

AMENDED IN SENATE MAY 28, 2010

**SENATE BILL**

**No. 1485**

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**Introduced by ~~Committee on Governmental Organization (Senators Wright (Chair), Calderon, Denham, Florez, Harman, Negrete McLeod, Oropeza, Padilla, Price, Wyland, and Yee) Senator Wright~~**

March 8, 2010

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~~An act to amend Section 19805 of the Business and Professions Code, relating to gambling.~~ *An act to add and repeal Chapter 5.2 (commencing with Section 19990.01) of Division 8 of the Business and Professions Code, relating to Internet gambling, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1485, as amended, ~~Committee on Governmental Organization Wright. Gambling Control Act: licenses.~~ *Internet gambling.*

*The Gambling Control Act provides for the licensure of certain individuals and establishments that conduct controlled games, as defined, and for the regulation of these gambling activities by the California Gambling Control Commission. Existing law provides for the enforcement of those regulations by the Department of Justice. Any violation of these provisions is punishable as a misdemeanor, as specified.*

*This bill would establish a framework to authorize intrastate Internet gambling, as specified. The bill would require the department to issue a request for proposals to enter into contracts with up to 3 hub operators, as defined, to provide lawful Internet gambling games to registered players in California for a period of 5 years, as specified.*

*The bill would provide that it would be unlawful for any person to play any gambling game provided over the Internet that is not authorized by the state pursuant to this bill. By creating a new crime, this bill would impose a state-mandated local program.*

*The bill would require a hub operator to disperse at least 20% of its gross revenues to the Treasurer on a monthly basis.*

*The bill would also create the Internet Gambling Fund which would be administered by the Controller subject to annual appropriation by the Legislature, and which would not be subject to the formulas established by statute directing expenditures from the General Fund, for appropriation by the Legislature to state agencies for purposes related to the bill.*

*Existing law provides that a statute that imposes a requirement that a state agency submit a periodic report to the Legislature is inoperative on a date 4 years after the date the first report is due.*

*This bill would require the commission, notwithstanding that requirement, in consultation with the department, Treasurer, and Franchise Tax Board, to issue a report to the Legislature describing the state's efforts to meet the policy goals articulated in this bill within one year of the effective date of this bill and, annually, thereafter.*

*The bill would also require the Bureau of State Audits, at least 2 years before the expiration of any hub operations contract with the state, to issue a report to the Legislature detailing the bureau's implementation of this bill, as specified.*

*The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.*

*This bill would provide that no reimbursement is required by this act for a specified reason.*

*The bill would make these provisions inoperative on January 1, 2017, and repeal them on that date unless a later enacted statute, that is enacted before January 1, 2017, deletes or extends that date.*

*This bill would declare that it is to take effect immediately as an urgency statute.*

~~*The Gambling Control Act provides for the licensure of certain individuals and establishments involved in various gambling activities, and for the regulation of those activities, by the California Gambling Control Commission. Existing law requires certain persons employed*~~

in the operation of a gambling enterprise, known as key employees, to apply for and obtain a key employee license.

This bill would include surveillance managers or supervisors in the definition of “key employee” and make other technical changes to these provisions.

Vote: ~~majority~~<sup>2/3</sup>. Appropriation: no. Fiscal committee: yes. State-mandated local program: ~~no~~<sup>yes</sup>.

*The people of the State of California do enact as follows:*

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

4  
5             CHAPTER 5.2. THE INTERNET GAMBLING CONSUMER  
6             PROTECTION AND PUBLIC-PRIVATE PARTNERSHIP ACT OF 2010

7  
8             Article 1. Title, Legislative Declarations, and Statement of  
9                             Legislative Intent

10  
11     19990.01. This act shall be known and may be cited as the  
12     Internet Gambling Consumer Protection and Public-Private  
13     Partnership Act of 2010.

14     19990.02. The Legislature hereby finds and declares all of the  
15     following:

16     (a) Over 1.5 million Californians participate in illegal online  
17     gambling on more than 600 unregulated gambling Internet Web  
18     sites every week. These gambling Web sites are operated by  
19     offshore operators that are not regulated by United States  
20     authorities. As such, neither federal nor California laws provide  
21     any consumer protections for California players. California players  
22     assume all risks, any negative social or financial impacts are borne  
23     by the citizens of California, and the revenues generated from  
24     online poker are being realized by offshore operators and not  
25     providing any benefits to the citizens of California.

26     (b) The presence, operation, and expansion of offshore,  
27     unlicensed, and unregulated gambling Web sites available to  
28     Californians endangers Californians because the current gambling  
29     Web sites operate illegally and without regulation as demonstrated  
30     by criminal prosecutions of some Internet gambling purveyors,

1 *and questions often arise about the honesty and the fairness of the*  
2 *games played on these gambling Web sites as well as about the*  
3 *true purpose for, and use of, proceeds generated by these*  
4 *unregulated gambling Web sites.*

5 *(c) In October 2006, Congress passed the SAFE Port Act, to*  
6 *increase the security of United States ports. Embedded within the*  
7 *language of that bill was a section called the Unlawful Internet*  
8 *Gambling Enforcement Act of 2006 (UIGEA), which prohibits the*  
9 *use of banking instruments, including credit cards, checks, or fund*  
10 *transfers, for interstate Internet gambling, essentially prohibiting*  
11 *the play of online real-money poker by United States citizens.*  
12 *UIGEA permits individual states to create a regulatory framework*  
13 *to enable intrastate Internet play of games of real-money poker.*

14 *(d) State regulation of Internet gambling consistent with federal*  
15 *law provides California with the means to protect its citizens and*  
16 *consumers under certain conditions by providing a framework to*  
17 *ensure that, among other things, minors are prevented from*  
18 *gambling, citizens participating in gambling activities are*  
19 *protected, and the state is not deprived of income tax revenues to*  
20 *which it would otherwise be entitled.*

21 *(e) The state currently maintains and implements substantial*  
22 *regulatory and law enforcement efforts to protect thousands of*  
23 *Californians who play real-money poker in licensed California*  
24 *cardrooms and tribal government casinos, yet the state provides*  
25 *no licensing requirements, regulatory structure, or law enforcement*  
26 *tools to protect millions of Californians who play the same games*  
27 *daily for money on the Internet.*

28 *(f) In order to protect the millions of Californians who gamble*  
29 *online, allow state law enforcement to ensure consumer protection,*  
30 *and to keep the revenues generated from Internet poker in*  
31 *California, it is in the best interest of the state and its citizens to*  
32 *authorize, implement, and create a legal system for intrastate*  
33 *Internet gambling.*

34 *(g) The state's interests are best met by a private-public*  
35 *partnership between the state and up to three hub operators, the*  
36 *terms of which would facilitate meeting the important consumer*  
37 *protection interests of the state while ensuring, through the success*  
38 *of the hub operators, that the state receives the benefits of the*  
39 *contract as well as tax revenues that it would otherwise not receive.*

1     (h) *The state’s interests are best met by encouraging competition*  
2 *among qualified hub operators with the technical expertise and*  
3 *systems that comply with federal law, protect registered players,*  
4 *and ensure that the state collects consideration under its contract*  
5 *with the hub operators, personal income taxes owed by registered*  
6 *players, and corporate taxes from the earnings of hub operators.*

7     (i) *The Department of Justice, in conjunction with other state*  
8 *agencies and private partners, has the expertise to evaluate the*  
9 *qualifications of applicants and responses to a request for proposal*  
10 *for intrastate Internet gambling services, including those that a*  
11 *hub operator will provide, and to enter into a contract with the*  
12 *best qualified and most responsive applicants to meet the needs*  
13 *of the state and its citizens.*

14     (j) *The authorization of intrastate Internet gambling pursuant*  
15 *to these provisions does not violate the California Constitution or*  
16 *interfere with any right under any compact between the state and*  
17 *any federally recognized Indian tribe. Moreover, the authorization*  
18 *and regulation of intrastate Internet gambling pursuant to these*  
19 *provisions do not violate the exclusivity provisions of any compact*  
20 *between the state and any federally recognized Indian tribe.*  
21 *Internet gambling will take place throughout California on both*  
22 *tribal and nontribal lands. Moreover, the facilities used in the*  
23 *provision of Internet gambling are not slot machines or gaming*  
24 *devices as defined in any of those compacts. While the Indian*  
25 *Gaming Regulatory Act balanced the interests of three sovereigns,*  
26 *the state, the tribes, and the federal government, UIGEA was*  
27 *designed to balance the federal interest in secure financial*  
28 *transactions with the state power to determine how online gambling*  
29 *should take place within the states. Finally, application of UIGEA*  
30 *in California does not violate federal Indian law by impinging*  
31 *upon protected tribal sovereignty.*

32     (k) *Nothing in this chapter prohibits federally recognized Indian*  
33 *tribes within California from participating in intrastate Internet*  
34 *gambling pursuant to these provisions subject to the jurisdiction*  
35 *of the state.*

36     19990.03. *It is the intent of the Legislature to create a*  
37 *contractual framework to:*

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

- 1     **(b)** *Authorize the Department of Justice, pursuant to a request*  
2 *for proposal (RFP) seeking hub applicants issued consistent with*  
3 *the terms and conditions in this chapter, to enter into a five-year*  
4 *contract with up to three hub operators that meet the background*  
5 *requirements and demonstrate the technical expertise to ensure*  
6 *that wagering authorized by this chapter is only offered to*  
7 *registered players who are physically present within the borders*  
8 *of California at the time of play and who are 21 years of age or*  
9 *older.*
- 10    **(c)** *Authorize the Department of Justice, at the conclusion of*  
11 *the five-year term and subject to any amendments to this chapter,*  
12 *to do the following:*
- 13     **(1)** *Offer an extension of five years or more to any hub operator*  
14 *offering authorized games to registered players pursuant to this*  
15 *chapter.*
- 16     **(2)** *Issue an RFP consistent with this chapter seeking additional*  
17 *hub applicants should the Legislature determine to increase the*  
18 *number of hub operators.*
- 19    **(d)** *Include all of the provisions in this chapter as terms of the*  
20 *contract between the state and a hub operator subject to the*  
21 *enforcement provisions delineated in this chapter.*
- 22    **(e)** *Ensure that a hub operator complies with federal and state*  
23 *laws and regulations.*
- 24    **(f)** *Grant power to the state agencies authorized in this chapter*  
25 *to oversee the operations of any hub operator and to enforce the*  
26 *terms of the contract to ensure that the interests of the state and*  
27 *registered players are protected.*
- 28    **(g)** *Establish a process that includes a background check and*  
29 *requires that every employee of any hub operator or subcontractor*  
30 *receives an Internet hub employee work permit from the state prior*  
31 *to gaining access to hub facilities.*
- 32    **(h)** *Ensure that the state is able to collect income tax revenues*  
33 *from registered players.*
- 34    **(i)** *Set contractual consideration to be paid by a hub operator*  
35 *to the state without creating a tax.*
- 36    **(j)** *Distribute contractual consideration collected by the state*  
37 *from all hub operators to the Internet Gambling Fund, which shall*  
38 *be administered by the Controller subject to annual appropriation*  
39 *by the Legislature, and which shall not be subject to the formulas*

1 established by law directing expenditures from the General Fund,  
2 for the following:

3 (1) The actual costs of contractual oversight, consumer  
4 protection, state regulation, and problem gaming programs.

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

7 (k) Create systems to protect each registered player's private  
8 information and prevent fraud and identity theft.

9 (l) Ensure that registered players are able to have their financial  
10 transactions processed in a secure and transparent fashion.

11 (m) Ensure that all applicable state agencies will have unfettered  
12 access to the premises and records of any hub operator to ensure  
13 strict compliance with state regulations concerning credit  
14 authorization, account access, and other security provisions.

15 (n) Require that each hub operator provide registered players  
16 with accessible customer service.

17 (o) Require that each hub operator's Internet Web site contain  
18 information relating to problem gambling, including a telephone  
19 number that an individual may call to seek information and  
20 assistance for a potential gambling addiction.

21 (p) Require that any hub operator and its subcontractors be  
22 organized in California and locate the hub and its facilities entirely  
23 within the state, without precluding foreign entities from creating  
24 California subsidiaries for the purposes of applying to become a  
25 California hub operator.

26 (q) Ensure that all Internet hub employees are physically present  
27 in the state when working on or in hub facilities or when in contact  
28 with registered players.

29 (r) Create an express exemption from disclosure, pursuant to  
30 the Public Records Act under subdivision (b) of Section 6253 of  
31 the Government Code, that exempts from public disclosure  
32 proprietary information of a hub applicant or a hub operator that  
33 will permit disclosure of confidential information to state agencies  
34 while achieving the public policy goals of deploying secure systems  
35 that protect the interests of the state and registered players.

36 (s) Preserve the authority of the Legislature to opt out of, or  
37 opt into, any federal framework for Internet gambling, or to enter  
38 into any compact with other states to provide Internet gambling.

1 (t) *As a matter of statewide concern, preempt any city, county,*  
2 *or city and county from passing any law or ordinance regulating*  
3 *or taxing any matter covered in this chapter.*

4  
5 *Article 2. Definitions*  
6

7 *19990.05. For the purpose of this chapter the following words*  
8 *have the following meanings:*

9 (a) *“Accepted proposal” means a response by the state to an*  
10 *RFP submitted by a hub applicant selecting that hub applicant to*  
11 *become a hub operator.*

12 (b) *“Affiliate” means any person or entity with more than a 5*  
13 *percent ownership interest in a hub operator, a hub applicant, or*  
14 *a subcontractor, or in which a hub operator, a hub applicant, or*  
15 *a subcontractor owns more than a 5 percent interest.*

16 (c) *“Authorized game” means a game played using a hub*  
17 *pursuant to the explicit authority of the state or offered by a hub*  
18 *operator without objection by the state.*

19 (d) *“Background check” means a criminal history record check*  
20 *and the electronic submission of fingerprints to the Department*  
21 *of Justice and to the Federal Bureau of Investigation for national*  
22 *processing.*

23 (e) *“Bet” means the placement of a wager in a game.*

24 (f) *“Commission” means the California Gambling Control*  
25 *Commission.*

26 (g) *“Contract” means the agreement entered into between a*  
27 *hub operator and the State of California pursuant to which a hub*  
28 *operator provides authorized games for consideration to the state.*

29 (h) *“Department” means the Department of Justice.*

30 (i) *“Division” means the Division of Gambling Control of the*  
31 *Department of Justice.*

32 (j) *“Finding of suitability” means a finding by the commission*  
33 *that a person meets the qualification criteria described in Section*  
34 *19990.23, and that the person would not be disqualified from being*  
35 *a hub operator on any of the grounds specified in Section 19990.23.*

36 (k) *“Gambling” means to deal, operate, carry on, conduct,*  
37 *maintain, or expose for play any game.*

38 (l) *“Game” means any gambling game.*

1 (m) “Gaming system” means the technology, including  
2 hardware and software, used by a hub operator to facilitate the  
3 offering of authorized games to registered plays.

4 (n) “Gross revenues” means the total amount of money received  
5 by a hub operator from registered players for participation in  
6 authorized games.

7 (o) “Hub” means all facilities and software used to facilitate  
8 activities delineated in this chapter.

9 (p) “Hub applicant” means any person or entity which has  
10 submitted a proposal to enter into a contract with the state to  
11 become a hub operator.

12 (q) “Hub facility” means any physical area used by a hub  
13 operator.

14 (r) “Hub operator” means an entity that has a contract with  
15 the state pursuant to which that entity offers authorized games to  
16 registered players on the Internet.

17 (s) “Internet Gambling Fund” means the fund established  
18 pursuant to this chapter for annual allocation by the Legislature.

19 (t) “Internet hub employee” means any natural person employed  
20 in the operation of a hub by a hub operator or a subcontractor.

21 (u) “Internet hub employee work permit” means a permit issued  
22 to an Internet hub employee by the commission after a background  
23 check by the division.

24 (v) “Intrastate authorized games” means the playing of  
25 authorized games over the Internet by registered players who must  
26 be physically present within the borders of California at the time  
27 of play.

28 (w) “Land-based gaming entity” means a card club operated  
29 pursuant to Chapter 5 (commencing with Section 19800) or a  
30 casino operated by a federally recognized Indian tribe on Indian  
31 land in California which provides any game for players on its  
32 premises that is offered on a hub.

33 (x) “Online self-exclusion form” means a form on which an  
34 individual notifies a hub operator that she or he must be excluded  
35 from participation in authorized games for a stated period of time.

36 (y) “Per hand charge” means the amount charged by the hub  
37 operator for registered players to play in a per hand game.

38 (z) “Per hand game” means an authorized game for which the  
39 hub operator charges the player for each hand.

- 1     (aa) *“Play settings” means the options and default parameters*  
2 *made available by a hub operator to a registered player in the*  
3 *play of authorized games.*
- 4     (ab) *“Proposal” means any and all submissions by a hub*  
5 *applicant to the state prior to entering into a contract with the*  
6 *state.*
- 7     (ac) *“Proprietary information” means and includes all*  
8 *information that, whether or not patentable or registerable under*  
9 *patent, copyright, trademark, or similar statutes, (1) can be*  
10 *protected as a trade secret under California law or any other*  
11 *applicable state law, federal law, or foreign law, or (2) derives*  
12 *independent economic value, actual or potential, from not being*  
13 *generally known to the public or to other persons who can obtain*  
14 *economic value from its disclosure or use. “Proprietary*  
15 *information” includes, but is not limited to, computer programs,*  
16 *databases, data, algorithms, formulae, expertise, improvements,*  
17 *discoveries, concepts, inventions, developments, methods, designs,*  
18 *analyses, drawings, techniques, strategies, new products, reports,*  
19 *unpublished financial statements, budgets, projections, billing*  
20 *practices, pricing data, contacts, client and supplier lists, and*  
21 *business and marketing records, working papers, files, systems,*  
22 *plans and data, and all registrations and applications related*  
23 *thereto.*
- 24     (ad) *“Registered player” means a player who has registered*  
25 *with a hub operator to play authorized games.*
- 26     (ae) *“Registration information” means the information provided*  
27 *by a person to a hub operator in order to become a registered*  
28 *player.*
- 29     (af) *“RFP” means a request for proposal issued by the state.*
- 30     (ag) *“Robotic play” means the use of a machine by a registered*  
31 *player to take the next action at any point in a game.*
- 32     (ah) *“State” means the State of California.*
- 33     (ai) *“Subcontractor” means any person or entity providing*  
34 *goods or services to a hub operator in connection with the*  
35 *operation of authorized games.*
- 36     (aj) *“Table” means a physical table at which games are legally*  
37 *played at land-based gaming entities licensed in the state.*
- 38     (ak) *“Terms of Use Registered Player’s Agreement” means the*  
39 *agreement offered by a hub operator and accepted by a registered*  
40 *player delineating, among other things, permissible and*

1 *impermissible activities on a hub and the consequences of engaging*  
2 *in impermissible activities.*

3 (al) *“Tournament” means a competition in which registered*  
4 *players play a series of authorized games to decide the winner.*

5 (am) *“Tournament charge” means the amount charged by the*  
6 *hub operator for registered players to play in a tournament.*

7 (an) *“Tournament winnings” means the amount of any prize*  
8 *awarded to a registered player in a tournament.*

9 (ao) *“Tribe” means a federally recognized Indian tribe,*  
10 *including, but not limited to, the governing body of that tribe or*  
11 *any entity that is an affiliate of that tribe.*

12

13 *Article 3. Legal Authorized Games Offered Over the Internet*  
14 *in California*

15

16 *19990.10. Under the Unlawful Internet Gambling Enforcement*  
17 *Act of 2006, California is permitted to authorize games as long*  
18 *as all players and the online wagering activities are located within*  
19 *the state and the games are not played by minors.*

20 *19990.11. Notwithstanding any other law, a person in*  
21 *California over 21 years of age is hereby permitted to participate*  
22 *as a registered player in an authorized game provided over the*  
23 *Internet by a hub operator as described in this chapter.*

24 *19990.12. (a) A person shall not offer any game on the Internet*  
25 *in this state unless that person holds a valid contract entered into*  
26 *with the state to offer authorized games as a hub operator pursuant*  
27 *to this chapter.*

28 (b) *It is unlawful for any person to play any game provided on*  
29 *the Internet that is not authorized by the state pursuant to this*  
30 *chapter.*

31 (c) *Chapter 5 (commencing with Section 19800) of Division 8*  
32 *shall not apply to this chapter.*

33

34 *Article 4. Selection of a Hub Operator*

35

36 *19990.20. Consistent with this chapter within \_\_\_\_ days of the*  
37 *operative date of this chapter the department shall do the*  
38 *following:*

1 (a) Issue an RFP to enter into contracts with up to three hub  
2 operators to provide lawful Internet games in California for a  
3 period of five years.

4 (b) Issue all rules governing the submission of proposals and  
5 awarding of hub contracts consistent with this chapter.

6 19990.21. A person shall not have an ownership interest in  
7 more than one hub.

8 19990.22. (a) In issuing the RFP, the department shall clearly  
9 and precisely describe how any hub applicant's proposal shall be  
10 scored and the basis it will use to determine which proposal or  
11 proposals it will accept.

12 (1) The department shall establish a minimum score that any  
13 hub applicant must achieve in order to be qualified to receive an  
14 offer for a state contract to become a hub operator.

15 (2) Factors to be considered in evaluating hub applicants shall  
16 include, but are not limited to, quality, competence, experience,  
17 past performance, efficiency, reliability, financial viability,  
18 durability, adaptability, timely performance, integrity, security,  
19 and the consideration promised to the state.

20 (3) In establishing scoring parameters for evaluation of all the  
21 proposals and what weight should be given to the specific elements  
22 within each hub applicant's proposal, the department's selection  
23 criteria shall give preference to proposals that meet the following  
24 criteria:

25 (A) Are most responsive.

26 (B) Are most qualified.

27 (C) Have as a managing general partner or chief executive  
28 officer for the proposed hub operator either of the following:

29 (i) A holder of an owner license issued by the commission  
30 pursuant to subdivision (a) of Section 19851 of the Business and  
31 Professions Code who is in good standing at the time the hub  
32 applicant submits its proposal.

33 (ii) An official representative of the government of a federally  
34 recognized Indian tribe with a tribal-state gaming compact with  
35 the state.

36 (D) Have as a hub applicant or as a subcontractor or  
37 subcontractors a small business or microbusiness eligible to  
38 participate in the Small Business Procurement and Contract Act  
39 (Chapter 6.5 (commencing with Section 14835) of Part 5.5 of  
40 Division 3 of Title 2 of the Government Code).

1 (E) Have as a hub applicant or a subcontractor or  
2 subcontractors a disabled veteran business enterprise contractor,  
3 subcontractor, or supplier eligible to participate in the California  
4 Disabled Veteran Business Enterprise Program (Article 6  
5 (commencing with Section 999) of Division 4 of the Military and  
6 Veterans Code).

7 (F) Propose to locate hub facilities in a distressed area  
8 designated by the Office of Planning and Research under the  
9 Target Area Contract Preference Act (Chapter 10.5 (commencing  
10 with Section 4530) of Division 5 of Title 1 of the Government  
11 Code), or the regulations promulgated under that act.

12 (G) Propose to locate hub facilities in a enterprise zone  
13 designated by the State Trade and Commerce Agency pursuant to  
14 the Enterprise Zone Act (Chapter 12.8 (commencing with Section  
15 7070) of Division 7 of Title 1 of the Government Code), or the  
16 regulations promulgated under that act.

17 (H) Propose to locate hub facilities in a military base area  
18 designated by the State Trade and Commerce Agency pursuant to  
19 the Local Agency Military Base Recovery Area Act (Chapter 12.97  
20 (commencing with Section 7105) of Division 7 of Title 1 of the  
21 Government Code), or the regulations promulgated under that  
22 act.

23 (4) The department shall not have to comply with the provisions  
24 of Section 12103.5 of the Public Contracts Code prior to issuing  
25 the RFP.

26 (b) The department shall accept up to three proposals within  
27 one year of the operative date of this chapter pursuant to its  
28 determination of rules governing the awarding of a hub contract,  
29 as described in Section 19990.20.

30 (c) A person or entity submitting a proposal to become a hub  
31 operator shall be a resident of California or an entity organized  
32 in California and have all of its hub facilities in California.

33 (1) At all times, a hub applicant or hub operator shall be  
34 domiciled in California and in good standing with the Secretary  
35 of State and the Franchise Tax Board.

36 (2) All subcontractors of a hub applicant or a hub operator, or  
37 otherwise providing goods or performing services in connection  
38 with the operation of authorized games for the hub applicant, hub  
39 operator, or any of its subcontractors, shall be subject to the  
40 provisions of this subdivision. If a hub operator desires to enter

1 into an agreement with a person or entity to provide goods or  
2 services in connection with the operation of authorized games,  
3 that person or entity shall be subject to the provisions of this  
4 subdivision and investigation and a finding of suitability as set  
5 forth in Section 19990.23.

6 (d) In addition to any other confidentiality protections afforded  
7 to applicants for state contracts, the state and its agencies shall  
8 treat the proprietary information contained in any proposal of any  
9 hub applicant as confidential to protect the hub applicant and to  
10 protect the security of any prospective hub. Nothing in this chapter  
11 prohibits the exchange of confidential information between or  
12 among state agencies considering a proposal by a hub applicant  
13 to become a hub operator. The confidentiality provisions in this  
14 chapter shall exempt proprietary information supplied by a hub  
15 applicant to a state agency from public disclosure consistent with  
16 subdivision (b) of Section 6253 of the Government Code.

17 (e) At the time of its submission of a proposal and response to  
18 the RFP, a hub applicant shall pay a nonrefundable filing charge  
19 of \_\_\_\_ dollars (\$\_\_\_\_) to be paid to the state and received by the  
20 department for the reasonably anticipated costs to be incurred by  
21 the state agencies to evaluate the proposal separate from costs  
22 associated with evaluating the suitability of a hub applicant.

23 (f) At the time of its submission of a proposal response to the  
24 RFP, any hub applicant shall post a bond payable to the state in  
25 the amount of \_\_\_\_ dollars (\$\_\_\_\_).

26 (1) The bond shall be returned to the hub applicant if the  
27 commission finds that the hub applicant is not suitable to be a hub  
28 operator or if its proposal is not accepted by the department.

29 (2) Upon acceptance of a hub applicant's proposal and the  
30 granting of a contract to that applicant to operate a hub in the  
31 state, the bond shall become immediately due and owing to the  
32 state.

33 (g) A federally recognized Indian tribe, including, but not limited  
34 to, the governing body of that tribe or any entity that is an affiliate  
35 of that tribe, that submits a proposal in response to the RFP issued  
36 by the department shall waive its sovereignty for the purpose of  
37 evaluation of its proposal. The proposal shall affirmatively declare  
38 that the hub applicant is subject to the state's jurisdiction as set  
39 forth in this chapter and in the rules adopted by state agencies.  
40 Any contract between the state and a federally recognized Indian

1 *tribe entered into to provide authorized games as a hub operator*  
2 *shall include that tribe's affirmative agreement to be subject to*  
3 *the jurisdiction of the state for all purposes under this chapter.*

4 *(h) A hub applicant may withdraw its proposal at any time prior*  
5 *to final action on the proposal submitted in response to the RFP*  
6 *by the filing of a written request to the department.*

7 *19990.23. Prior to considering any proposal submitted in*  
8 *response to the RFP, the department shall send the proposal to*  
9 *the commission and the division to review the hub applicant's*  
10 *suitability to be a hub operator.*

11 *(a) The commission and division shall conduct an investigation*  
12 *into the suitability of any hub applicant to be a hub operator and*  
13 *the commission shall issue findings of suitability to be a hub*  
14 *operator to the department within \_\_\_\_ days of the submission of*  
15 *the proposal. The investigation shall include the following entities*  
16 *and individuals:*

17 *(1) The hub applicant and all of its subcontractors.*

18 *(2) All officers of a hub applicant and its subcontractors.*

19 *(3) Any employee, independent contractor, or other person with*  
20 *decisionmaking authority with respect to the hub applicant or any*  
21 *of its subcontractors.*

22 *(4) The owners of the following:*

23 *(A) A hub applicant.*

24 *(B) Any affiliate of the hub applicant.*

25 *(C) Any subcontractors of a hub applicant, or other persons or*  
26 *entities otherwise providing goods or performing services.*

27 *(D) Any affiliate of a subcontractor of a hub applicant, or other*  
28 *persons or entities otherwise providing goods or performing*  
29 *services.*

30 *(b) In addition to the bond paid at the time of submitting a*  
31 *proposal response to the RFP pursuant to subdivision (f) of Section*  
32 *19990.22, a hub applicant shall pay an additional nonrefundable*  
33 *charge of \_\_\_\_ dollars (\$\_\_\_\_) to be paid to the state and received*  
34 *by the division to compensate the commission and the division for*  
35 *the reasonably anticipated costs to be incurred by the commission*  
36 *and the division to determine the suitability of the applicant to be*  
37 *a hub operator.*

38 *(c) The commission shall issue a finding of suitability for a hub*  
39 *applicant to be a hub operator only if, based on all of the*  
40 *information and documents submitted, and based upon the*

1 recommendation of the division, the commission is satisfied that  
2 each of the individuals subject to investigation pursuant to  
3 subdivision (a) is both of the following:

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

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

12 (d) The commission shall issue a finding that a hub applicant  
13 is not suitable to be a hub operator if it finds that any individual  
14 or entity subject to investigation pursuant to subdivision (a):

15 (1) Fails to clearly establish eligibility and qualification in  
16 accordance with this chapter.

17 (2) Fails to provide information, documentation, and assurances  
18 required by this chapter or requested by the commission, or, with  
19 respect to a hub applicant, fails to reveal any fact material to  
20 qualification, or supplies information that is untrue or misleading  
21 as to a material fact pertaining to the suitability criteria.

22 (3) Has been convicted of a felony, including a conviction by a  
23 federal court or a court in another state for a crime that would  
24 constitute a felony if committed in California.

25 (4) Has been convicted of any misdemeanor involving dishonesty  
26 or moral turpitude within the 10-year period immediately preceding  
27 the submission of the application, unless the applicant has been  
28 granted relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of  
29 the Penal Code. However, the granting of relief pursuant to Section  
30 1203.4, 1203.4a, or 1203.45 of the Penal Code shall not constitute  
31 a limitation on the discretion of the commission or affect the  
32 applicant's burden.

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

35 (6) Has contemptuously defied any legislative investigative  
36 body, or other official investigative body of any state or of the  
37 United States, when that body is engaged in the investigation of  
38 crimes relating to gambling, official corruption related to gambling  
39 activities, or criminal profiteering activity or organized crime, as  
40 defined in Section 186.2 of the Penal Code.

1 (7) *Is less than 21 years of age.*

2 (8) *Offers games over the Internet in this state without a valid*  
3 *contract with the state to be a hub operator.*

4 (e) *The commission may find either a holder of a current state*  
5 *gambling license to own or operate a land-based gambling entity,*  
6 *or a federally recognized Indian tribe operating a gambling*  
7 *establishment pursuant to a tribal-state gaming compact, suitable*  
8 *to become a hub operator.*

9 (f) *The department shall reject the RFP of any hub applicant*  
10 *which the commission finds unsuitable to be a hub operator subject*  
11 *to the provisions of this section.*

12 (1) *If denial of the application is recommended, the commission*  
13 *shall prepare and file written reasons upon which the*  
14 *recommendation is based with the department.*

15 (A) *Prior to filing a recommendation with the department, the*  
16 *commission shall meet with the applicant, or the applicant's duly*  
17 *authorized representative, and inform the applicant generally of*  
18 *the basis for any proposed recommendation that the application*  
19 *be denied, restricted, or conditioned.*

20 (B) *This section neither requires the commission to divulge to*  
21 *the applicant any confidential information received from any law*  
22 *enforcement agency or any information received from any person*  
23 *with assurances that the information would be maintained*  
24 *confidential, nor to divulge any information that might reveal the*  
25 *identity of any informer or jeopardize the safety of any person.*

26 (2) *A recommendation of denial of an application shall be*  
27 *without prejudice to a new and different application filed in*  
28 *accordance with any rules adopted by the department with respect*  
29 *to the submission of proposals.*

30 19990.24. *In addition to any other data that the RFP shall*  
31 *request from hub applicants as a matter of law and to ensure that*  
32 *any hub applicant is legally, technically, and financially qualified*  
33 *to become a hub operator, the RFP shall request that any hub*  
34 *applicant name, describe, or provide all of the following:*

35 (a) *The hub applicant's qualification and the qualifications of*  
36 *its executives and Internet hub employees to receive an Internet*  
37 *hub employee work permit as set forth in Section 19990.31.*

38 (b) *The hub applicant's experience and qualifications to provide*  
39 *the services anticipated of a hub operator as set forth in this article.*

- 1     (c) *The names of all of the hub applicant’s owners, executives,*  
2 *and Internet hub employees as well as sufficient personally*  
3 *identifiable information on each of those persons to conduct*  
4 *background checks as required by the commission and the division.*
- 5     (d) *The fingerprints of the owners, directors, managers,*  
6 *executives, and Internet hub employees of the hub operator, its*  
7 *affiliates, and subcontractors taken in either a police station in*  
8 *the state or at a department office in the state.*
- 9     (e) *Documentation and information relating to the hub applicant*  
10 *and its direct and indirect owners, including, but not limited to,*  
11 *all of the following:*
- 12     (1) *With respect to the hub applicant and any of its*  
13 *subcontractors, proof of formation in California, including, as*  
14 *applicable, articles of incorporation, articles of organization,*  
15 *bylaws, operating agreement, partnership agreement, or other*  
16 *founding documents.*
- 17     (2) *Current and historical audited financial and accounting*  
18 *records.*
- 19     (3) *Any and all documents relating to legal and regulatory*  
20 *proceedings.*
- 21     (4) *Any and all documents relating to the hub applicant’s*  
22 *business history.*
- 23     (5) *Any and all documents relating to the nature and sources*  
24 *of the hub applicant’s financing, including, but not limited to,*  
25 *operating agreements, partnership agreements, stock purchase*  
26 *agreements, pro forma cap tables, pro forma statements of profits*  
27 *and loss, investor rights agreements, voting agreements, and*  
28 *shareholder agreements, provided however, that these materials*  
29 *may be submitted subject to a request for confidentiality.*
- 30     (6) *Any and all documentation that demonstrates that the hub*  
31 *applicant is financially qualified to perform the obligations of a*  
32 *hub operator as described in this article.*
- 33     (f) *Documentation and information relating to all proposed*  
34 *subcontractors of the hub applicant, including, but not limited to,*  
35 *all of the following:*
- 36     (1) *A description of the services to be provided by each*  
37 *subcontractor.*
- 38     (2) *Information for each subcontractor as set forth in*  
39 *subdivisions (b), (c), and (d).*

1 (3) For subcontractors that are not formed in California, a  
2 commitment in writing by the subcontractor to create a California  
3 subsidiary prior to the commencement of authorized games  
4 provided by the hub operator.

5 (g) A description of the games and services the hub applicant  
6 proposes to offer to registered players.

7 (h) A description of how the hub facilities will accomplish the  
8 goals of this chapter, including, but not limited to:

9 (1) The hub's location within the state.

10 (2) The hub's security systems.

11 (i) The hub applicant's proposal for how it will facilitate  
12 compliance with all of the standards set forth in this chapter and  
13 federal law, including, but not limited to, Section 5362(10)(B) of  
14 Title 31 of the United States Code, including, but not limited to,  
15 all of the following:

16 (1) Age and location verification requirements reasonably  
17 designed to block access to minors and persons located out of  
18 state.

19 (2) Appropriate data security standards to prevent unauthorized  
20 access by any persons whose age and current location have not  
21 been verified in accordance with this chapter and applicable  
22 regulations.

23 (3) The requirement that the hub is located in California and  
24 all bets are initiated and received or otherwise made exclusively  
25 within California.

26 (j) The system requirements that the hub applicant plans to  
27 implement to achieve the state's goals under the state's contract  
28 with a hub operator, including, but not limited to:

29 (1) Connectivity.

30 (2) Hardware.

31 (3) Software.

32 (4) Antifraud systems.

33 (5) Virus prevention.

34 (6) Data protection.

35 (7) Access controls.

36 (8) Firewalls.

37 (9) Disaster recovery.

38 (10) Redundancy.

39 (11) Gaming systems, including, but not limited to, hardware  
40 and software that ensure all of the following:

1 (A) *The games are legal.*

2 (B) *The games are independent and fair and played by live*  
3 *persons.*

4 (C) *Game and betting rules are available to all registered*  
5 *players.*

6 (D) *All data used for the conduct of each game is randomly*  
7 *generated and unpredictable.*

8 (12) *Accounting systems, including but not limited to, those for*  
9 *any of the following:*

10 (A) *Registered player accounts.*

11 (B) *Per hand charges.*

12 (C) *Transparency and reporting to all state agencies.*

13 (D) *Distribution of funds, pursuant to the contract and this*  
14 *chapter, to the state and registered players.*

15 (E) *Ongoing auditing.*

16 (13) *Hub facility security systems to protect the hub from either*  
17 *internal or external threats.*

18 (k) *The hub applicant's proposal to facilitate the functions of*  
19 *the state agencies with jurisdiction over aspects of the hub's*  
20 *operations, including, but not limited to, all of the following:*

21 (1) *The division.*

22 (2) *The commission.*

23 (3) *The Treasurer.*

24 (4) *The Franchise Tax Board.*

25 (l) *In addition to demonstrating that the hub applicant is legally,*  
26 *technically, and financially qualified to become a hub operator,*  
27 *a hub applicant's proposal in response to the RFP shall describe*  
28 *how it will comply with all contractual obligations as provided in*  
29 *this chapter.*

30 19990.245. (a) *A holder of an owner license issued by the*  
31 *commission pursuant to subdivision (a) of Section 19851 who is*  
32 *in good standing at the time the hub applicant submits its proposal*  
33 *shall not be deemed unqualified to operate a land-based gambling*  
34 *entity by reason of an investment in a hub applicant or a hub*  
35 *operator.*

36 (b) *An official representative of the government of a federally*  
37 *recognized Indian tribe with a tribal-state gaming compact with*  
38 *the state shall not be deemed unqualified to operate a land-based*  
39 *gambling entity by reason of an investment in a hub applicant or*  
40 *a hub operator.*

1 (c) A person or entity who is a hub operator in another state is  
2 eligible to become a hub operator in California.

3 19990.25. The department, after considering the contents of  
4 the proposal, the recommendation of the commission, and any  
5 other written comments, shall apply the scoring standard released  
6 in issuing the RFP pursuant to Section 19990.22 and shall either  
7 deny a proposal or offer to enter into contract with a qualified hub  
8 applicant.

9 (a) The department shall determine that a hub applicant is  
10 qualified to receive an offer to become a hub operator if both of  
11 the following conditions are met:

12 (1) The hub applicant's proposal exceeds the minimum scoring  
13 standards established by Section 19990.22.

14 (2) The hub applicant's proposal is among the three highest  
15 scoring proposals submitted by all hub applicants.

16 (b) When the department offers to enter into a contract with a  
17 hub applicant, the department shall transmit the offer in writing  
18 to the hub applicant. The offer may limit or place restrictions that  
19 vary from the proposal as may be deemed necessary in the public  
20 interest, consistent with the policies described in this chapter.

21 (c) In order for the hub applicant to accept an offer, it shall  
22 respond in writing to the department within 10 days.

23 (d) Acceptance of the offer shall create a binding contract  
24 between the state and the hub applicant.

25 (e) If the department does not offer a hub applicant a contract  
26 with the state, the department shall prepare and issue a detailed  
27 statement of the department's reasons.

28 (f) A hub applicant whose proposal has not led to an offer from  
29 the department may bring an action to appeal that decision to the  
30 Office of Administrative Hearings.

31 (g) The decision by the department shall be upheld by the Office  
32 of Administrative Hearings if there is any substantial evidence to  
33 support the department's decision to deny the hub applicant's  
34 proposal.

35 (h) In the event that the Office of Administrative Hearings finds  
36 for the hub applicant, it shall return the proposal to the department  
37 for action consistent with the decision of the Office of  
38 Administrative Hearings.

39 19990.26. (a) At least two years prior to the expiration of any  
40 hub operator's contract with the state, the Bureau of State Audits

1 shall issue a report to the Legislature consistent with Section  
2 19990.96. The Legislature may consider whether to amend the  
3 statutes that govern the terms and conditions of the hub operator's  
4 contract with the state contained in Article 5 (commencing with  
5 Section 19990.30) before the expiration of the contracts with hub  
6 operators.

7 (b) In the event that the Legislature amends the provisions of  
8 Article 5 (commencing with Section 19990.30) that govern a  
9 contract between the state and a hub operator, the department  
10 shall offer an existing hub operator a new contract for five years  
11 or more under the new terms and conditions in accordance with  
12 statutory changes approved by the Legislature pursuant to this  
13 section. A hub operator shall indicate whether it accepts the new  
14 contract within 30 days of receiving the offer from the department.  
15 A hub operator's acceptance of the department's offer shall create  
16 a binding contract between the hub operator and the state.

17 19990.27. In the event that the Legislature authorizes the  
18 department to issue an RFP for an additional hub operator or hub  
19 operators, the department shall solicit proposals from new hub  
20 applicants to enter into a contract with the state for \_\_\_\_-year  
21 terms. In establishing scoring parameters for evaluation of all the  
22 proposals and what weight should be given to the specific elements  
23 within each hub applicant's proposal, the department's selection  
24 criteria shall be consistent with the amendments adopted to this  
25 chapter.

26 19990.28. At least one year prior to the expiration of a hub  
27 operator's contract with the state issued pursuant to Section  
28 19990.25, or as a result of the RFP process established pursuant  
29 to Section 19990.22, the department shall issue an RFP to solicit  
30 proposals from hub applicants to enter into a contract with the  
31 state for a \_\_\_\_-year term. In establishing scoring parameters for  
32 evaluation of all the proposals and what weight should be given  
33 to the specific elements within each hub applicant's proposal, the  
34 department's selection criteria shall give preference to proposals  
35 from an existing hub operator in compliance with its contractual  
36 obligations.

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Article 5. Rights and Obligations of a Hub Operator

1 19990.30. A hub operator shall comply with the terms of its  
2 contract with the state.

3 (a) An accepted proposal agreed to by the department and any  
4 hub applicant shall govern interpretation of the contract entered  
5 into between the state and a hub operator.

6 (b) Subject to state and federal law, a contract may be amended  
7 by mutual agreement of the department and a hub operator.

8 (c) In the event of an act by the Legislature that amends this  
9 chapter and is adopted after the terms of a contract between the  
10 state and any hub operator are established, a hub operator may  
11 declare the contract void within 60 days of the effective date of  
12 the amendment. If a hub operator does not make that declaration,  
13 it agrees to be bound by those amendments to this chapter.

14 (d) In the event of commercial infeasibility created by a change  
15 in federal law rendering the provision of intrastate Internet gaming  
16 services illegal or some other event, a hub operator may abandon  
17 its contract after providing the department with 90 days advance  
18 notice of its intent to end the contract and a statement explaining  
19 its interpretation that continuing to provide services under the  
20 contract is commercially infeasible. In response to notice provided  
21 by the hub operator under this subdivision, the state may file an  
22 action in the Superior Court of the County of Sacramento as it  
23 deems necessary to protect any state interests, including, but not  
24 limited to, the interests of registered players.

25 (e) In the event that any dispute arises between the parties to  
26 the contract, either the department or a hub operator may file an  
27 action in the superior court of any county in which the Attorney  
28 General has an office for an interpretation of the contract and the  
29 rights and responsibilities of the contract.

30 19990.31. Prior to initiating operations and thereafter, a hub  
31 operator shall ensure that every Internet hub employee has been  
32 issued an Internet hub employee work permit by the commission  
33 prior to having access to the hub facilities.

34 (a) A hub operator shall ensure that every person, who, as an  
35 employee of the hub operator, whether for hire or not, either solely  
36 or in conjunction with others, deals, operates, carries on, conducts,  
37 maintains, or exposes for play any authorized game in this state,  
38 shall apply for and obtain from the commission, and shall  
39 thereafter maintain, a valid Internet hub employee work permit,  
40 in the case of Internet hub employees, or work permit, otherwise.

1     ***(b) No Internet hub employee work permit shall be issued to***  
2 ***any person unless, based on all of the information and documents***  
3 ***submitted, the commission is satisfied that the applicant is all of***  
4 ***the following:***

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

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

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

15     ***(c) The commission shall disqualify an applicant for a Internet***  
16 ***hub employee work permit for any of the following reasons:***

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

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

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

28     ***(4) Conviction of the applicant for any misdemeanor involving***  
29 ***dishonesty or moral turpitude within the 10-year period***  
30 ***immediately preceding the submission of the application, unless***  
31 ***the applicant has been granted relief pursuant to Section 1203.4,***  
32 ***1203.4a, or 1203.45 of the Penal Code. However, the granting of***  
33 ***relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal***  
34 ***Code shall not constitute a limitation on the discretion of the***  
35 ***commission or affect the applicant's burden under subdivision (b).***

36     ***(5) Association of the applicant with criminal profiteering***  
37 ***activity or organized crime, as defined by Section 186.2 of the***  
38 ***Penal Code.***

39     ***(6) Contemptuous defiance by the applicant of any legislative***  
40 ***investigative body, or other official investigative body of any state***

1 or of the United States, when that body is engaged in the  
2 investigation of crimes relating to gambling, official corruption  
3 related to gambling activities, or criminal profiteering activity or  
4 organized crime, as defined by Section 186.2 of the Penal Code.

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

6 (d) A hub operator shall apply for an Internet hub employee  
7 work permit on behalf of each Internet hub employee.

8 (e) A person shall not be issued an Internet hub employee work  
9 permit unless the person would qualify to be the owner of a hub  
10 operator, as specified in Section 19990.23.

11 (f) The commission shall establish a fee to be paid by a hub  
12 operator in submitting applications for Internet hub employee  
13 work permits on behalf of those hub operators' employees.

14 (g) A hub operator, affiliate, or subcontractor of a hub operator  
15 shall not enter into, without prior approval of the department, any  
16 contract or agreement with a person who is denied a gambling  
17 license pursuant to Chapter 5 (commencing with Section 19850)  
18 or Internet hub employee work permit, or whose gambling license  
19 or Internet hub employee work permit is suspended or revoked by  
20 the commission or department, or with any business enterprise  
21 under the control of that person, after the date of receipt of notice  
22 of the commission's or department's action.

23 (h) A hub operator, affiliate, or subcontractor of a hub operator  
24 shall not employ, without prior approval of the commission, any  
25 person in any capacity for which he or she is required to have an  
26 Internet hub employee work permit, if the person has been denied  
27 an Internet hub employee work permit or a gambling license  
28 pursuant to Chapter 5 (commencing with Section 19850) or if his  
29 or her Internet hub employee work permit or gambling license has  
30 been suspended or revoked after the date of receipt of notice of  
31 the action by the commission. A hub operator or subcontractor of  
32 a hub operator shall not enter into a contract or agreement with  
33 a person whose application for an Internet hub employee work  
34 permit or gambling license has been withdrawn with prejudice,  
35 or with any business enterprise under the control of that person,  
36 for the period of time during which the person is prohibited from  
37 filing a new application for an Internet hub employee work permit  
38 or gambling license.

39 (i) If an employee who is required to hold an Internet hub  
40 employee work permit pursuant to this chapter is denied an Internet

1 *hub employee work permit, or has his or her Internet hub employee*  
2 *work permit revoked by the commission or department, the*  
3 *employee shall be terminated in any capacity in which the employee*  
4 *is required to hold an Internet hub employee work permit and the*  
5 *employee shall not be permitted to exercise a significant influence*  
6 *over the gambling operation, or any part thereof, upon being*  
7 *notified of that action.*

8 *(1) If an employee who is required to hold an Internet hub*  
9 *employee work permit pursuant to this chapter has his or her*  
10 *Internet hub employee work permit suspended, the employee shall*  
11 *be suspended in any capacity in which he or she is required to*  
12 *hold an Internet hub employee work permit and shall not be*  
13 *permitted to exercise a significant influence over the gambling*  
14 *operation, or any part thereof, during the period of suspension,*  
15 *upon being notified of that action.*

16 *(2) If a hub operator, affiliate, or subcontractor of a hub*  
17 *operator designates another employee to replace the employee*  
18 *whose employment was terminated, the hub operator or*  
19 *subcontractor shall promptly notify the department and shall apply*  
20 *for an Internet hub employee work permit on behalf of the newly*  
21 *designated employee.*

22 *(j) A hub operator, affiliate, or subcontractor of a hub operator*  
23 *shall not pay to a person whose employment has been terminated*  
24 *pursuant to subdivision (i) any remuneration for any service*  
25 *performed in any capacity in which the person is required to hold*  
26 *an Internet hub employee work permit, except for amounts due for*  
27 *services rendered before the date of receipt of notice of the*  
28 *commission's or department's action of suspension or termination.*  
29 *A hub operator, affiliate, or subcontractor of a hub operator,*  
30 *during the period of suspension, shall not pay to a person whose*  
31 *employment has been suspended pursuant to subdivision (i), any*  
32 *remuneration for any service performed in any capacity in which*  
33 *the person is required to hold an Internet hub employee work*  
34 *permit, except for amounts due for services rendered before the*  
35 *date of receipt of notice of the commission's or department's*  
36 *action.*

37 *(k) Except as provided in subdivision (i), a contract or*  
38 *agreement for the provision of services or property to a hub*  
39 *operator, affiliate, or subcontractor of an affiliate or for the*  
40 *conduct of any activity pertaining to the operation of a hub, which*

1 is to be performed by a person required by this chapter or by  
2 regulations adopted pursuant to this chapter, to hold an Internet  
3 hub employee work permit, shall be terminated upon a suspension  
4 or revocation of the person's Internet hub employee work permit.

5 (l) In any case in which a contract or agreement for the  
6 provision of services or property to a hub operator or an affiliate  
7 thereof, or for the conduct of any activity at a hub, is to be  
8 performed by a person required by this chapter or by regulations  
9 adopted by the commission to hold an Internet hub employee work  
10 permit, the contract shall be deemed to include a provision for its  
11 termination without liability on the part of the hub operator,  
12 affiliate, or subcontractor or its duly registered holding company  
13 upon a suspension or revocation of the person's Internet hub  
14 employee work permit. In any action brought by the division or  
15 commission to terminate a contract pursuant to subdivision (k) or  
16 this subdivision, it shall not be a defense that the agreement does  
17 not expressly include the provision described in this subdivision,  
18 and the lack of express inclusion of the provision in the agreement  
19 shall not be a basis for enforcement of the contract by a party  
20 thereto.

21 (m) If a hub operator does not comply with the contractual  
22 obligations of this section, the department may impose liquidated  
23 damages of not more than \_\_\_\_\_ dollars (\$\_\_\_\_\_) per occurrence.  
24 In the event that a hub operator negligently, willfully, or wantonly  
25 fails to comply with this contractual obligation, the department  
26 may initiate an enforcement action and subject a hub operator to  
27 \_\_\_\_\_ dollars (\$\_\_\_\_\_) in liquidated damages and may begin  
28 proceedings to suspend or revoke a hub operator's contract.

29 19990.32. The hub operator shall be responsible for providing  
30 current and accurate documentation on a timely basis to all state  
31 agencies as provided in this chapter.

32 (a) In addition to any other confidentiality protections provided  
33 to entities that are in contract with the state, the state and its  
34 agencies shall treat the proprietary information provided by a hub  
35 operator as confidential to protect the hub operator and to protect  
36 the security of the hub.

37 (b) The confidentiality provisions of this chapter exempt  
38 proprietary information supplied by a hub operator to a state  
39 agency from public disclosure consistent with subdivision (b) of  
40 Section 6253 of the Government Code.

1 19990.33. (a) Changes in ownership or interest of an affiliate  
2 of 5 percent or more of the stock or other equity in the hub operator  
3 or any affiliate shall be approved by the department and the  
4 commission prior to the closing of any proposed transaction.

5 (b) The department and the commission shall investigate to  
6 ensure that any entity acquiring interest in a hub operator is  
7 suitable and otherwise financially, technically, and legally qualified  
8 to be a hub operator consistent with the provisions of this chapter.  
9 This investigation shall be concluded within 90 days of the receipt  
10 of notice by the department and the commission. In the event that  
11 an acquiring entity is found to be unsuitable to be a hub operator  
12 or otherwise not financially, technically, and legally qualified to  
13 be a hub operator, the hub operator or the acquiring entity may  
14 challenge that determination consistent with subdivision (f) of  
15 Section 19990.25.

16 (c) A change in ownership or interest of a hub operator of less  
17 than 5 percent shall be reported to the department and the  
18 commission within 20 days after the change, unless that change  
19 results in a cumulative total of 5 percent or more and requires  
20 compliance with subdivision (a). The department and commission  
21 may then conduct an investigation to ensure that the hub operator's  
22 contract with the state is properly updated to show the change in  
23 ownership or interest, or that the person is suitable pursuant to  
24 the requirements in this chapter.

25 19990.34. All facilities, software, and any and all other  
26 property, both tangible and intangible, used by the hub operator  
27 in offering authorized games shall be the property of a hub  
28 operator or its subcontractors.

29 19990.35. A hub operator shall ensure that registered players  
30 are eligible to play authorized games and implement appropriate  
31 data security standards to prevent access by a person whose age  
32 and location has not been verified in accordance with this chapter.

33 (a) All registered players must be physically located within the  
34 State of California at the time of gambling.

35 (b) No registered player may be less than 21 years of age.

36 (c) A hub operator shall exclude from play any person who has  
37 filled out an Online Self-Exclusion Form.

38 (1) The commission shall develop an Online Self-Exclusion  
39 Form and deliver it to the Department of Justice within six months  
40 of the effective date of this chapter.

1 (2) *The Department of Justice shall deliver the form to each*  
2 *hub operator.*

3 (3) *A hub operator shall prominently display a link to the*  
4 *commission's Responsible Gaming site and the Online*  
5 *Self-Exclusion Form on the Web page that is displayed when either*  
6 *of the following apply:*

7 (A) *A person registers as a registered player.*

8 (B) *A registered player first accesses the Web site of the hub*  
9 *prior to playing.*

10 (4) *A hub operator shall retain the Online Self-Exclusion Form*  
11 *to identify persons who want to be excluded from play.*

12 (5) *No hub operator that has complied with this subdivision*  
13 *shall be held liable in any way if a person who has filled out an*  
14 *Online Self-Exclusion Form plays despite that person's request to*  
15 *be excluded.*

16 19990.36. *A hub operator shall only offer games and process*  
17 *bets in accordance with the specified game and betting rules*  
18 *established by the hub operator and approved by the division with*  
19 *input from the commission consistent with Section 19990.37.*

20 19990.37. *A hub operator shall only provide authorized games*  
21 *approved by the division.*

22 (a) *In order to propose a game for play, a hub operator shall*  
23 *provide the division and the commission with all of the following:*

24 (1) *A description of the game and the betting rules it proposes*  
25 *to offer to registered players.*

26 (2) *A legal opinion explaining how the game complies with*  
27 *federal and state laws and how the game is not a violation of*  
28 *tribal-state gaming compacts.*

29 (3) *Documentation relating to development and testing of the*  
30 *game's software.*

31 (b) *The division shall consult with the commission on whether*  
32 *a proposed game is authorized under this section.*

33 (c) *If the division does not object to the proposal within \_\_\_\_*  
34 *days, a hub operator may offer the game to registered players.*

35 (d) *Only the division may object to the offering of a game to*  
36 *registered players or file an action to prevent that offering.*

37 19990.38. *A hub operator shall ensure that games are fair.*

38 (a) *The gaming system shall display for each game the following*  
39 *information:*

40 (1) *The name of the game.*

1 (2) Any restrictions on play.

2 (3) The rules of the game.

3 (4) All instructions on how to play.

4 (5) The unit and total bets permitted.

5 (6) The registered player's current account balance which shall  
6 be updated in real time.

7 (7) Any other information that a hub operator determines is  
8 necessary for the registered player to have in real time to compete  
9 fairly in the game.

10 (b) Game results shall be unpredictable.

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

15 (2) The game or any game event outcome shall not be affected  
16 by the effective bandwidth, link utilization, bit error rate, or other  
17 characteristic of the communications channel between the gaming  
18 system and the playing device used by the player.

19 (c) A hub operator shall deploy controls and technology to  
20 minimize fraud or cheating through collusion, including external  
21 exchange of information between different players, robotic play,  
22 or any other means.

23 (1) If a hub operator becomes aware that fraud or cheating is  
24 taking place or has taken place, it shall take steps to stop those  
25 activities immediately and inform the State Chief Information  
26 Officer and the division of all relevant facts.

27 (2) The department may not bring an action for damages against  
28 a hub operator to prevent fraud or cheating if a hub operator can  
29 demonstrate that it acted responsibly to prevent those activities  
30 as soon as a hub operator became aware of them.

31 (d) In the event that the gaming server or software does not  
32 allow a game to be completed, the game shall be void and all funds  
33 relating to the incomplete game shall be returned to the registered  
34 player's account.

35 19990.39. A hub operator shall register players and establish  
36 player accounts prior to play.

37 (a) A person shall not participate in any game provided by a  
38 hub operator unless the person is a registered player and holds  
39 an account.

1 (b) Accounts shall be established in person, by mail, telephone,  
2 or by any electronic means.

3 (c) To register and establish an account, a person shall provide  
4 the following registration information:

5 (1) First name and surname.

6 (2) Principal residence address.

7 (3) Telephone number.

8 (4) Social security number.

9 (5) Identification or certification to prove that person is at least  
10 21 years of age.

11 (6) Valid e-mail address.

12 (d) A hub operator shall provide registered players with the  
13 means to update the registration information provided to the hub  
14 operator.

15 19990.40. A hub operator shall provide a means for registered  
16 players to put funds into a registered player account and transfer  
17 funds out of that account.

18 (a) A registered player shall identify the source of funds to be  
19 used to put money into the account established once the registration  
20 process is complete, and a hub operator shall provide a means for  
21 a registered player to transfer money into and out of the player's  
22 hub account.

23 (b) At the time of establishing a hub account, a registered player  
24 shall designate the bank account into which funds from the  
25 registered player's hub account are to be transferred.

26 (c) A registered player shall establish only one account on any  
27 hub.

28 (d) While playing an authorized game, a registered player shall  
29 not increase the amount of money in that registered player's  
30 account after that game has started and before its completion.

31 (e) A hub operator shall maintain records on the balance of  
32 each registered player's account.

33 (f) A hub operator shall not permit a registered player to place  
34 a wager unless the registered player's account has sufficient funds  
35 to cover the amount of the wager.

36 (g) A hub operator shall not provide credit to a registered  
37 player's account or act as agent for a credit provider to facilitate  
38 the provision of funds.

39 (h) No interest shall be paid by a hub operator with respect to  
40 registered player accounts.

1 19990.41. A hub operator shall segregate funds it holds in all  
2 registered player accounts from all of its other assets.

3 (a) A hub operator shall not commingle funds in the segregated  
4 account containing funds paid by registered players with any other  
5 funds held by the hub operator.

6 (b) Funds held in a registered player's account shall only be  
7 used for the following purposes:

8 (1) To pay per hand or tournament charges owed by a registered  
9 player to the hub operator for play of authorized games.

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

13 (3) To transfer funds from a registered player's account to a  
14 temporary account to be held by a hub operator pending the  
15 outcome of an authorized game.

16 (4) To remit tax proceeds due and owing from a registered  
17 player to the Franchise Tax Board, at the option of the player.

18 (5) To transfer funds from a registered player's account with  
19 the hub operator to an account specified by a registered player  
20 upon that registered player's request.

21 19990.42. Prior to completing the registration process, a hub  
22 operator shall explain to the person in a conspicuous fashion the  
23 privacy policies of the hub, and a person shall assent to the  
24 following policies:

25 (a) No personally identifiable information shall be shared with  
26 any nongovernment third parties except as provided in subdivision  
27 (j) of Section 19990.47.

28 (b) All personally identifiable information about registered  
29 players shall be shared with state agencies, including the  
30 department, the commission, and the Franchise Tax Board as  
31 necessary to assist them in fulfilling their obligations under this  
32 chapter.

33 (c) Personally identifiable information may only be shared with  
34 government agencies in circumstances other than as set forth in  
35 subdivision (b) or subject to court order as provided in subdivision  
36 (j) of Section 19990.47.

37 19990.43. A hub operator may also require that a person must  
38 agree to a Terms of Use Registered Player's Agreement applying  
39 to registered players.

1 19990.44. A hub operator may suspend or revoke the account  
2 of a registered player for any of the following reasons:

3 (a) A person or registered player provided false information to  
4 the hub operator, including, but not limited to, in the registration  
5 process.

6 (b) The registered player has not updated registration  
7 information to keep it current.

8 (c) The registered player has violated the hub's Terms of Use  
9 Registered Player's Agreement.

10 (d) The person has already been registered.

11 (e) The hub operator suspects that the registered player has  
12 participated in an illegal or unauthorized activity on the hub.

13 (f) The hub operator is directed by a state agency to suspend  
14 or revoke the registered player's account.

15 19990.45. (a) Upon registration and at each time when a  
16 registered player logs into a hub, the hub operator shall permit a  
17 registered player to adjust his or her play settings to:

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

19 (2) Set a limit on the amount that can be wagered within a  
20 specified period of time.

21 (3) Set a limit on the losses the player may incur within a  
22 specified period of time.

23 (4) Set a limit on the amount of time that can be played after  
24 logging into the hub.

25 (5) Prevent the hub from allowing the registered player to play  
26 for a definite or indefinite period of time.

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

30 (1) Indicate how long the player has been playing.

31 (2) Indicate the player's winnings or losses since the time of  
32 last logging in.

33 (3) At least once every six hours require the registered player  
34 to confirm that the player has read the message or give an option  
35 to the player to end the session or return to the game.

36 19990.46. A hub operator shall establish a toll-free telephone  
37 customer service hotline that shall be available to registered  
38 players 24 hours a day and 365 days a year. All Internet hub  
39 operator employees shall be physically present in the state while  
40 in contact with registered players.

1 19990.47. A hub operator shall protect the privacy of registered  
2 players and their data.

3 (a) A hub operator shall comply with all state and federal  
4 privacy and data protection laws.

5 (b) At the time of registration with a hub operator as a registered  
6 player, and at least once a year thereafter, a hub operator shall  
7 provide notice in the form of a separate, written statement to the  
8 registered player which clearly and conspicuously informs the  
9 registered player of all of the following:

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

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

17 (3) The period during which personally identifiable information  
18 will be maintained by the hub operator.

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

22 (5) The limitations provided by this section with respect to the  
23 collection and disclosure of personally identifiable information  
24 by a hub operator and the right of the registered player under  
25 subdivision (i) or (j) to enforce those limitations.

26 (c) A hub operator shall not collect personally identifiable  
27 information concerning any registered player without the prior  
28 written or electronic consent of the registered player concerned.

29 (d) A hub operator may collect personally identifiable  
30 information in order to do both of the following:

31 (1) Obtain information necessary to operate the hub and offer  
32 authorized games to registered players pursuant to this chapter.

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

36 (e) Except as provided in subdivision (f), a hub operator shall  
37 not disclose personally identifiable information concerning any  
38 registered player without the prior written or electronic consent  
39 of the registered player concerned and shall take actions necessary

1 to prevent unauthorized access to that information by a person  
2 other than the registered player or hub operator.

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

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

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

11 (3) A disclosure of the names and addresses of registered players  
12 to any tournament sponsor, if both of the following apply:

13 (A) The hub operator has provided the registered player the  
14 opportunity to prohibit or limit the disclosure.

15 (B) The disclosure does not reveal, directly or indirectly, the  
16 nature of any transaction made by the registered player over the  
17 hub.

18 (4) To a state agency as authorized in this chapter.

19 (g) A registered player shall be provided access to all personally  
20 identifiable information regarding that registered player which is  
21 collected and maintained by a hub operator. The information shall  
22 be made available to the registered player at reasonable times  
23 and at a place designated by the hub operator. A registered player  
24 shall be provided reasonable opportunity to correct any error in  
25 the information.

26 (h) A hub operator shall destroy personally identifiable  
27 information if the information is no longer necessary for the  
28 purpose for which it was collected, and there are no pending  
29 requests or orders for access to the information under subdivision  
30 (j).

31 (i) Any person aggrieved by any act of a hub operator in  
32 violation of this section may bring a civil action in any superior  
33 court. The court may award:

34 (1) Actual damages but not less than liquidated damages  
35 computed at the rate of \_\_\_\_\_ a day for each day of violation or  
36 \_\_\_\_\_, whichever is higher.

37 (2) Punitive damages.

38 (3) Reasonable attorney's fees and other litigation costs  
39 reasonably incurred.

1 (j) Except as provided in subdivision (f), a governmental or  
2 nongovernmental third party may obtain personally identifiable  
3 information concerning a registered player pursuant to a court  
4 order only if, in the court proceeding relevant to the court order,  
5 both of the following apply:

6 (1) The third party offers clear and convincing evidence that  
7 the subject of the information is reasonably suspected of engaging  
8 in criminal activity or otherwise relevant to a pending civil action  
9 and that the information sought would be material evidence in the  
10 case.

11 (2) The registered player about whom the information is  
12 requested is afforded the opportunity to appear and contest the  
13 third-party's claim.

14 19990.48. A hub operator shall establish a book of accounts  
15 and regularly audit all of its financial records and reports which  
16 must include all of the following:

17 (a) Monthly auditable and aggregate financial statements of  
18 gaming transactions.

19 (b) Calculation of all amounts payable to the state.

20 (c) The identity of players.

21 (d) The balance on each player's account at the start of a session  
22 of play.

23 (e) The wagers placed on each game, time stamped by the games  
24 server.

25 (f) The result of each game, time stamped by the games server.

26 (g) The amount won or lost by each player.

27 (h) The amount, if any, as determined by the player, withheld  
28 from winnings for federal or state income tax purposes.

29 (i) The balance on the player's account at the end of the game.

30 19990.49. A hub operator shall make all financial records  
31 established and maintained pursuant to Section 19990.48 available  
32 as required by the state agencies to the division, the commission,  
33 the department, the Treasurer, and the Franchise Tax Board so  
34 that those state agencies can fulfill their responsibilities under this  
35 chapter.

36 19990.50. A hub operator shall implement technical systems  
37 that materially aid the department and commission in the  
38 protection of registered players.

39 (a) A hub operator shall define and document its methodology  
40 for developing software and applications and address how software

1 *protects registered players from fraud and other risks in the play*  
2 *of authorized games and in the management of registered player*  
3 *accounts.*

4 *(b) A hub operator shall meet minimum game server connectivity*  
5 *requirements to ensure that players are protected from losses due*  
6 *to connectivity problems.*

7 *(c) A hub operator shall ensure that all transactions involving*  
8 *player funds shall be recoverable by the system in the event of a*  
9 *failure or malfunction.*

10 *(d) All information required for viewing a game interrupted due*  
11 *to loss of connectivity shall be recoverable by the hub operator.*

12 *(e) Preventative and detective controls addressing money*  
13 *laundering and fraud risks shall be documented and implemented*  
14 *by the hub operator.*

15 *19990.51. A hub operator shall be permitted to charge*  
16 *registered players to play in authorized games, subject to the*  
17 *approval of the division.*

18 *(a) Per hand charges are permitted.*

19 *(1) A per hand charge shall be designated and conspicuously*  
20 *posted on the screen prior to the start of each authorized game.*

21 *(2) A hub operator shall be permitted to vary the per hand*  
22 *charges on registered players based on betting limits or other*  
23 *factors.*

24 *(b) Tournament charges shall be permitted.*

25 *(1) A tournament charge shall be designated and conspicuously*  
26 *posted on the screen prior to the start of the first authorized game*  
27 *of any tournament.*

28 *(2) A hub operator shall be permitted to vary tournament*  
29 *charges based on tournament prizes or other factors.*

30 *19990.52. A hub operator shall be permitted to enter into an*  
31 *agreement with any third party to sponsor or underwrite prizes*  
32 *for a tournament, subject to the approval of the division.*

33 *19990.53. A hub operator shall be permitted to enter into an*  
34 *agreement to sell advertisement space on any Web site it controls,*  
35 *subject to the approval of the division.*

36 *19990.54. A hub operator shall be permitted to enable a chat*  
37 *function between registered players as long as it has in place*  
38 *effective controls against collusion, subject to the approval of the*  
39 *division.*

1 19990.55. A hub operator shall be permitted to post Web links  
2 on the Web site it controls to permit registered players to access  
3 remote Web sites, subject to the approval of the division.

4 19990.56. A hub operator may enter into contractual  
5 agreements with one or more hub operators for the purpose of  
6 ensuring adequate player liquidity, subject to the approval of the  
7 division.

8 19990.57. A hub operator may allow a registered player to  
9 participate simultaneously in multiple games or tournaments, as  
10 long as the hub operator has technical controls that prohibit a  
11 registered player from playing multiple hands simultaneously in  
12 the same game, subject to the approval of the division.

13 19990.58. In consideration for its contract with the state, and  
14 in recognition of the fact that the initial investments and efforts  
15 required to start up this business venture, and to ensure the state  
16 hub operators are in the best position to compete with offshore  
17 operators and be successful, a hub operator shall disperse at least  
18 20 percent of its gross revenues to the Treasurer on a monthly  
19 basis as determined by the proposal.

20 (a) Each monthly payment shall be due on the 10th of the  
21 following month.

22 (b) A hub operator shall make all electronic and written  
23 financial records available to the Treasurer, the commission, and  
24 the department.

25 (c) For the purposes of determining gross revenues, the hub  
26 operator and the Treasurer shall use generally accepted accounting  
27 principles.

28 (d) With respect to the dispensation of the bond posted by a hub  
29 applicant pursuant to subdivision (f) of Section 19990.22, both of  
30 the following apply:

31 (1) In the event that the aggregate amount due to the state in  
32 consideration for a hub operator's contract is an amount greater  
33 than one hundred million dollars (\$100,000,000) in the first year  
34 of operation of the hub, the bond referred to in subdivision (f) of  
35 Section 19990.22 shall be released in the final calendar quarter  
36 of the hub operator's first year of operation, determined on a  
37 rolling basis.

38 (2) In the event that the aggregate amount due to the state in  
39 consideration for a hub operator's contract is an amount less than  
40 one hundred million dollars (\$100,000,000) in the first year of

1 operation of the hub, under the hub operator's contract with the  
2 state, the bond referred to in subdivision (f) of Section 19990.22  
3 shall not be released and shall be collected by the state in the final  
4 calendar quarter of the hub operator's first year of operation,  
5 determined on a rolling basis.

6 19990.59. The hub operator shall facilitate the collection of  
7 personal income taxes from registered players by the Franchise  
8 Tax Board.

9 (a) The hub operator shall withhold 5 percent of tournament  
10 winnings for state income tax if the winnings minus the tournament  
11 charge are more than six hundred dollars (\$600) and are at least  
12 300 times the tournament charge.

13 (1) The hub operator shall transfer that withheld income to the  
14 Franchise Tax Board.

15 (2) Winnings and losses of the registered player from other  
16 tournaments sponsored by the hub operator during the year are  
17 not taken into account in arriving at the six hundred dollar (\$600)  
18 amount. Required withholding is determined on a  
19 tournament-by-tournament basis.

20 (b) Within six months of the effective date of this chapter, the  
21 Franchise Tax Board shall publish a form to be used annually by  
22 a hub operator to ensure that the state is able to collect income  
23 tax revenues from registered players. The form shall include, but  
24 shall not be limited to, the following information:

25 (1) The registered player's first name and surname.

26 (2) Social security number.

27 (3) The total amount the registered player deposited in their  
28 account during the year.

29 (4) The registered player's total winnings, if any, during the  
30 year.

31 (5) The registered player's total losses, if any, during the year.

32 (6) The total amount withheld by the hub operator, if any, during  
33 the year for purposes of federal or state income taxes.

34 (7) Whether the registered player opened or closed his or her  
35 account during the year.

36 (c) The hub operator shall electronically file a copy of the form  
37 with the Franchise Tax Board for each registered player who held  
38 an account with the hub operator for all, or any portion of, the  
39 taxable year. The hub operator shall electronically provide each  
40 registered player with a copy of the form.

1 19990.60. A hub operator shall not engage in certain business  
2 dealings or transactions without prior approval of the division.  
3 The division shall adopt contract provisions establishing the  
4 procedures for these transactions.

5 (a) A security interest in a hub operator shall not be enforced  
6 without the prior approval of the division.

7 (b) It is unlawful for any person to sell, purchase, lease,  
8 hypothecate, borrow, or loan money, or create a voting trust  
9 agreement or any other agreement of any sort with a hub operator  
10 with a contract with the state pursuant to this chapter or with  
11 respect to any portion of the provision of authorized games, except  
12 in accordance with the division.

13 (c) Every hub operator that is involved in a transaction for the  
14 extension or redemption of credit by the hub operator, or for the  
15 payment, receipt, or transfer of coin, currency, or other monetary  
16 instruments, as specified by the division, in an amount,  
17 denomination, or amount and denomination, or under  
18 circumstances prescribed by regulations, and any other participant  
19 in the transaction, as specified by the commission, shall, if required  
20 by regulation, make and retain a record of, or file with the division  
21 a report on, the transaction, at the time and in the manner  
22 prescribed in a hub operator's contract.

23 19990.61. A hub operator shall act expeditiously to cure any  
24 failure in performance under its contract in the offering or  
25 administering of legal games that interferes with its obligations  
26 to the state or registered players under this chapter.

27 (a) If a hub operator becomes aware of any failure of  
28 performance, it will notify the division immediately and work with  
29 the division to develop a plan to rectify the failure.

30 (b) If the division becomes aware of any failure of, or suspected  
31 failure of, performance under the contract between the state and  
32 a hub operator, or if it becomes aware of any activities that might  
33 lead to a failure to perform, the division shall provide notice of  
34 that failure to the hub operator and a reasonable opportunity to  
35 cure the failure. The division shall also provide the notice to the  
36 commission.

37 (c) All state agencies with responsibilities under this chapter  
38 shall report any actual or suspected failure of performance of the  
39 hub operator's duty under the contract, or activities which might  
40 lead to the failure, to the division and commission immediately so

1 *that the division can assess whether it needs to commence an*  
2 *investigation or enforcement action.*

3 *(d) A hub operator shall be afforded a reasonable time period*  
4 *to cure any reported failure of performance.*

5 *(e) Prior to the issuance of the RFP, the division shall issue a*  
6 *schedule of liquidated damages that will be part of the contract*  
7 *with a hub operator for delineating damages that will be owed to*  
8 *the state for failure of the hub operator to perform specific duties*  
9 *under this chapter.*

10 *(1) Liquidated damages shall not exceed \_\_\_\_\_ (\$\_\_\_\_\_) for each*  
11 *failure of a hub operator to perform under its contract or for a*  
12 *violation of this chapter.*

13 *(2) All liquidated damages payments imposed and remitted to*  
14 *the state shall be deposited in the Internet Gambling Fund, as*  
15 *created by Section 19990.86.*

16 *(3) The imposition of liquidated damages shall not make*  
17 *performance by the hub operator commercially infeasible.*

18 *(f) Prior to the issuance of the RFP, the commission and the*  
19 *division shall issue rules relating to enforcement proceedings*  
20 *under the contract consistent with this chapter.*

21 *(1) The rules shall describe the procedures for the development*  
22 *of a record and give the hub operator the opportunity to comment*  
23 *in advance of any final action.*

24 *(2) The rules shall describe enforcement provisions, including*  
25 *intermediate procedures it shall take prior to the imposition of*  
26 *liquidated damages on the hub operator.*

27 *(3) The division shall have the subpoena power in any*  
28 *investigation.*

29 *(4) The commission, division, and a hub operator shall be*  
30 *parties to any investigation or enforcement action.*

31 *(5) The rules shall give a hub operator the opportunity to*  
32 *respond to any allegation of failure of performance prior to the*  
33 *issuance of a specific order from the commission or division to*  
34 *cure any failure of performance or any order to pay liquidated*  
35 *damages is issued.*

36 *(6) The commission or division may revoke or suspend a hub*  
37 *operator's contractual rights under this chapter upon reaching a*  
38 *finding that the hub operator is in negligent, willful, or wanton*  
39 *violation of any provision of this chapter.*

1 (g) A hub operator may appeal any decision of the commission  
2 to the superior court. The superior court shall hear any appeal de  
3 novo.

4 19990.62. The commission shall protect the rights and assets  
5 of registered players on a hub should that hub operator's contract  
6 with the state be revoked or should the hub operator become  
7 bankrupt.

8 19990.63. A hub operator shall at all times indemnify, defend,  
9 and hold harmless the state and its agencies from and against any  
10 and all claims, damages, liabilities, costs, and expenses, including  
11 reasonable attorneys' fees and expenses arising out of any  
12 third-party claim made against the state or any of its agencies  
13 relating to actions of the hub operator and the provisions of this  
14 chapter.

15 (a) The state and its agencies shall promptly notify a hub  
16 operator of any claim or litigation to which the indemnity set forth  
17 in Section 19990.62 applies.

18 (b) At the option of a hub operator, it may assume the defense  
19 of any claim or litigation. If a hub operator assumes the defense  
20 of any claim or litigation, the hub operator's obligation with  
21 respect thereto shall be limited to the payment of any settlement  
22 approved by the hub operator, or any judgment in connection with  
23 that claim or litigation.

24

#### 25 Article 6. Authority of State Agencies

26

27 19990.70. State agencies shall perform the duties described  
28 in this chapter and in all ways facilitate the operation of the hub  
29 in compliance with this chapter.

30 (a) Any rule adopted by a state agency shall be consistent with  
31 this chapter.

32 (1) Any rule of a state agency that this chapter intends to be  
33 part of a hub operator's contract shall be adopted in advance of  
34 issuance of the RFP by the department.

35 (2) Any rule adopted after the issuance of the RFP by the  
36 department shall facilitate a hub operator's responsibilities to  
37 registered players, and state revenue raising functions and other  
38 responsibilities under its contract with the state.

39 (b) Each state agency with responsibility under the contract  
40 between a hub operator and the state shall identify an employee

1 *or employees of the agency to act as the point of contact with the*  
2 *hub operator and describe the responsibility or responsibilities of*  
3 *the employee or employees with respect to the state agency's*  
4 *function.*

5 *(c) Any notice provided by a hub operator to a state agency*  
6 *with responsibility under the contract between a hub operator and*  
7 *the state shall be addressed to the point of contact identified by*  
8 *the state agency pursuant to subdivision (b).*

9 *(d) Unless otherwise provided by this chapter, notice by a hub*  
10 *operator to the state shall be deemed effectively given upon*  
11 *personal delivery, three days after deposit in the United States*  
12 *mail by certified or registered mail, return receipt requested, one*  
13 *business day after its deposit with any return receipt express*  
14 *courier, prepaid, or one business day after electronically confirmed*  
15 *transmission by facsimile.*

16  
17 *Article 7. Protection of Registered Players*  
18

19 *19990.75. A hub operator shall use its best efforts to protect*  
20 *registered players.*

21 *19990.76. In the event a registered player has a complaint*  
22 *against a hub operator, the exclusive remedy shall be to register*  
23 *the complaint with the commission, unless an action is brought*  
24 *pursuant to the remedies described in subdivision (i) of Section*  
25 *19990.47.*

26 *19990.77. The commission, in consultation with the division,*  
27 *shall establish rules with respect to registered player complaints.*

28 *(a) Under the rules, the division shall do all of the following:*

29 *(1) Investigate registered player complaints to determine if a*  
30 *hub operator has failed to meet its obligation under its contract*  
31 *to a registered player.*

32 *(2) Attempt to resolve complaints by registered players if a hub*  
33 *operator fails to meet an obligation under its contract to a*  
34 *registered player.*

35 *(3) Initiate enforcement actions to require specific performance*  
36 *of any obligation that a hub operator has under a contract with*  
37 *the state and to impose mitigated damages on a hub operator*  
38 *consistent with the rules adopted pursuant to this chapter.*

39 *(4) Recommend to the commission, the imposition of liquidated*  
40 *damages upon a hub operator based upon clear and convincing*

1 evidence that the hub operator is required to pay liquidated  
2 damages under its contract with the state.

3 (b) Under the rules, the commission shall do both of the  
4 following:

5 (1) Impose liquidated damages upon a hub operator based upon  
6 clear and convincing evidence that the hub operator is required  
7 to pay liquidated damages under its contract with the state.

8 (2) Order payment by the hub operator of restitution to a  
9 registered player for actual losses and interest thereon.

10 19990.78. A hub operator may appeal the imposition of  
11 liquidated damages by the commission to the superior court which  
12 shall review the appeal de novo.

13

14 Article 8. Disposition of State Proceeds

15

16 19990.85. In consideration for the contract entered into  
17 between the state and a hub operator, a hub operator shall remit  
18 at least 20 percent of its gross revenues to the Treasurer on a  
19 monthly basis as determined by the proposal.

20 19990.86. The Treasurer shall transfer all amounts received  
21 from a hub operator to the Controller for deposit in the Internet  
22 Gambling Fund which is created in the State Treasury and which  
23 shall be administered by the Controller subject to annual  
24 appropriation by the Legislature, and which shall not be subject  
25 to the formulas established by statute directing expenditures from  
26 the General Fund.

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

35 (b) The State Department of Alcohol and Drug Programs, Office  
36 of Problem Gambling shall submit revenue needs for programs to  
37 alleviate problem gaming that results from the offering of  
38 authorized games for the upcoming fiscal year to the Senate  
39 Committee on Budget and Fiscal Review and the Assembly  
40 Committee on Budget, as well as the Senate and Assembly

1 *Committees on Governmental Organization, the Senate and*  
2 *Assembly Committees on Human Services, and the Department of*  
3 *Finance by March 31 of the preceding fiscal year. A justification*  
4 *of those costs shall be provided with each submission of revenue*  
5 *needs.*

6 *(c) All remaining proceeds not allocated to subdivisions (a) and*  
7 *(b) shall remain in the Internet Gaming Fund subject to*  
8 *appropriation by the Legislature for purposes related to this*  
9 *chapter.*

10

11 *Article 9. Preemption of Local Regulation*

12

13 *19990.90. A city, county, or city and county shall not regulate,*  
14 *tax, or enter into a contract with respect to any matter related to*  
15 *this chapter.*

16

17 *Article 10. Judicial Review*

18

19 *19990.93. Any action to assert that this chapter interferes with*  
20 *a right contained within a compact entered into between the state*  
21 *and a federally recognized Indian tribe on Indian lands in*  
22 *California or to clarify that this chapter does not interfere with a*  
23 *right contained within a tribal-state gaming compact entered into*  
24 *between the state and a federally recognized Indian tribe on Indian*  
25 *lands in California, shall be brought by extraordinary writ of*  
26 *mandate to the superior court, and within 60 days of the existence*  
27 *of any matter giving rise to an action under this section. Petitions*  
28 *brought pursuant to this section shall be given preference over all*  
29 *other civil actions before the court in the matter of setting the same*  
30 *for hearing, and in hearing the same, to the end that these petitions*  
31 *shall be speedily heard and determined, and in any case in which*  
32 *a petition has been filed within the time allowed, the superior court*  
33 *shall issue its decision within 90 days of the filing of any such*  
34 *petition.*

35

36 *(a) Notwithstanding any other law, the exclusive means to obtain*  
37 *review of a superior court judgment entered in an action brought*  
38 *pursuant to this section shall be by petition to the Court of Appeal*  
39 *for writ of review. Any petition shall be filed within 15 days*  
40 *following the notice of entry of the superior court judgment, and*  
*no extension of that period shall be allowed. Within 10 days after*

1 *the petition is filed, the respondent or any real party in interest,*  
2 *separately or jointly, may serve and file a preliminary opposition.*  
3 *Within 10 days after a preliminary opposition is filed, the petitioner*  
4 *may serve and file a reply.*

5 *(1) If no petition is filed within the time allowed for this purpose,*  
6 *the decision of the superior court shall be final and enforceable,*  
7 *notwithstanding any other provision of law, including, without*  
8 *limitation, Sections 473 and 473.5 of the Code of Civil Procedure,*  
9 *and thereupon become and thereafter be forever binding and*  
10 *conclusive, as to all matters therein adjudicated or which at that*  
11 *time could have been adjudicated, against any agency and any*  
12 *other persons, and the judgment shall permanently enjoin the*  
13 *institution by any person of any action or proceeding raising any*  
14 *issue as to which the judgment is binding and conclusive.*

15 *(2) In any case in which a petition has been filed within the time*  
16 *allowed, the Court of Appeal shall issue its opinion within 90 days*  
17 *of the filing of any the petition.*

18 *(b) Notwithstanding any other law, the exclusive means to obtain*  
19 *review of the decision of the Court of Appeal entered pursuant to*  
20 *this section shall be by petition to the California Supreme Court*  
21 *for extraordinary writ of review. The petition shall be filed within*  
22 *10 days following the notice of decision of the Court of Appeal,*  
23 *and no extension of that period shall be allowed.*

24 *(c) In the event that a court of competent jurisdiction finds this*  
25 *section to be illegal or unenforceable in a final, nonappealable*  
26 *order, this section shall be removed from this chapter without*  
27 *impact on the other provisions of this chapter.*

28

29

#### *Article 11. Reports to the Legislature*

30

31 *19990.95. Notwithstanding Section 10231.5 of the Government*  
32 *Code, within one year of the effective date of this chapter and,*  
33 *annually thereafter, the commission, in consultation with the*  
34 *department, Treasurer, and Franchise Tax Board, shall issue a*  
35 *report to the Legislature describing the state's efforts to meet the*  
36 *policy goals articulated in this chapter. The report shall be*  
37 *submitted in compliance with Section 9795 of the Government*  
38 *Code.*

39 *19990.96. At least two years before the expiration of any hub*  
40 *operator's contract with the state, the Bureau of State Audits shall*

1 *issue a report to the Legislature detailing its implementation of*  
2 *this chapter. The State Auditor may advise the Legislature on*  
3 *whether the state should solicit additional hub applicants beyond*  
4 *the number of existing hub operators as of that date, as well as,*  
5 *any other recommendations regarding the terms of the contract,*  
6 *including the consideration paid to the state. The report may also*  
7 *advise the Legislature as to any proposed changes to Article 5*  
8 *(commencing with Section 19990.30) of this chapter. The State*  
9 *Auditor shall advise the Legislature whether continuation of the*  
10 *moratorium on state gaming contained in Section 19962 is justified,*  
11 *given statewide competition with legalized Internet gaming.*

12 *19990.97. This chapter shall remain in effect only until January*  
13 *1, 2017, and as of that date is repealed, unless a later enacted*  
14 *statute, that is enacted before January 1, 2017, deletes or extends*  
15 *that date.*

16 *SEC. 2. The Legislature finds and declares that Section 1 of*  
17 *this act, which adds Chapter 5.2 to the Business and Professions*  
18 *Code, imposes a limitation on the public's right of access to the*  
19 *meetings of public bodies or the writings of public officials and*  
20 *agencies within the meaning of Section 3 of Article I of the*  
21 *California Constitution. Pursuant to that constitutional provision,*  
22 *the Legislature makes the following findings to demonstrate the*  
23 *interest protected by this limitation and the need for protecting*  
24 *that interest:*

25 *The limitations of the people's rights of access set forth in this*  
26 *chapter are necessary to protect the privacy and integrity of*  
27 *information submitted by the registered players as well as the*  
28 *proprietary information of the hub applicants and hub operators.*

29 *SEC. 3. No reimbursement is required by this act pursuant to*  
30 *Section 6 of Article XIII B of the California Constitution because*  
31 *the only costs that may be incurred by a local agency or school*  
32 *district will be incurred because this act creates a new crime or*  
33 *infraction, eliminates a crime or infraction, or changes the penalty*  
34 *for a crime or infraction, within the meaning of Section 17556 of*  
35 *the Government Code, or changes the definition of a crime within*  
36 *the meaning of Section 6 of Article XIII B of the California*  
37 *Constitution.*

38 *SEC. 4. This act is an urgency statute necessary for the*  
39 *immediate preservation of the public peace, health, or safety within*

1 *the meaning of Article IV of the Constitution and shall go into*  
2 *immediate effect. The facts constituting the necessity are:*

3 *In order to protect the interests of Californians who play online*  
4 *gambling games and to ensure that people play fair games, that*  
5 *the state realizes the revenues, and that suitable persons operate*  
6 *online gambling Web sites, it is necessary that this act take effect*  
7 *immediately.*

8 SECTION 1. ~~Section 19805 of the Business and Professions~~  
9 ~~Code is amended to read:~~

10 19805. ~~As used in this chapter, the following definitions shall~~  
11 ~~apply:~~

12 (a) ~~“Affiliate” means a person who, directly or indirectly through~~  
13 ~~one or more intermediaries, controls, is controlled by, or is under~~  
14 ~~common control with, a specified person.~~

15 (b) ~~“Applicant” means any person who has applied for, or is~~  
16 ~~about to apply for, a state gambling license, a key employee license,~~  
17 ~~a registration, a finding of suitability, a work permit, a~~  
18 ~~manufacturer’s or distributor’s license, or an approval of any act~~  
19 ~~or transaction for which the approval or authorization of the~~  
20 ~~commission or department is required or permitted under this~~  
21 ~~chapter.~~

22 (c) ~~“Banking game” or “banked game” does not include a~~  
23 ~~controlled game if the published rules of the game feature a~~  
24 ~~player-dealer position and provide that this position must be~~  
25 ~~continuously and systematically rotated amongst each of the~~  
26 ~~participants during the play of the game, ensure that the~~  
27 ~~player-dealer is able to win or lose only a fixed and limited wager~~  
28 ~~during the play of the game, and preclude the house, another entity,~~  
29 ~~a player, or an observer from maintaining or operating as a bank~~  
30 ~~during the course of the game. For purposes of this section, it is~~  
31 ~~not the intent of the Legislature to mandate acceptance of the deal~~  
32 ~~by every player if the department finds that the rules of the game~~  
33 ~~render the maintenance of or operation of a bank impossible by~~  
34 ~~other means. The house shall not occupy the player-dealer position.~~

35 (d) ~~“Chief” means the head of the entity within the department~~  
36 ~~that is responsible for fulfilling the obligations imposed upon the~~  
37 ~~department by this chapter.~~

38 (e) ~~“Commission” means the California Gambling Control~~  
39 ~~Commission.~~

- 1     ~~(f) “Controlled gambling” means to deal, operate, carry on,~~  
2 ~~conduct, maintain, or expose for play any controlled game.~~
- 3     ~~(g) “Controlled game” means any controlled game, as defined~~  
4 ~~by subdivision (e) of Section 337j of the Penal Code.~~
- 5     ~~(h) “Department” means the Department of Justice.~~
- 6     ~~(i) “Director” means any director of a corporation or any person~~  
7 ~~performing similar functions with respect to any organization.~~
- 8     ~~(j) “Finding of suitability” means a finding that a person meets~~  
9 ~~the qualification criteria described in subdivisions (a) and (b) of~~  
10 ~~Section 19857, and that the person would not be disqualified from~~  
11 ~~holding a state gambling license on any of the grounds specified~~  
12 ~~in Section 19859.~~
- 13     ~~(k) “Game” and “gambling game” means any controlled game.~~
- 14     ~~(l) “Gambling” means to deal, operate, carry on, conduct,~~  
15 ~~maintain, or expose for play any controlled game.~~
- 16     ~~(m) “Gambling enterprise” means a natural person or an entity,~~  
17 ~~whether individual, corporate, or otherwise, that conducts a~~  
18 ~~gambling operation and that by virtue thereof is required to hold~~  
19 ~~a state gambling license under this chapter.~~
- 20     ~~(n) “Gambling enterprise employee” means any natural person~~  
21 ~~employed in the operation of a gambling enterprise, including,~~  
22 ~~without limitation, dealers, floor personnel, security employees,~~  
23 ~~countroom personnel, cage personnel, collection personnel,~~  
24 ~~surveillance personnel, data-processing personnel, appropriate~~  
25 ~~maintenance personnel, waiters and waitresses, and secretaries, or~~  
26 ~~any other natural person whose employment duties require or~~  
27 ~~authorize access to restricted gambling establishment areas.~~
- 28     ~~(o) “Gambling establishment,” “establishment,” or “licensed~~  
29 ~~premises,” except as otherwise defined in Section 19812, means~~  
30 ~~one or more rooms where any controlled gambling or activity~~  
31 ~~directly related thereto occurs.~~
- 32     ~~(p) “Gambling license” or “state gambling license” means any~~  
33 ~~license issued by the state that authorizes the person named therein~~  
34 ~~to conduct a gambling operation.~~
- 35     ~~(q) “Gambling operation” means exposing for play one or more~~  
36 ~~controlled games that are dealt, operated, carried on, conducted,~~  
37 ~~or maintained for commercial gain.~~
- 38     ~~(r) “Gross revenue” means the total of all compensation received~~  
39 ~~for conducting any controlled game, and includes interest received~~

1 in payment for credit extended by an owner licensee to a patron  
2 for purposes of gambling, except as provided by regulation.

3 (s) “Hours of operation” means the period during which a  
4 gambling establishment is open to conduct the play of controlled  
5 games within a 24-hour period. In determining whether there has  
6 been expansion of gambling relating to “hours of operation,” the  
7 department shall consider the hours in the day when the local  
8 ordinance permitted the gambling establishment to be open for  
9 business on January 1, 1996, and compare the current ordinance  
10 and the hours during which the gambling establishment may be  
11 open for business. The fact that the ordinance was amended to  
12 permit gambling on a day, when gambling was not permitted on  
13 January 1, 1996, shall not be considered in determining whether  
14 there has been gambling in excess of that permitted by Section  
15 19961.

16 (t) “House” means the gambling enterprise, and any owner,  
17 shareholder, partner, key employee, or landlord thereof.

18 (u) “Independent agent,” except as provided by regulation,  
19 means any person who does either of the following:

20 (1) Collects debt evidenced by a credit instrument.

21 (2) Contracts with an owner licensee, or an affiliate thereof, to  
22 provide services consisting of arranging transportation or lodging  
23 for guests at a gambling establishment.

24 (v) “Initial license” means the license first issued to a person  
25 authorizing that person to commence the activities authorized by  
26 that license.

27 (w) “Institutional investor” means any retirement fund  
28 administered by a public agency for the exclusive benefit of federal,  
29 state, or local public employees, any investment company  
30 registered under the Investment Company Act of 1940 (15 U.S.C.  
31 Sec. 80a-1 et seq.), any collective investment trust organized by  
32 banks under Part Nine of the Rules of the Comptroller of the  
33 Currency, any closed-end investment trust, any chartered or  
34 licensed life insurance company or property and casualty insurance  
35 company, any banking and other chartered or licensed lending  
36 institution, any investment advisor registered under the Investment  
37 Advisors Act of 1940 (15 U.S.C. Sec. 80b-1 et seq.) acting in that  
38 capacity, and other persons as the commission may determine for  
39 reasons consistent with the policies of this chapter.

1 (x) “Key employee” means any natural person employed in the  
2 operation of a gambling enterprise in a supervisory capacity or  
3 who is empowered to make discretionary decisions with regard to  
4 gambling operations, including, without limitation, shift managers,  
5 credit executives, cashier operations supervisors, gambling  
6 operation managers and assistant managers, managers or  
7 supervisors of security employees, surveillance managers or  
8 supervisors, or any other natural person designated as a key  
9 employee by the department for reasons consistent with the policies  
10 of this chapter.

11 (y) “Key employee license” means a state license authorizing  
12 the holder to be employed as a key employee.

13 (z) “License” means a gambling license, key employee license,  
14 or any other license issued by the commission pursuant to this  
15 chapter or regulations adopted pursuant to this chapter.

16 (aa) “Licensed gambling establishment” means the gambling  
17 premises encompassed by a state gambling license.

18 (ab) “Limited partnership” means a partnership formed by two  
19 or more persons having as members one or more general partners  
20 and one or more limited partners.

21 (ac) “Limited partnership interest” means the right of a general  
22 or limited partner to any of the following:

23 (1) To receive from a limited partnership any of the following:

24 (A) A share of the revenue.

25 (B) Any other compensation by way of income.

26 (C) A return of any or all of his or her contribution to capital of  
27 the limited partnership.

28 (2) To exercise any of the rights provided under state law.

29 (ad) “Owner licensee” means an owner of a gambling enterprise  
30 who holds a state gambling license.

31 (ae) “Person,” unless otherwise indicated, includes a natural  
32 person, corporation, partnership, limited partnership, trust, joint  
33 venture, association, or any other business organization.

34 (af) “Player” means a patron of a gambling establishment who  
35 participates in a controlled game.

36 (ag) “Player-dealer” and “controlled game featuring a  
37 player-dealer position” refer to a position in a controlled game, as  
38 defined by the approved rules for that game, in which seated player  
39 participants are afforded the temporary opportunity to wager

- 1 against multiple players at the same table, provided that this  
2 position is rotated amongst the other seated players in the game.
- 3 (ah) “Publicly traded racing association” means a corporation  
4 licensed to conduct horse racing and simulcast wagering pursuant  
5 to Chapter 4 (commencing with Section 19400) whose stock is  
6 publicly traded.
- 7 (ai) “Qualified racing association” means a corporation licensed  
8 to conduct horse racing and simulcast wagering pursuant to Chapter  
9 4 (commencing with Section 19400) that is a wholly owned  
10 subsidiary of a corporation whose stock is publicly traded.
- 11 (aj) “Renewal license” means the license issued to the holder  
12 of an initial license that authorizes the license to continue beyond  
13 the expiration date of the initial license.
- 14 (ak) “Work permit” means any card, certificate, or permit issued  
15 by the commission, or by a county, city, or city and county, whether  
16 denominated as a work permit, registration card, or otherwise,  
17 authorizing the holder to be employed as a gambling enterprise  
18 employee or to serve as an independent agent. A document issued  
19 by any governmental authority for any employment other than  
20 gambling is not a valid work permit for the purposes of this chapter.