollars (\$2,500) and not more than three thousand five hundred dollars (\$3,500) for the second violation.



(C) Not less than four thousand dollars (\$4,000) and not more than five thousand dollars (\$5,000) for the third violation.

(D) Not less than five thousand five hundred dollars (\$5,500) and not more than six thousand five hundred dollars (\$6,500) for the fourth violation.

(E) Ten thousand dollars (\$10,000) for a fifth or any subsequent violation.

(j) The department shall, by regulation, provide a process for a licensed operator to exclude from play a person who has filled out a California Internet poker self-exclusion form.

(1) The department shall develop a self-exclusion form within six months of the operative date of this chapter.

(2) The department shall deliver the form to each licensed poker room operator.

(3) A licensed poker room operator shall, prior to any play, prominently display a link to the department's Responsible Gambling Internet Web page and display the self-exclusion form when either of the following occurs:

(A) A person registers to be a player.

(B) An authorized player accesses the authorized poker room.

(4) A licensed operator shall retain the Internet self-exclusion form to identify persons who want to be excluded from play.

(5) A licensed poker room operator that has made commercially reasonable efforts to comply with this subdivision shall not be held liable in any way if a person who has filled out an Internet self-exclusion form plays despite that person's request to be excluded.



19990.36. A licensed poker platform operator shall only offer authorized games and process bets in accordance with the applicable game and betting rules established by the licensed operator and approved by the department pursuant to Sections 19990.14 and 19990.37, provided that neither this chapter nor those rules prohibit a licensed operator from offering play-for-fun or play-for-free poker games on an Internet poker Web site.

19990.37. (a) To propose an authorized game for play, a licensed operator shall provide the department with both of the following:

- (1) Game rules and betting rules it proposes to offer to registered players.
- (2) Documentation relating to development and testing of the game's software.

(b) The department shall approve the game rules and betting rules before a licensee may offer the game to authorized players.

19990.38. (a) A licensed operator shall ensure that games are fair by utilizing a gaming system approved by the commission. The commission may promulgate regulations specifying requirements for the gaming system.

(b) The licensed poker room operator and applicable service providers shall, prior to commencing the operation of the gaming system, certify through an independent gaming certification entity approved by the commission the reliability, accuracy, and integrity of the system and its parts, as well as its ability to be effectively tested, in accordance with certification regulations to be issued by the commission. All components of the gaming system shall comply with all requirements of this chapter.

(c) The hardware used by a licensed poker room operator to offer authorized games shall not be the subject of any voluntary liens, encumbrances, hypothecations,



or other third party interests, unless those interests are disclosed to and approved by the department. This subdivision does not prohibit the licensed operator from licensing software, intellectual property, or other goods, services, or information used by the player management, funds management, or games management system from a licensed service provider.

(d) The gaming system shall display for each game the following information:

- (1) The name of the game.
- (2) Any restrictions on play.
- (3) The rules of the game.
- (4) All instructions on how to play.
- (5) The unit and total bets permitted.
- (6) The player's current account balance, which shall be updated in real time.
- (7) Any other information that a licensee determines is necessary for the authorized players to have in real time to compete fairly in the game.

(e) Data used to create game results shall be unpredictable so that it is infeasible to predict the next occurrence in a game, given complete knowledge of the algorithm or hardware generating the sequence and all previously generated numbers.

(f) A licensed poker room operator shall deploy controls and technology to minimize fraud or cheating through collusion, including external exchange of information between different players, robotic play, or any other means.

(1) If a licensee poker room operator becomes aware that fraud or cheating is taking place or has taken place, it shall take steps to stop those activities immediately and inform the department of all relevant facts.



(2) The department shall not impose liquidated damages against a licensee to prevent fraud or cheating if the licensee can demonstrate that it acted responsibly to prevent those activities as soon as the licensee became aware of them.

(g) In a per hand game, if the gaming server or software does not allow a game to be completed, the game shall be void and all funds relating to the incomplete game shall be returned to the registered player's account.

(h) In a tournament, if the gaming server or software does not allow the tournament to be completed, all prize money shall be distributed among players in accordance with the procedure published by the licensee prior to the commencement of the tournament.

19990.39. (a) A licensed operator shall register players and establish player accounts prior to play.

(b) The player registration process must include submitting the following minimum information:

- (1) Full legal name.
- (2) Mailing address.
- (3) Telephone number.
- (4) Social security number or taxpayer identification number.
- (5) Identification or certification to prove that the individual is at least 21 years of age.
- (6) Valid email address.



(7) A secure password to be used with the player's account, unless the online service permits for an alternative method of authentication of the player approved by the department.

(8) That he or she has read and agreed to the terms and conditions of the service, including a reference where those terms and conditions could be found.

(c) A licensed poker room operator shall employ an authentication process before accepting a player, unless the authentication process was previously carried out by a licensed service provider.

(d) An individual under 21 years of age shall not be registered as an authorized player, and funds deposited or money won by an individual under 21 years of age shall be forfeited to the commission. The commission may take further action towards the licensed operator who registered an individual under 21 years of age or permitted that individual to play a game.

(e) Only a licensed poker room operator may hold a deposit account.

(f) A player may have multiple gaming accounts with any given licensed poker room operator for any room and skin in which the player participates, but shall not be permitted to play more than one position at the same table at the same time.

(g) A licensed poker room operator shall not permit an individual to participate in a game conducted by the licensed poker platform operator unless that individual has been verified and holds a deposit account with the licensed poker room operator.

(h) Authorized players may only be permitted to play while physically located in the State of California. The intermediate routing of electronic data in connection



with interactive gaming shall not determine the location or locations in which a bet is initiated, received, or otherwise made.

(i) The licensed poker room operator shall keep a list of all players active at all times in the gaming system.

(j) If a licensed poker room operator becomes aware that an individual has provided false information in respect of a registration or authorization process, the licensed poker room operator shall not register that individual and if he or she has already been registered, the licensed poker room operator shall immediately cancel his or her registration as a player with the licensed operator.

(k) Subject to those rules that the commission may establish, this section does not prevent a licensed poker room operator from entering into a marketing agreement with a third party to recruit individuals to become registered players, provided that the licensed operator remains responsible for ensuring that the registration process described in this section has been completed prior to permitting game play.

19990.40. (a) A licensed poker room operator shall provide a means for authorized players to deposit funds into the deposit account and transfer funds out of that account, either for return to the player or for use in game play.

(b) An authorized player shall identify the source of funds to be used to put money into the account established once the registration process is complete. The player shall identify the specific account to be used for any given game prior to play and in accordance with the poker room rules.



(c) At the time that a player establishes an online gaming account, he or she shall designate the bank account or credit card into which funds associated with his or her play are to be withdrawn or deposited, in accordance with the poker room rules.

(d) A licensed operator shall not permit a player to increase the amount of money available in the account designated for use in a game after a hand in that game has started.

(e) A licensed poker room operator shall maintain records on the balance of funds in each of the player's deposit accounts.

(f) A licensed operator shall not permit a player to place a bet unless the player has sufficient funds in the designated account to cover the amount of all bets required for that hand.

(g) A licensed operator shall not provide credit to a player or act as agent for a credit provider to facilitate the provision of funds.

(h) Players shall not be paid interest by licensees on the funds in the deposit accounts.

19990.41. (a) A licensed poker room operator shall hold all player funds in a deposit account and shall segregate the deposit account from all of its other assets.

(b) A licensed poker room operator shall not commingle funds in the deposit account with any other funds held by the licensee, including, but not limited to, operating funds. Both the accounts of the licensed operator and its segregated authorized player accounts shall be held in financial institutions located in the state.

(c) Funds held in an authorized player's account shall only be used for the following purposes:



(1) To pay per hand or tournament charges owed by an authorized player to the licensed operator for authorized game play.

(2) To transfer funds from one authorized player's account to the account of another registered player to reconcile the result of a loss in the play of an authorized game.

(3) To transfer funds from an authorized player's account to an account to be held by a licensed poker operator pending the outcome of an authorized game. The poker platform operator shall establish a suspense wagering account to temporarily hold those funds pending the outcome of a game.

(4) To remit tax proceeds due and owing from a registered player to the Franchise Tax Board.

(5) To transfer funds from an authorized player's account with the licensed poker room operator to an account specified by an authorized player upon that player's request.

19990.42. During the registration process, a licensed poker room operator shall clearly and conspicuously explain to the person who is registering the privacy policies of the intrastate Internet poker room, and the person shall assent to the following policies:

(a) Personally identifiable information shall not be shared with a nongovernmental third party except as provided in subdivision (k) of Section 19990.47.

(b) All personally identifiable information about registered players shall be shared with state or federal agencies, including, but not limited to, the department, the



commission, the Franchise Tax Board, and the Department of Child Support Services as necessary to assist them in fulfilling their obligations.

(c) Personally identifiable information may be shared with government agencies only as provided in subdivision (b) or subject to court order as provided in subdivision (j) of Section 19990.47.

19990.43. A licensed operator may require that an authorized player, or a person registering as a player, agree to a Terms of Use Registered Player's Agreement.

19990.44. A licensed operator may suspend or revoke the account of an authorized player for any of the following reasons:

(a) A person or authorized player provided false information to the licensed operator, including, but not limited to, information provided in the registration process.

(b) The authorized player has not updated registration information as required to keep it current.

(c) The authorized player has violated the authorized poker room's Terms of Use Registered Player's Agreement.

(d) The person has already been registered and authorized.

(e) The licensed poker room operator is directed by a state agency to suspend or revoke the registered player's account.

19990.45. (a) Upon registration, and each time a registered player logs into an authorized poker room, the licensed operator shall permit a registered player to adjust his or her play settings to:

(1) Set a limit on the deposits that can be made per day.



(2) Set a limit on the aggregate losses in a registered player's account within a specified period of time.

(b) During play, in order to assist a registered player to decide if to suspend play, the registered player's screen shall do all of the following:

(1) Once an hour, indicate how long the player has been playing and the current value and change in value of the registered player's account total since the last time he or she logged in.

(2) At least once every six hours, require the registered player to confirm that the player has read the messages required in paragraph (1), and give an option to the player to end the session or return to the game.

19990.46. A licensed poker room operator shall establish a toll-free telephone customer service hotline that shall be available to registered players 24 hours per day, 365 days a year. The licensed operator shall give notice to the department when using personnel who are out of state in supporting its customer service hotline.

19990.47. (a) A licensed poker room operator shall protect the privacy of registered players and their personally identifiable information.

(b) A licensed operator shall comply with all state and federal privacy and data protection laws.

(c) At the time of registration with a licensed poker room operator as a registered player, and at least once a year thereafter, a licensee shall provide notice in the form of a separate, written statement, delivered via United States Postal Service or electronic mail, to the registered player that clearly and conspicuously informs the registered player of all of the following:



(1) The nature of personally identifiable information collected or to be collected with respect to the registered player and the nature of the use of that information.

(2) The nature, frequency, and purpose of any disclosure that may be made of personally identifiable information, including an identification of the types of persons to whom the disclosure may be made.

(3) The period during which personally identifiable information will be maintained by the licensee.

(4) The times and place at which the registered player may have access to personally identifiable information in accordance with subdivision (h).

(5) The limitations provided by this section with respect to the collection and disclosure of personally identifiable information by a licensee and the right of the registered player under subdivision (j) or (k) to enforce those limitations.

(d) A licensed poker room operator may collect personally identifiable information in order to do either of the following:

(1) Obtain information necessary to operate the intrastate Internet poker Web site and offer authorized games to authorized players pursuant to this chapter.

(2) Detect unauthorized play, activities contrary to a licensed operator's Terms of Use Registered Player's Agreement, or activities contrary to state or federal law.

(3) A licensed operator shall not collect any other personally identifiable information concerning any registered player without the prior written or electronic consent of the registered player concerned and shall not permit its licensed service providers to do so.



(e) Except as provided in subdivision (f), a licensed operator shall not disclose personally identifiable information concerning any registered player without the prior written or electronic consent of the registered player concerned and shall take actions necessary to prevent unauthorized access to that information by a person other than the registered player or licensee.

(f) A licensed operator may disclose personally identifiable information if the disclosure is any of the following:

(1) Necessary to render, or conduct a legitimate business activity related to, the provision of authorized games to the registered player by the licensed operator.

(2) Subject to subdivision (k), made pursuant to a court order authorizing the disclosure, if the registered player is notified of the order by the person to whom the order is directed.

(3) A disclosure of the names and addresses of registered players to any third party, if both of the following apply:

(A) The licensed poker room operator has provided the registered player the opportunity to prohibit or limit the disclosure.

(B) The disclosure does not reveal, directly or indirectly, the nature of any transaction made by the registered player over the intrastate Internet poker Web site.

(4) To the department to fulfill its obligations under this chapter or a state agency as authorized in this chapter.

(5) To persons found suitable under this chapter if the registered player is notified and consents to the information being shared.



(g) A registered player shall be provided access to all personally identifiable information regarding that registered player that is collected and maintained by a licensed operator. The information shall be made available to the registered player at reasonable times and at a place designated by the licensed operator. A registered player shall be provided a reasonable opportunity to correct any error in the information.

(h) A licensed poker room operator may destroy personally identifiable information if the information is no longer necessary for the purpose for which it was collected, and there are no pending requests or orders for access to the information under subdivision (k).

19990.48. A licensed operator shall establish a book of accounts and regularly audit all of its financial records and reports, which shall, at a minimum, include all of the following:

- (a) Monthly auditable and aggregate financial statements of poker transactions.
- (b) Monthly calculation of all amounts payable to the state.
- (c) The identity of registered players.
- (d) The balance on each registered player's account at the start of a session of play, the amount won or lost by each registered player during a game, and the balance on the registered player's account.
- (e) The bets placed on each game, time stamped by the games management system.
- (f) The result of each game, time stamped by the games management system.
- (g) The amount, if any, as determined by the authorized player, withheld from winnings for federal or state income tax purposes.



19990.49. (a) A licensed operator shall make all financial records established and maintained pursuant to Section 19990.48, including, but not limited to, all books, records, documents, financial information, and financial reports, available as required by the department or other state agencies so that those agencies can fulfill their responsibilities under this chapter. The licensed operator may provide records in electronic form to satisfy the requirements of this section. A state agency may request specific printed hard copies of records for good cause.

(b) The licensed operator's data shall be retained in a manner so that it may be accessed by the state agencies.

(c) Notwithstanding subdivision (b), data covered by subdivisions (d), (e), and (f) of Section 19990.48 shall be accessible to the state agencies for 120 days, and, thereafter, archived and retained for no less than one year.

19990.50. (a) A licensed operator shall implement technical systems that materially aid the department in the protection of authorized players. Software shall meet, at a minimum, international industry standards as verified by a department-approved certification entity.

(b) A licensed operator shall define and document its methodology for developing software and applications and describe the manner in which software protects authorized players from fraud and other risks in the play of authorized games and in the management of authorized player accounts.

(c) A poker room operator shall meet minimum game server connectivity requirements and shall involve the licensed platform operator to ensure that authorized players are protected from losses due to connectivity problems.



(d) An authorized poker room operator shall ensure that all transactions involving registered players' funds shall be recoverable by the system in the event of a failure or malfunction.

(e) All information required for reviewing a game interrupted due to loss of connectivity shall be recoverable by the licensed poker platform operator.

(f) The licensed operator shall document and implement preventative and detective controls addressing money laundering and fraud risks. If money laundering or corruption is detected by the authorized platform operator, that platform operator shall immediately inform the authorized poker room operators with whom the authorized players are associated.

19990.51. (a) An authorized poker room operator may charge authorized players to play authorized games.

(b) Per hand charges are permitted.

(1) A per hand charge shall be designated and conspicuously posted on the intrastate Internet poker Web site.

(2) An authorized poker room operator may vary the per hand charges to registered players based on betting limits or other factors.

(c) Tournament charges shall be permitted.

(1) A tournament charge shall be designated and conspicuously posted on the intrastate Internet poker Web site.

(2) A licensed operator may vary tournament charges based on tournament prizes or other factors.



(d) A licensed operator shall provide notice to the department of the charges to registered players prior to initiating play.

19990.52. A licensed operator may enter into an agreement with a third party to sponsor or underwrite prizes for a tournament.

19990.53. An authorized poker room may enter into an agreement to sell advertisement space on an Internet Web site that it controls.

19990.535. (a) A licensee may enter into an agreement with a third party for marketing, or any other purpose consistent with this chapter, including, but not limited to, displaying the name of a marketing partner on a screen viewed by a registered player.

(b) (1) A licensee shall not utilize any brand or business name, trade or service mark, software, technology, operational system, or customer information for a core function that was used in connection with the knowing and willful acceptance of any bet from persons located in the United States on any form of Internet gambling, including, but not limited to, poker, after December 31, 2006, that has not been affirmatively authorized by law of the United States or of each state in which persons making a bet were located.

(2) The commission shall permit a licensee or the person or entity with whom the licensee proposes to enter into an agreement subject to this subdivision to seek a waiver of this paragraph. That waiver shall be granted only if it is demonstrated by clear and convincing evidence that the asset proposed to be used was not used in a manner that was unlawful under federal law and the laws of each state in which persons making bets were located.



19990.54. A licensed operator may enable a chat function between registered players if it has in place effective controls against collusion.

19990.55. A licensed operator may post Internet Web links on the Internet Web sites it controls to permit registered players to access remote Internet Web sites.

19990.56. A licensed operator may enter into contractual agreements with one or more licensed operators for the purpose of ensuring adequate player liquidity.

19990.57. A licensed platform operator may allow an authorized player to participate simultaneously in multiple games or tournaments, if the licensed operator has demonstrated to the department that it has technical controls that prohibit a registered player from playing multiple hands simultaneously in the same game.

19990.58. (a) Before the collection of a registered player fee, bet, or deposit on any authorized game in the licensed operator's authorized poker room, the operator shall remit to the Treasurer for deposit in the General Fund a one-time license fee in the amount of ten million dollars (\$10,000,000). This amount shall be credited against fees imposed pursuant to subdivision (b) on the licensed poker room operator's gross revenues for the first years of operation. Upon depletion of the license fee, the department shall notify the licensee to commence monthly payments to the state in accordance with subdivision (b).

(b) A licensed poker room operator shall remit to the Treasurer on a monthly basis for deposit in the General Fund, a duty of 10 percent on its gross gaming revenues for the prior month.

(1) Each monthly payment shall be due on the 10th day of the following month.



(2) A licensed operator shall make all electronic and written financial records available to the Treasurer, the commission, and the department on an electronic basis.

(c) Each licensed operator shall pay a regulatory fee, to be deposited in the Internet Poker Fund, in an amount to be determined by the department for the actual reasonable costs of license oversight, consumer protection, state regulation, problem poker programs, and other purposes related to this chapter.

(d) This section does not prohibit a licensed operator from contracting with one or more licensed operators, or service providers, to allocate among themselves the total fees and deposits to be paid under this section, provided that nothing in this subdivision affects the amount due to the department from those licensees.

19990.59. (a) The licensed poker room operator shall facilitate the collection of personal income taxes from registered players by the Franchise Tax Board.

(b) The licensed poker room operator shall withhold 5 percent of tournament winnings for state income tax if the winnings less the tournament charge are more than six hundred dollars (\$600) and are at least 300 times the tournament charge.

(1) The licensed poker room operator shall transfer that withheld income to the Franchise Tax Board.

(2) Winnings and losses of the authorized player from other tournaments sponsored by the licensed poker room operator during the year are not taken into account in arriving at the six-hundred-dollar (\$600) amount. Required withholding is determined on a tournament-by-tournament basis.

(c) Within six months of the effective date of this chapter, the Franchise Tax Board shall publish a form to be used annually by a licensed operator to report



information concerning income tax revenues from registered players. The Franchise Tax Board shall provide a date by which the form is required to be filed. The form shall include, but shall not be limited to, the following information:

- (1) The registered player's first name and surname,
 - (2) The registered player's social security number.
 - (3) The total amount the authorized player deposited in his or her account during the year.
 - (4) The authorized player's total winnings, if any, during the year.
 - (5) The authorized player's total losses, if any, during the year.
 - (6) The total amount withheld by the licensed poker room operator, if any, during the year for purposes of federal or state income taxes.
 - (7) Whether the registered player opened or closed his or her account during the year.
- (d) The licensed poker room operator shall electronically file a copy of the form with the Franchise Tax Board for each registered player who held an account with the licensed operator for all, or any portion of, the taxable year. The licensed operator shall electronically provide each registered player with a copy of the form.

19990.60. A security interest in a licensee, other than a security interest in financed or leased equipment, shall not be enforced except in conformity with regulations adopted by the commission. If a licensee contracts to acquire or transfer any assets or property in circumstances where the transferor or transferee must be licensed or found suitable, then the transaction shall not have a closing date prior to



the approval or licensing of the other party, except as provided in regulations of the commission.

19990.61. (a) A licensee shall act expeditiously to cure any violation of this chapter, or any regulation adopted pursuant to this chapter, in the offer or administration of authorized games that interferes with its obligations to the state or registered players under this chapter.

(b) If a licensee becomes aware of any violation, it shall notify the department immediately and work with the department to develop a plan to rectify the violation.

(c) If the department becomes aware of any violation, or if it becomes aware of any activities that might lead to a violation, the department shall provide notice of that violation to the licensee and a reasonable opportunity to cure the violation.

(d) All state agencies with responsibilities under this chapter shall report any actual or suspected violation of this chapter, or any regulation adopted pursuant to this chapter, or activities that may lead to that violation, to the department immediately so that the department can assess whether it needs to commence an investigation or enforcement action.

(e) A licensee shall be afforded a reasonable time period to cure any reported violation. The department may assess penalties for any violation of this chapter, or any regulation adopted pursuant to this chapter.

(f) The department shall have the subpoena power in an investigation of any violation of this chapter, or any regulation adopted pursuant to this chapter.



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(g) The department may revoke or suspend any license or work permit under this chapter upon reaching a finding that the licensee or employee is in violation of any provision of this chapter, or any regulation adopted pursuant to this chapter.

(h) A licensee may appeal any decision of the department pursuant to this section to the superior court. The superior court shall hear any appeal de novo.

19990.62. The department shall protect the rights and assets of registered players on an intrastate Internet poker Web site if the licensed operator's license pursuant to this chapter is revoked or the licensed operator becomes bankrupt.

19990.63. (a) A licensee shall at all times indemnify, defend, and hold harmless the state and its agencies from and against any claims, damages, liabilities, costs, and expenses, including, but not limited to, reasonable attorney's fees and expenses arising out of any third-party claim made against the state or any of its agencies relating to actions of the licensee and this chapter.

However, the state shall not enter into a settlement agreement related to any of those claims, damages, liabilities, costs, or expenses without the prior written approval of the licensee.

(b) The state and its agencies shall promptly notify a licensee of any claim or litigation to which the indemnity set forth in subdivision (a) applies.

(c) At the option of a licensee, it may assume the defense of any claim or litigation. If a licensee assumes the defense of any claim or litigation, the licensee's



obligation with respect thereto shall be limited to the payment of any settlement approved by the licensee, or any judgment in connection with that claim or litigation.

Article 6. Authority of State Agencies

19990.70. (a) (1) Within 120 days after the effective date of this chapter, the commission, and any other state agency with a duty pursuant to this chapter, shall, in order to comply with time deadlines, in consultation with the department, adopt regulations to implement this chapter, and to facilitate the operation of intrastate Internet poker Web sites and expedite the state's receipt of revenues in compliance with this chapter. The initial adoption, amendment, or repeal of a regulation authorized by this section is deemed to address an emergency, for purposes of Sections 11346.1 and 11349.6 of the Government Code, and the commission and those other state agencies are hereby exempted for that purpose from the requirements of subdivision (b) of Section 11346.1 of the Government Code. After the initial adoption, amendment, or repeal of an emergency regulation pursuant to this section, the commission and those other state agencies shall not request approval from the Office of Administrative Law to readopt the regulation as an emergency regulation pursuant to Section 11346.1 of the Government Code, but shall promulgate permanent regulations in accordance with all applicable law. The commission shall circulate its proposed permanent regulations to all tribes and land-based gaming entities eligible for licensure pursuant to this chapter along with information regarding how comments can be submitted prior to adopting permanent regulations.



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(2) The regulations adopted by the commission shall address underage poker and problem poker.

(3) The regulations of the commission also shall provide for temporary or provisional approvals, licenses, or certificates for heirs, executors, receivers, trustees, conservators, key employees, and other persons where an approval, license, or certificate is required.

(b) (1) Each state agency with a duty pursuant to this chapter shall identify a contact person at that agency and describe the responsibility of the contact with respect to the state agency's duty.

(2) Any notice provided by a licensee to a state agency pursuant to this chapter shall be addressed to the contact identified by the state agency pursuant to paragraph (1).

(3) Unless otherwise provided by this chapter, notice by a licensee to the state shall be deemed effectively given upon personal delivery, three days after deposit in the United States mail by certified or registered mail, return receipt requested, one business day after its deposit with any return receipt express courier, prepaid, or one business day after electronically confirmed transmission by facsimile.

19990.72. The department may outsource its regulatory functions under this chapter if optimal to provide efficient, effective, and robust regulation with access to worldwide expertise tested and proven in the poker industry. This may include, but is not limited to, state, tribal, and international regulatory agencies. The department may also enter into agreements to share information with other regulatory and law enforcement agencies to assist in conducting background checks and suitability reviews.



To expedite the implementation of Internet poker, contracts pursuant to this section shall not be subject to otherwise applicable provisions of the Government Code or the Public Contract Code and, for those purposes, the department shall not be considered a state agency or public entity.

Article 7. Player Protection

19990.75. Subject to the approval of the department, and consistent with uniform standards established by the department by regulation, each licensee shall establish administrative procedures to resolve registered player complaints.

19990.76. If a registered player has a complaint against a licensee, the exclusive remedy shall be to register the complaint with the department, unless an action is brought pursuant to subdivision (j) of Section 19990.47.

19990.77. (a) The department, in consultation with the commission, shall establish regulations with respect to registered player complaints.

(b) Under the regulations, the department shall do all of the following:

(1) Investigate registered player complaints to determine if a licensee has failed to meet its obligations to a registered player.

(2) Attempt to resolve complaints by registered players if a licensee fails to meet an obligation to a registered player.

(3) Initiate enforcement actions to require specific performance of any obligation that a licensee has to a registered player and payment by the licensee of restitution to a registered player for actual losses and interest thereon.



19990.78. A licensee may appeal an action by the department pursuant to this article to the superior court, which shall review the appeal de novo.

Article 8. Disposition of State Regulatory Proceeds

19990.86. (a) The Treasurer shall transfer all amounts received from a licensee pursuant to subdivision (c) of Section 19990.58 to the Controller for deposit into the Internet Poker Fund, which is hereby created in the State Treasury, to be administered by the Controller, subject to annual appropriation by the Legislature.

(b) The state agencies shall submit revenue needs to fulfill their obligations under this chapter for the upcoming fiscal year to the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget, as well as the Senate and Assembly Committees on Governmental Organization and the Department of Finance on or before March 31 of the preceding fiscal year. A justification of those costs shall be provided with each submission of revenue needs.

(c) The State Department of Public Health, Office of Problem Gambling, shall submit revenue needs for programs to alleviate problem poker that results from the offering of authorized games for the upcoming fiscal year to the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget, as well as the Senate and Assembly Committees on Governmental Organization, the Senate and Assembly Committees on Human Services, and the Department of Finance on or before March 31 of the preceding fiscal year. A justification of those costs shall be provided with each submission of revenue needs.



(d) All remaining proceeds not allocated to subdivisions (b) and (c) shall remain in the Internet Poker Fund subject to appropriation by the Legislature.

Article 9. Preemption of Local Regulation

19990.90. A city, county, or city and county shall not regulate, tax, or enter into a contract with respect to any matter related to this chapter. This section does not prohibit or limit the investigation and prosecution of any violation of this chapter.



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Article 10. Reports to the Legislature

19990.95. Notwithstanding Section 10231.5 of the Government Code, within one year of the effective date of this chapter and, annually thereafter, the department, in consultation with the commission, the Treasurer, and the Franchise Tax Board, shall issue a report to the Legislature describing the state's efforts to meet the policy goals articulated in this chapter. The report shall be submitted in compliance with Section 9795 of the Government Code.

19990.96. (a) At least four years after the issue date of any license pursuant to this chapter, but no later than five years after that date, the Bureau of State Audits shall issue a report to the Legislature detailing the implementation of this chapter. The State Auditor may advise the Legislature on any recommendations regarding the terms of licensure, including the consideration paid to the state, the economic and operational impacts upon the licensee and the state, and any other issues that may be relevant to

the state's decision whether to impose modifications on existing licensees' fees or terms of licensure. The report may also advise the Legislature as to any proposed changes to Article 5 (commencing with Section 19990.30) of this chapter.

(b) A report submitted pursuant to subdivision (a) shall be submitted in compliance with Section 9795 of the Government Code.

(c) Pursuant to Section 10231.5 of the Government Code, this section is repealed on January 1, 2020.

SEC. 2. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 3. The Legislature finds and declares that Section 1 of this act, which adds Chapter 5.2 (commencing with Section 19990.01) to Division 8 of the Business and Professions Code, imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

The limitations on the people's rights of access set forth in this chapter are necessary to protect the privacy and integrity of information submitted by the registered players as well as the proprietary information of the license applicants and licensees.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new



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crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 5. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to protect the interests of Californians who play Internet poker games and to ensure that people play fair games, that the state realizes the revenues, and that suitable persons operate intrastate Internet poker games, it is necessary that this act take effect immediately.

