



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Joseph

SUBJECT: CARDROOM – REGULATION FEE DATE: May 28, 2024
STATE VS CITY REGULATIONS

Approved

Date: 5/29/24

BACKGROUND

On February 21, 2024, the Rules and Open Government Committee (“Rules Committee”) directed staff to prepare a Manager’s Budget Addendum (MBA) that analyzes City and State regulations on the two San José Cardrooms and further evaluate possible modernization of the local regulations, thereby reducing or possibly eliminating the existing regulatory fee.

Cardrooms are a category of legal gambling businesses. Two cardrooms have long operated in the City of San José: Bay101 (originally known as Sutter’s) has been open since 1929, and Casino M8trix (founded as the Garden City Casino) has been operating since 1946. Together, in 2022-2023, these cardrooms generated Cardroom Tax collection of \$29.8 million.

California law establishes minimum requirements for the regulation of permissible gambling activities and lawful gambling establishments. State law also empowers local authorities to regulate various aspects of legalized gaming to monitor compliance and mitigate public safety risks.

The San José Police Department’s Division of Gaming Control (“Division”) is responsible for enforcing comprehensive regulations governing legalized gambling within the City of San José. These regulations’ purpose is to maintain public confidence in the integrity of cardroom operations and protect public health, safety, and welfare. The Division provides a range of services, including conducting extensive background investigations on cardroom owners and employees, analyzing statistical information concerning criminal activities in and around cardrooms, and investigating reported violations of Title 16 of the San José Municipal Code, the California Gambling Control Act, and the state Penal Code. The Division also performs various compliance checks and audits to ensure cardrooms are properly reporting taxable revenues. In addition, the City’s gaming control regulatory program regulates the persons, locations and practices of permitted San José cardrooms and funding sources.

The Division consists of 6.0 positions funded through cost recovery fees paid by the City's two cardrooms.¹ This Cardroom Regulation fee is currently \$954,190 per cardroom per year, and scheduled to increase to \$1,012,184 as included in the 2024-2025 Proposed Fees and Charges Report. Various other miscellaneous fees are also charged to the Cardrooms for Appeals Hearing, Cardroom License Application Fee Deposit, Cardroom Permit, Cardroom Permit Amendment Fee, Work Permit Fees and Professional Services Fees. The total amount of these miscellaneous fees is estimated at approximately \$287,000 in 2023-2024 and \$371,000 in 2024-2025.

The Division is also responsible for enforcing Title 16 and other gaming regulations of the third-party proposition player service providers operating at these cardrooms.²

The Division does not have the authority to conduct criminal investigations; those investigations are conducted separately by other entities within the San José Police Department. However, the Division does serve as a facilitator between cardrooms and other Police Department entities, providing assistance in investigations when needed. Additionally, information collected as part of the Division's regulatory activities may help inform those investigations. For instance, in August 2023, the Division arranged a meeting between cardrooms' owners, Division staff, SJPD robbery detectives, and patrol unit following a series of robberies at both casinos. The purpose of the meeting was to discuss and enhance the safety and security of both patrons and employees. All parties involved recognized the mutual benefits of collaborating in this important aspect.

ANALYSIS

In response to the Rules Committee's direction, staff undertook a comprehensive analysis of the City's existing cardroom regulations, examining both alignment with the state's regulatory framework and looking for opportunities to modernize local regulations without impacting public health, safety, or welfare. This side-by-side comparison of City and state regulations is provided in Attachment A – Staff Analysis: Alignment of City and State Regulations.

Staff analysis showed that the City's existing regulatory structure is necessary to mitigate public safety risks. Maintaining collaborative, proactive regulation is also essential for ensuring accurate accounting and safeguarding of continued municipal revenue. Staff analysis for these areas is summarized below.

¹ These 6.0 positions consist of 1.0 Gaming Administrator, 1.0 Supervising Auditor, 3.0 Senior Auditors, and 1.0 Staff Specialist positions.

² A state and City licensed businesses that provide cardrooms with services that include playing as a participant in any controlled game that has a rotating player-dealer position, i.e., to take all losers and pay all winners at the California style games).

Public Safety Concerns

Unregulated gambling operations can facilitate money laundering, illicit transactions, and other undesirable activities. They can also exacerbate public health issues, including compulsive gambling.³

In 2014, the SJPD Division of Gaming Control received an award from the California Department of Public Health's Office of Problem Gambling. The award recognized the Division's adherence to regulations concerning cardrooms in San José, particularly their efforts to promote responsible gaming. The Division's commitment to protecting the public and ensuring the integrity of cardroom operations was acknowledged, highlighting their contribution to supporting individuals and families affected by problem gambling.

While some local regulations overlap with state minimal regulatory requirements, the City's program of local enforcement is far more robust than state regulators. State regulators infrequently visit local cardrooms, conduct limited audits, and minimal compliance checks. Conversely, the City's Division conducts a considerably greater number of site visits and performs meticulously thorough examinations of cardroom operations.

The current regulatory framework stems from past criminal activities that occurred within the San José cardrooms. In 1987 and 2000, the District Attorney's Office indicted multiple individuals associated with the cardrooms, resulting in convictions on various charges such as skimming, loan sharking, extortion, witness intimidation, sale of crack cocaine, felonious assault, credit card fraud, counterfeit check passing, forgery, and perjury (See Attachment B: Articles: San Jose Cardrooms 1987 and 2000 Indictments). However, since the implementation of the City's strict regulatory program, there have not been major crimes associated with San José cardrooms. Repealing the existing regulatory framework risks reversing this progress.

The Division's robust background check process, for example, has proven its effectiveness in the past by successfully identifying individuals who were not suitable to hold a gaming license, based on the established disqualification criteria. Furthermore, proactively initiating regulatory actions and issuing multiple letters of warnings has helped local cardrooms address and rectify potential violations before serious issues develop.

In addition, some key local provisions—including the incident and crime reporting requirements set forth in Title 16 (Gaming Control) of the San José Municipal Code—are more stringent than the state's gambling laws and regulations. To protect public health, safety and welfare, the City-level regulations impose a mandate for immediate reporting to local law enforcement when any suspected criminal activity is discovered on gambling premises. Furthermore, there are additional obligations to notify gaming authorities of potential regulatory violations within a strict four-hour timeframe. In contrast, state-level regulations often allow establishments more time (up to five business days) to file formal incident reports after specific types of incidents are identified.

³ See Office of Problem Gambling under the California Department of Public Health to learn more about Problem Gambling and its detrimental impacts to people and communities.
<https://www.cdph.ca.gov/Programs/OPG/Pages/opg-landing.aspx>

Other California cities without such regulation have faced serious criminal activity. In March 2021, the California Attorney General's office announced a historic settlement involving Artichoke Joe's Casino in San Bruno, California. The casino agreed to pay a record \$5.3 million penalty for violating federal laws related to money laundering and deceiving gambling regulators. This penalty stems from the casino's failure to report a federal investigation, making it the largest penalty ever imposed in California's gambling regulation history. Additionally, Artichoke Joe's Casino had previously faced allegations of engaging in loan-sharking activities and illegal drug sales. These allegations resulted in a racketeering indictment and subsequent convictions. Despite a previous settlement, the casino failed to adequately address these issues, highlighting the importance of strong regulatory oversight and comprehensive controls in card rooms to prevent unlawful actions and ensure compliance with federal standards.

Similarly, Hawaiian Gardens Casino in Los Angeles County was fined a record-breaking \$3.1 million for non-compliance with the federal Bank Secrecy Act and misleading gambling regulators in 2019. The casino also incurred an additional \$2.8 million federal penalty for its failure to establish an effective anti-money laundering program and report suspicious activity. These penalties highlight the need for strict adherence to regulatory requirements and the implementation of comprehensive measures to prevent illegal activities and ensure compliance within the card room sector.

Preserving City Revenue

The City's cardrooms provide approximately \$30 million in Business Tax proceeds to the City annually (which is separate from the regulatory fee revenue), which is deposited in the General Fund to help support a broad range of City services. Strict regulatory controls are vital for safeguarding this critical source of City revenue. The Division of Gaming Control ensures cardrooms properly report and provide tax revenues, including by conducting vetting processes for cardroom stakeholders, regular financial audits, various compliance checks, and timely investigations of any potential violations.

If City regulations were reduced, these services would not be provided by state regulators. When comparing state and City regulations regarding drop box (a secure container designed to ensure the safe collection, storage, and transportation of collection fees to the count room) removal procedures, for example, the City's regulations add value by emphasizing detailed steps and providing stringent oversight. While they echo state minimum requirements, they also introduce additional measures to prevent error and fraud by ensuring that at least two different cardroom departments are responsible for the separate parts of any task. The City rules specify a thorough box-pull process, require a diverse team for the segregation of duties, and mandate comprehensive documentation and surveillance procedures. These measures add value by increasing security, ensuring transparency, and holding individuals accountable. Furthermore, the City's provisions for immediate reporting of unscheduled drop box removals and semiannual reporting schedules strengthen the overall regulatory oversight. By enforcing these regulations, City regulators create a transparent and trustworthy environment that preserves tax revenues, fosters economic growth, and prioritizes the well-being of the community.

HONORABLE MAYOR AND CITY COUNCIL

May 28, 2024

Subject: Cardroom - Regulation Fee; State vs. City Regulations

Page 5 of 5

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

/s/

PAUL JOSEPH

Acting Chief of Police

For questions, please contact Kirill Yermanov, Gaming Administrator, Division of Gaming Control, San José Police Department, at kirill.yermanov@sanjoseca.gov or (408) 794-1474.

Attachment A: Staff Analysis: Alignment of City and State Regulations

Attachment B: Articles: San Jose Cardrooms 1987 and 2000 Indictments

Appendix A

Table of Contents

MINIMUM INTERNAL CONTROL STANDARD: CAGE OPERATIONS AND FUNCTIONS.....	5
Cage operation and functions	5-10
MINIMUM INTERNAL CONTROL STANDARD: TABLE GAMES	10
Owner or key employee on premises general standards	10
Department Responsibilities	11
Gaming Equipment Control	11-13
Gaming Table Movement Control	13-14
Table Games Rule and Dealings Procedures	14
Table Games Accounting/Revenue Audit Procedures	14-15
Tournaments	15-17
Statistics	17
Supervision	18
Storage	18
MINIMUM INTERNAL CONTROL STANDARD: DROP BOX COLLECTION	18
Drop and Drop Collection	18-21
MINIMUM INTERNAL CONTROL STANDARD: COUNT, COUNT ROOM FUNCTIONS.....	21
Count; Count Room Functions	21-24
MINIMUM INTERNAL CONTROL STANDARD: SURVEILLANCE STANDARDS AND REQUIREMENTS.....	24
Surveillance	24-27
ACCOUNTING DEPARTMENT	27

Appendix A

Article 1. Accounting and Financial Reporting	27-28
Financial Statements and Reporting Requirements	28-31
Regulation 1.030 Accounting Record	29-30
Regulation 1.040 Records of Ownership	30-31
1.060 Audit Financial Statement	31-32
RECORDS RETENTION	32
Record Retention and Maintenance; General Provisions	32-38
CARDROOM LICENSES	38
Licensing Policy	38
License Procedures	39
Affirmative Criteria for License	40
Disqualification Criteria for License	41-42
License renewal; application; fees; penalties; closure of premises	43
RELOCATION OF GAMING ESTABLISHMENT	44
Relocation of Gambling Establishment	44-45
Premises relocation	44
VENDOR APPROVAL	45
Manufacturers, Distributors, and Vendors of Bingo Equipment, Devices, Supplies, and Services	45-48
Vendor Approval	45
MINOR VIOLATIONS	48
Investigations; accusations; fines or penalties; payment of costs and deposit of funds	48-51
Notice of minor violation	48-51

Appendix A

REGULATORY ACTIONS AND CEASE AND DESIST ORDER	52
Investigations; accusations; fines or penalties; payment of costs and deposit of funds	52-53
Cease and desist orders	52-53
UNIFORM ADMINISTRATIVE HEARING	53
Regulations.....	53-54
Conduct of Administrative Hearing	53-54
WORK PERMITS.....	54
Work Permits	54-57
Work Permit Application Procedures	54-58
RESPONSIBLE GAMING PROGRAM.....	58
Program for Responsible Gambling	58-60
Responsible gaming program for employees	58-60
NON-PROFIT ORGANIZATION FUNDRAISERS	60
Nonprofit Organization Fundraisers	60-62
TOURNAMENT PLAY AND GUARANTEED TOURNAMENT PLAY AND ADDITIONAL TABLES	62
Request for Additional Temporary Tables for Tournaments or Special Events	62-63
Tournament play	62
Special license fee; excess tables for tournaments and special events	63-
"Guaranteed" Tournament Play	63-64
POLICIES AND PROCEDURES	65
Policies and Procedures	65-66
Approval by the Administrator	65

Appendix A

RESTRICTIONS ON GAMBLING	66
Controlled game; license requirements; fee collection	66-68
Restrictions on Gambling	66
Permissible games.....	67--68
Permissible game list	67-68
Unsuitable Gaming Activities	68
Game rules	68-69
Legislative findings and declarations	69
Limitations on bets.....	69
CRIME REPORTING AND SECURITY	70
Operation to protect public health, safety, and general welfare; disciplinary action	70
CCR Title 4 §12395	70-72
Patron safety and security.....	70
Games to be played on single ground floor level	70
Continuing obligation to cooperate	70-71
Crime reporting requirement and 911 calls.....	71
Reporting of Criminal Activity Penal Code Sections	72-73

Appendix A

MINIMUM INTERNAL CONTROL STANDARDS: CAGE OPERATION AND FUNCTIONS	
State Requirements	City Requirements
<p><u>§ 12386. Cage Operation and Functions</u></p> <ul style="list-style-type: none"> • The cardroom business licensee must have a separate room for all monetary transactions. • The cardroom business licensee must maintain a record of all the names and classification of all persons authorized to access the cage. • The assigned employees' duties may include any or all of the following: (A) Custody of the cage inventory or individual cashiers' banks, which is comprised of currency, coin, patron checks, gambling chips, forms, documents and records consistent with the operation of a cage or an individual cashier's bank. (B) Receipt and distribution of gambling chips through internal operations. (C) Sale and redemption of chips through patron transactions. (D) Deposits to and withdrawals from players' banks and dealers' banks, if applicable. (E) Check cashing and extensions of credit for patrons, as permitted by the cardroom business licensee's policies and procedures. (F) Preparation of cage accountability reconciliations and records necessary to document compliance with the requirements of this chapter. (G) Recording patron information that is necessary for compliance with the requirements of relevant laws. (H) The proper accounting and safeguarding of any cage bank or cashier's bank, and gambling equipment or confidential documents when kept in a cage. • A log must be maintained, either in writing or electronically, to document entry into a cage by any person not authorized access. The log must contain the person's name, title, date of entry, and time entering and exiting. Any automated access control system must provide a secure, tamperproof means of recording and maintaining entry and exit information. 	<p><u>Minimum Internal Control Standards, Chapter 2</u></p> <ul style="list-style-type: none"> • A cardroom cage department is supervised by a cardroom employee holding a key employee's license with the position of Cage Manager. • The Cage Manager is responsible for the entire cage department and shall report directly to the Chief Executive Officer regarding administrative matters and daily operations. However, a cardroom permittee may allow the Cage Manager to report directly to a management executive of the Permittee other than the Chief Executive Officer if those executive reports directly to the Chief Executive Officer. • All transactions that flow through the cardroom (casino) cage are summarized on a cage accountability form on a per shift basis. • Increase and decreases to the cage inventory are supported by documentation. For any individual increase/decrease which exceeds \$100, the documentation indicates the date and shift, the reason for the increase/decrease, the person completing the transaction, and for decreases indicate the person or department receiving the cage funds. • The cage and vault inventories are examined and counted by at least two persons, attested to by signature, and recorded in ink or other permanent form at the end of each shift during which activity took place, and in no case less than once daily. Such documentation is to include the date and shift for which the count was performed. • All net changes in outstanding cardroom (casino) accounts receivables, including all returned checks, are summarized on a cage accountability form or similar document on a per shift basis. • Such information is summarized and posted to the accounting records on at least a monthly basis.

Appendix A

<ul style="list-style-type: none"> • Cage and cashiers' banks must be reconciled after each shift by the incoming and outgoing assigned cage employees. If an imprest is used, each outgoing cage employee responsible for an imprest must balance his or her imprest to the imprest amount. The recordable cage transactions and reconciliations must be posted and reconciled to the general ledger at least monthly. • The purchase or redemption of gambling chips by a patron may only occur at a cage or from an authorized cardroom category licensee on the gambling floor. Cardroom category licensees may not permit TPPPS category licensees to purchase or redeem gambling chips for cash or cash equivalents from a patron or to sell gambling chips to a patron. • A cage must be a secure enclosed structure with at least one cashier window through which items such as gambling chips, cash, checks, and documents may be passed to serve patrons and licensees. The design and construction of a cage must include: (A) Secure cashier windows designed to prevent entry by a patron or another individual, and to prevent theft from the cage; (B) A manually triggered silent alarm system connected directly to the surveillance unit, or its equivalent, or an alarm monitoring agency; and (C) Access through a secured door or doors, which must be under constant recorded video surveillance. 	
<ul style="list-style-type: none"> • The cardroom business licensee must assign at least one gambling enterprise employee to process monetary transactions at a cage. The titles, classifications, or positions of all employees assigned to process monetary transactions at a cage must be listed on the gambling enterprise's organizational chart. 	<ul style="list-style-type: none"> • The cardroom (casino) cage shall be responsible for, without limitation, the following: 1) The custody of currency, coin, patron checks, gaming chips, documents, and records normally associated with the operation of a cashier's cage. 2) The receipt, distribution, and redemption of gaming chips. 3) Such other functions normally associated with the operation of a cashier's cage. 4) Compliance with the Federal and State Currency Transaction Reporting and Suspicious Activities Reporting requirements.
<ul style="list-style-type: none"> • A log must be maintained, either in writing or electronically, to document entry into a cage by any person not authorized access. The log must contain the person's name, title, date of entry, and 	

Appendix A

<p>time entering and exiting. Any automated access control system must provide a secure, tamperproof means of recording and maintaining entry and exit information.</p> <ul style="list-style-type: none"> • Cage and cashiers' banks must be reconciled after each shift by the incoming and outgoing assigned cage employees. If an imprest is used, each outgoing cage employee responsible for an imprest must balance his or her imprest to the imprest amount. The recordable cage transactions and reconciliations must be posted and reconciled to the general ledger at least monthly. 	
	<ul style="list-style-type: none"> • If personal checks, cashier's checks, or payroll checks are cashed, the cage cashier shall: a. Examine and record at least one item of patron identification, b. Make a reasonable effort to verify the authenticity of cashier's check for amounts over \$1,000, c. Make a reasonable effort to verify business authenticity for payroll checks. • When counter checks are issued, the following shall be included on the check: a. The patron's name and signature, b. The dollar amount, c. Date of issuance, d. Signature or initials of the individual approving the transaction. • When traveler's checks/guaranteed drafts are presented, the cashier must comply with the examination and documentation procedures as required by the issuer. • A detailed listing is maintained to document all outstanding credit instruments and returned checks and this listing is prepared or reviewed by an individual independent of check cashing transactions and collections thereon. • Documentation evidencing the performance of the above procedures shall be maintained for a minimum of five (5) years.
	<ul style="list-style-type: none"> • Written-off or settled credit instruments and returned checks are authorized in writing. • Such authorizations are made by at least two management officials, at least one of whom independent of the initial check cashing approval process, and the issuance and collection of credit and returned checks relative to the patron's account. The individuals

Appendix A

	<p>approving the write-off or settlement must sign a document indicating their authorization.</p> <ul style="list-style-type: none"> Completed written-off and settled credit instruments and returned checks documentation is submitted to the accounting department within 72 hours of completion.
	<ul style="list-style-type: none"> The receipt or withdrawal of a customer deposit is evidenced by at least a two-part document with one copy going to the customer and one copy remaining in the cage file. The multi-part receipt contains the following information: a) Same receipt number on all copies, b) Customer's name and signature, c) Date of receipt and withdrawal, d) Dollar amount of deposit/withdrawal, e) Nature of deposit (cash, checks, chips). Procedures are established to: a) Maintain a detailed record by patron name and date of all funds on deposit, b) Maintain a current balance of all customer deposits which are in the cage/vault accountability, c) Reconcile this current balance with the deposits and withdrawals at least daily.
	<ul style="list-style-type: none"> The cage accountability is reconciled to the general ledger at least monthly. A listing of cardroom (casino) accounts receivable, including the name of patrons and current balance, is prepared at least monthly for active, inactive, settled or written-off accounts. (A listing of written-off items, i.e., worthless items at the time of write-off, and another listing of payments on items previously written-off are acceptable.) The listing of cardroom (casino) accounts receivable is reconciled to the general ledger each month. The reconciliation and any follow-up performed is documented and maintained for a minimum of five (5) years.
	<ul style="list-style-type: none"> An individual independent of the cage and/or collection functions performs all of the following at least four times (quarterly) per year: <ol style="list-style-type: none"> Ascertain compliance with check cashing limits and other established cash advance issuance procedures, Randomly reconcile outstanding balances of both active and inactive

Appendix A

(including write-offs and settlements) accounts on the listing to individual check cashing records and physical instruments. For inactive accounts, this procedure is required to be performed once per year), c) Examine check cashing records to determine that appropriate collection efforts are being made and payments are being properly recorded, d) For a minimum of five (5) days during each review, all partial payments are subsequently reconciled to the payments recorded by the cage for the day and are numerically accounted for.

- For one day each month, accounting/audit personnel trace the amount of cage deposits to the amounts indicated in the bank statements.
- For one day each month, accounting/audit personnel review a sample of returned checks to determine that the required information was recorded by cage personnel when the check was cashed.
- For one day each quarter, accounting/audit personnel performs a complete count of all funds in cage and vault. All casino (cardroom) chips are counted by denomination and type. Individual strapped, bagged and loose currencies are counted and traced to the amount recorded on the appropriate accountability form to ensure the proper amount is recorded. Documentation is maintained evidencing the count amounts for each count and the subsequent comparison to the appropriate accountability form.
- It is recommended, but not mandatory, that the individual responsible for the funds should perform the actual count while observed by the accounting/audit personnel.
- For each calendar quarter, accounting/audit personnel selects a sample of invoices for chips purchased during the calendar quarter being reviewed. Accounting/audit personnel trace the dollar amount of chips indicated on the purchase invoice to the accountability document indicating the increase to the chip inventory to ensure the proper dollar amount of chips has been recorded on an accountability form.

Appendix A

	<ul style="list-style-type: none"> • For all contest/tournaments, the following documentation is maintained: a) Copies of the information provided to the patrons describing the contest/tournament, b) Effective dates, c) Accounting treatment, including general ledger accounts. • Monthly, accounting/audit personnel reviews payout documentation and interviews cardroom management to ensure that contests/tournaments are conducted in accordance with conditions provided to the patrons. • For each day, accounting/audit personnel reconciles all parts of the form used for increases/decreases to the cage inventory, investigate any variances noted, and document the results of such investigations. • Documentation (i.e., log, checklist, notation on reports, etc.) evidencing the performance of card room (casino) cage and credit including check cashing audit procedures, the exceptions noted and follow-up of all cardrooms (casino) cage and credit including check cashing audit exceptions is maintained for a minimum of five (5) years.
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MINIMUM INTERNAL CONTROL STANDARDS: TABLE GAMES	
State Requirements	City Requirements
<p><u>§ 2050. Owner or Key Employee on Premises</u> General Standards</p> <ul style="list-style-type: none"> • A gambling establishment shall have on the premises, at all times that the establishment is open to the public, an owner licensee or a key employee who shall have the responsibility to ensure compliance with rules and regulation. 	<p><u>Minimum Internal Control Standards, Chapter 3</u> General Standards</p> <ul style="list-style-type: none"> • A table games department is supervised by a cardroom employee holding a key employee’s license with the position of Casino Manager. • The Casino Manager is responsible for the entire table games department and shall report directly to the Chief Executive Officer regarding administrative matters and daily operations.

Appendix A

<p>Department Responsibilities</p>	<p>Department Responsibilities</p> <ul style="list-style-type: none"> • The table games department shall be responsible for: • The operations and conduct of permissible games that cardrooms are authorized to play pursuant to Title 16 of the San Jose Municipal Code. • Supervision of dealers, chip runners, and other floor personnel. • Ensuring that a written description of how each game conducted on the premises is played, the game rules are posted in a conspicuous place, and the game rules are made available in other language. • The maintenance of a log and record of the tables that are open, moved, and the games played at each table by date and shift. • The maintenance of a log or record of the personnel assigned to the table games department by table, date, and shift. • The conspicuous posting of game fees and table limits.
<p>Gaming Equipment Control</p> <ul style="list-style-type: none"> • It is unlawful to mark, alter, or otherwise modify any gambling game device or associated equipment in a manner that affects the result of a wager by determining win or loss. 	<p>Gaming Equipment Control</p> <ul style="list-style-type: none"> • New and used gaming equipment shall be maintained and perpetually inventoried by a department independent of the table games department (i.e., gaming equipment control room) to prevent unauthorized access and thus reduce the possibility of tampering. The gaming equipment room perpetual inventory must be reconciled to other subsidiary logs (i.e., podium logs) at least monthly. • Before new or used cards and tiles (set-ups) are placed in service a gaming equipment control employee must first inspect the playing cards and tiles to ensure that all cards and tiles are accounted for and there are no defects (i.e., cracks, tears, fading, signs of wear and tear, any signs of marking and inconsistent coloration). • Any card or tile that has a defect of any kind, whether intentional or accidental must be rejected and replaced. • Once inspected, cleaned, and verified, all new (secured) set-ups must be placed in a carrying case or bag and secured with a tamper

Appendix A

resistant seal. A Gaming Equipment Control Log will be affixed to the carrying case or bag and the log is signed by the gaming equipment control room employee verifying the set-up.

- The gaming equipment control room employee shall transport the new set-up from the gaming control room directly to and secured in a designated gaming equipment control area of the gaming podium; or
- The gaming equipment control room employee shall transport the new set-up from the gaming control room directly to the gaming table where the equipment is turned over to the floor supervisor to be placed into service at the table.
- An inventory log is maintained in the podium which must show, at a minimum, the following:
 - i. Date, time, shift and signature of the gaming equipment control room employee delivering the new (secured) set-ups to and retrieving the used set-ups from the podium.
 - ii. Date, time, shift and signature of the gaming equipment control room employee releasing the new (secured) set-ups to the floor supervisor at the gaming tables.
 - iii. Date, time, shift and signature of the floor supervisor or a gaming equipment control room employee returning the used set-ups from the gaming tables.
 - iv. Total number of decks (new and used set-ups) stored in the podium.
- The new set-ups must be retrieved from the podium by the floor supervisor, or the gaming equipment control room employee and the inventory log will be updated before the set-ups are taken to the gaming tables.
- The floor supervisor must verify in full view of the patrons that the new set-up contains an unbroken tamper resistant seal before the new setup is released to the dealer at the gaming table. Upon receipt of the new setup, the used setup will be placed on the layout to be picked up by the floor supervisor.

Appendix A

	<ul style="list-style-type: none"> • Upon receipt of the new setup, the dealer will break the tamper resistant seal over the table layout and under camera coverage. The dealer must verify that the new setup is complete by spreading and counting the cards on the table layout prior to the first hand being dealt. • If the new setup contains no apparent markings and the cards or tiles are properly accounted for, the new setup will be placed in service. Otherwise, the setup will be returned to the floor supervisor and the process of replacing the used setup with a new setup must start over. • The used setup will be immediately verified by the floor supervisor or the gaming equipment control room employee for completeness and the podium inventory log will be updated.
<p>Gaming Table Movement Control</p>	<p>Gaming Table Movement Control</p> <ul style="list-style-type: none"> • When a gaming table is to be relocated from one area to another area the following procedures are required: <ol style="list-style-type: none"> i. Prior to relocating or replacing a table a Casino Shift Manager will notify surveillance of the movement and the entire movement shall be recorded with pan/tilt/zoom coverage. Additionally, the entire movement shall be noted on the surveillance log and a copy of the log is forwarded to the Division at least once daily. ii. Prior to placing the relocated or replaced gaming table into service, the Casino Shift Manager shall verify with surveillance that the gaming table after the relocation or replacement is under proper camera coverage, which allows a clear view of the table layout, cards or tiles, chips, dice and dice cup. iii. After the verification has been made a new drop box shall be installed at the gaming table using drop procedures. iv. The Casino Shift Manager shall document the table games movement procedures including date, time, table number, area of casino floor, reason for the movement and name of

Appendix A

	<p>personnel involved in the transaction. The documentation shall be maintained for a minimum of five (5) years.</p>
<p>Table Games Rule and Dealings Procedures</p> <ul style="list-style-type: none"> A cardroom business licensee must adopt and implement general house rules, written, at a minimum, in English, which promote the fair and honest play of all controlled games and gaming activity, and which at a minimum: (1) Allow for the operation of only those games that are permitted by local ordinance and state and federal laws and regulations; (2) Include provisions that are designed to deter collusion; and, (3) Where applicable during the play of any controlled game or gaming activity, must address player conduct and irregularities. 	<p>Table Games Rule and Dealings Procedures</p> <ul style="list-style-type: none"> Table game rules for purposes of this section are defined as the manner in which game is played, odds if any, card and tile dealing procedures including shuffle, collection of fees, collection and payment methodology, etc. Table game rules shall be submitted to the Division for review and approval prior to being placed into service. Table game rules shall not be modified unless prior written approval from the Administrator has been obtained. Playing cards, tiles, dice, and dice cups shall remain on and/or over the gaming table and in plain view of the patrons, dealers, and supervisors. No playing cards, tiles, dice, and dice cups shall be allowed to be removed past the padded rail or outer edge of the gaming table during the play of the permissible game.
<p>Table Games Accounting/Revenue Audit Procedures</p>	<p>Table Games Accounting/Revenue Audit Procedures</p> <ul style="list-style-type: none"> Revenue audit function is separate and apart from the Internal Audit function. The table games accounting and revenue audit procedures are performed by personnel independent of the table games operations. Accounting/audit personnel shall perform the following procedures on a daily basis: <ul style="list-style-type: none"> i) Reconcile the dollar amount of count proceeds on the master games summary to the dollar amount recorded in the transfer form, if applicable, indicating all transfers in/out of the count room, both during and at the end of the count. Investigate and document any variance noted. ii) Recalculate count proceeds in total and by shift. iii) Verify that the correct total of count proceeds is recorded in the accounting records used to prepare the Cardroom Tax

Appendix A

	<p>Monthly Statement that is submitted to the City of San Jose Finance Department.</p> <ul style="list-style-type: none"> • A daily recap is prepared for the day and month to date which includes the total drop count. • Accounting/revenue audit employees review exception reports for all computerized table games systems, if applicable, at least monthly for propriety of transactions and unusual occurrences. • All noted improper transactions or unusual occurrences are investigated with the results documented and maintained for five (5) years. • Evidence of table games revenue audit procedures and any follow up performed shall be maintained for a minimum of five (5) years.
<p>Tournaments</p>	<p>Tournaments</p> <ul style="list-style-type: none"> • All funds contributed by players into tournaments are returned when won (i.e., prize pool) in accordance with the posted rules with no commission withheld except for initial administrative fees authorized and approved by the Administrator. • No administrative fees may be deducted from re-buys. • A full accountability of all administrative fee collection and expenditures for each tournament shall be documented and maintained for five (5) years. • Rules governing each tournament shall be clearly posted in the gaming area and shall designate the following: <ul style="list-style-type: none"> i) The tournament buy-in and re-buys amounts. ii) The limit on number and amount of re-buys that are allowed for the tournament, and the re-buy schedule (i.e., two \$40 re-buys after the 5th and 9th limit change or one \$25 re-buy at the end of the first hour, etc.). iii) The betting limits for the specific tournament, as well as limit increase schedule/policy. iv) The tournament's payout rule (i.e., number of places to be paid and the percentage of the prize pool that is paid to

Appendix A

	<p>each place). The number of places paid out may be determined on the day of the tournament based on the number of participants at the discretion of the tournament director.</p> <ul style="list-style-type: none">v) The total fees collected for the prize pool shall be posted within the first hour of the tournament. For a tournament with re-buys, the total prize pool shall be updated at the time when the re-buy period has expired.• All initial buy-in transactions shall be conducted at the casino cage. Re-buy transactions may be conducted at the casino cage or at the tournament tables.• If re-buy transactions are allowed at the tournament tables, the funds removed from the tournament tables must be placed in a locked container in plain view of the public. Additionally, the following standards shall apply:<ul style="list-style-type: none">i) The locked container contents key is maintained by a department independent of the table game department, including the tournament director.ii) At least once a day, the locked container is removed by two employees, one of whom is independent of the table games department and transported directly to the casino cage to be counted.iii) At the casino cage, the locked container is opened by the key custodian in the presence of the casino cage cashier and the Tournament Director or designee, and the funds are counted, verified, and recorded by the cashier before it is accepted into the cage accountability.iv) Employees authorized to transport the locked container to the casino cage are precluded from having access to the contents key.v) The Tournament Director or his designee must maintain a log of all re-buy transactions.vi) At the conclusion of the re-buy period the original transaction log is delivered to the accounting office and a
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Appendix A

	<p>copy is maintained by the Tournament Director of his designee.</p> <ul style="list-style-type: none"> • A tournament log must be maintained at the casino cage and this log shall reflect the following information: <ul style="list-style-type: none"> i) The total number of tournament participants and total buy-in fees collected. ii) The total number of re-buys made and the amount of total re-buy fee collected. iii) The amount of the payout to each winner. iv) The name of each participant including the dollar amount of the initial buy-in, and verified name of each participant receiving payouts in excess of \$3,000. v) Note: The casino cashier or tournament director or designee is responsible for the verification of all such information and attest by signature.
<p>Statistics</p>	<p>Statistics</p> <ul style="list-style-type: none"> • Revenue records for each type of permissible game are maintained by day, shift, cumulative month-to-date, cumulative year-to-date and cumulative life-to-date. • Revenue records are presented to and reviewed by the controller who is independent of the table games department on at least a monthly basis. • The controller investigates any unusual statistical fluctuations with table games supervisory personnel. • At a minimum, investigations are performed for all statistical percentage fluctuations from the base (for same types of table games) for a month in excess of +/- 10%. The base level is defined as the Permittee drop records per hour for the previous business year or previous 12 months. • The results of such investigations are documented in writing and maintained for a minimum of five (5) years.

Appendix A

<p>Supervision</p>	<p>Supervision</p> <ul style="list-style-type: none"> • Table games supervisory personnel shall provide adequate supervision of all table games. • There shall be at least one Casino Shift Manager per each eight (8) hour shift. This manager must supervise the entire shift including table games supervisors, floor supervisors and dealers. • Each table game supervisor in the California gaming area shall supervise no more than 4 card tables. The supervisor seated at the high limit games can only supervise the table to which they are assigned. Note: California games are those Player/Banker games defined under SJMC, Title 16, 16.02.480. • Each table game supervisor shall supervise in the traditional poker area shall supervise no more than 8 card tables.
<p>Storage</p>	<p>Storage</p> <ul style="list-style-type: none"> • All original source documents generated in the table games area and/or table games department, including but not limited to books, records, logs, forms, ledgers, etc., must be routed to and maintained by the accounting department for a minimum of five (5) years.

<p>MINIMUM INTERNAL CONTROL STANDARDS: DROP BOX COLLECTION</p>	
<p>State Requirements</p>	<p>City Requirements</p>
<p><u>12384. Drop and Drop Collection</u></p> <ul style="list-style-type: none"> • The policies and procedures for all Tiers must meet or exceed the following standards for the drop and collection of the drop for non-electronic gambling tables: (1) Drop collection fees must be deposited into a secure container, known as a “drop box,” that must be securely attached to the gambling table. A drop box must 	<p><u>Minimum Internal Control Standards, Chapter 3</u></p> <ul style="list-style-type: none"> • The setting out of empty drop boxes at card tables and the removal of drop boxes from the card tables is a continuous process. The drop box removal process begins with the removal of the first card table drop box.

Appendix A

be constructed and controlled in a manner to provide for the security of its contents. (2) If a jackpot or any other player-funded gaming activity is offered, jackpot collections must be deposited into a separate drop box, or otherwise segregated, and accounted for separately. (3) Drop boxes must have all of the following: (A) A lock securing the contents. (B) A separate lock securing the drop box to the gambling table. This lock must be keyed differently from the lock securing the contents of the drop box. (C) An individual identifier that corresponds to the gambling table to which the drop box is attached and the shift, if applicable, for which it is used, and that can be documented when the box is removed from the table. Visible drop box identifiers must be imprinted or impressed on the box and capable of being seen and read in video surveillance recordings, either while attached to the table or when removed from the table and immediately displayed to a surveillance camera. If a bar code or an equivalent system is used, in addition to the imprinted or impressed identifiers, it must have the capability to identify each drop box by shift and table, the person or persons performing the collection, and the date and time of the collection. (D) An opening through which chips collected for fees must be inserted. (4) An emergency, interim, or temporary drop box may be maintained without a number or marking, if the applicable designation is permanently imprinted or impressed thereon and, when put into use, it is temporarily marked as provided in subparagraph (C) of paragraph (3) above. (5) A drop box, when removed from a gambling table, whether in use or not, must be afforded security sufficient to protect the drop box and its contents and must be stored in a secure area while awaiting the count. (6) A drop box, when not in use during a shift, may be stored on a gambling table. (7) The cardroom business licensee must establish and schedule the time(s) for the collection of drop boxes and must ensure that the entire drop collection process is recorded by video surveillance. Except as otherwise provided in subsection (c), the drop box collection may be performed more

- The Casino Shift Manager is required to notify surveillance of the beginning and ending of box-pull procedures.

Appendix A

<p>frequently or less frequently than the time(s) scheduled by the cardroom business licensee when circumstances warrant a reasonable deviation from the established schedule. (8) The drop collection must be performed by at least one licensed or permitted individual.</p> <ul style="list-style-type: none"> Drop collection process be continuously recorded by video surveillance. 	
<ul style="list-style-type: none"> In addition to the requirements of the section above, the policies and procedures for Tiers III through and including V must include the following standards for drop collection: (1) All drop boxes, whether in use or not, must be removed from the gambling table as provided in subsection (a) by at least one employee of the gambling establishment who holds a valid cardroom category license, accompanied by at least one member of the security department or its equivalent. The employee of the gambling establishment may not be a member of the security department or its equivalent. (2) Notwithstanding the provisions of paragraph (1) of this subsection, or any other provision of this article related to the designation of employees to perform the drop collection, a Tier III licensee that does not directly employ security personnel may have the drop collection performed by at least two employees of the gambling establishment who hold a valid cardroom category license and who are each assigned to a different department. (3) The names of the individuals performing the drop collection must be documented either by software or in writing and, when documented in writing, those individuals who performed the collection must legibly print their names and sign the documentation. (4) A drop box, when not in use during a shift, may be stored on a gambling table if the entire area is covered by recorded video surveillance during that period of time. 	<ul style="list-style-type: none"> Procedures shall be implemented to ensure that unauthorized access to empty drop boxes does not occur from the time the boxes leave the storage racks until they are placed on the card tables. Upon removal from card tables, drop boxes are transported directly to the count room and locked in a secure manner until the count takes place. Drop boxes are secured in a locked storage cart in the count room. The storage cart is accessed during box-pull procedures and count procedures. During box-pull procedures the storage cart is unlocked to allow access to the empty drop boxes and subsequent storage of pulled drop boxes. During the box-pull procedures drop boxes will be safeguarded in the storage cart. Upon completion of the box-pull procedures the storage cart will be locked and secured in the count room by the box-pull team and the on-duty cage supervisor.
<ul style="list-style-type: none"> In addition to the requirements of subsections (a) and (b), the policies and procedures for Tiers IV and V must include standards for drop collection that provide for the designation of at least one employee of the gambling establishment who holds a valid 	<ul style="list-style-type: none"> At the end of each shift, an individual or individuals independent of the table games department shall remove all locked drop boxes from the card tables.

Appendix A

<p>cardroom category license to video monitor the drop box collection process and that the entire drop collection process be continuously recorded by video surveillance.</p>	<p>The transporting of drop boxes is performed by a team consisting at least three individuals from at least two departments, one of whom is an in-coming Casino Shift Manager (who is independent of the shift being dropped). The remainder of the drop team must consist of individuals independent of the table games department.</p>
<ul style="list-style-type: none"> The individuals performing the drop collection must be documented by software or in writing. 	<ul style="list-style-type: none"> If drop boxes are not placed on all card tables, then the table games department shall document which card tables were open during the shift. All such documentation must be forwarded to the accounting department at the end of each shift. The term “shift” as used in these standards refers to an 8-hour interval unless otherwise approved by the Division of Gaming Control.
<ul style="list-style-type: none"> Cardroom must establish a time schedule for collection. 	<ul style="list-style-type: none"> Each Permittee shall report semiannually to the Division, on or before January 15th and July 15th, the time or times when drop boxes will be removed and the contents counted. All drop boxes must be removed and counted at the time or times previously designated to the Division. Removal of a drop box at other than the designated drop time is prohibited unless: a) The Permittee provides immediate notice via facsimile to the Administrator stating the reason for and the time of the drop box removal, or b) The Administrator requires a change of authorized time. The collection of the drop box must start on time. Drop box removal process starts with the removal of the first box.

MINIMUM INTERNAL CONTROL STANDARDS: COUNT, COUNT ROOM FUNCTIONS	
State Requirements	City Requirements
<p><u>§ 12385. Count; Count Room Functions</u></p> <ul style="list-style-type: none"> The cardroom business licensee must ensure that the contents of drop boxes are counted and recorded in a manner and in a location 	<p><u>Minimum Internal Control Standards, Chapter 3</u></p> <ul style="list-style-type: none"> The count begins with the opening of the first card game drop box and ends when a member of the cage/ vault department signs the count sheet /summary and assumes accountability of the proceeds.

Appendix A

within the licensed gambling establishment that ensures the appropriate security and proper accounting of all gambling chips.

- The cardroom business licensee must designate an individual or individuals, each holding a valid cardroom category license, who must be responsible for performing the drop count. The opening, counting and recording of the contents of a drop box must be performed in the presence of and by the designated individual(s).
- Drop box counts must be permanently recorded, in ink or another form approved by the cardroom business licensee, on a daily count sheet or the equivalent, which documents all of the following information, as applicable: 1. The name of the gambling establishment; 2. The date and time of the count; 3. The shift, individual box number and table number of each box counted; 4. The amount in each individual box; 5. The total number of boxes counted; and 6. The printed or recorded name(s) of the individual(s) conducting the count and, if a hard copy record, the signature(s) of the individual(s).
- The count room must be secured.
- Surveillance must be notified when the count starts.
- The cardroom business licensee must ensure that the contents of drop boxes are counted and recorded in a secure location.
- Once the count starts, no one shall enter or leave the room.
- Drop box counts must be permanently recorded, in ink.
- Corrections to the count sheet are allowed.
- The entire count process must be recorded by surveillance.
- The contents of a drop box may not be mixed with any other content.
- A drop box must be identified.
- The count room must have appropriate security and not be used for storage.
- The number of individuals to perform the drop count cannot be less than two individuals.
- The count room employees must wear clothes that will reduce the ability to hide chips.

- From the time the first drop box is opened until the cage accepts the drop proceeds into the cage accountability, the transfer of chips and/or any other items in/out of the count room strictly prohibited (guarded and secured).
- Counts from various revenue centers may occur simultaneously in the count room, procedures should be in effect which prevent commingling of funds from different revenue centers.
- The count of each drop box shall be recorded in ink or other form of permanent recording.
- The count is performed by at least three employees who are independent of transactions being reviewed and counted and the subsequent accountability of drop proceeds (independent of the card games, cage, and accounting departments).
- There should be three employees or more in the count room who are independent of transactions being reviewed and counted.
- The count team members are rotated on a regular basis. (Rotation is such that the count team recorder is not consistently the same three individuals more than the four days per week).
- Drop Boxes are individually emptied and counted in such a manner that will prevent commingling of funds between boxes until the count of the box has been recorded.
- Drop boxes are individually shown to another member of the count team and to recorded or live surveillance.
- The count sheet is independently reconciled to the entire count by a count team member who does not function as the recorder for that account.
- A correction to information originally recorded by the count team on count documentation shall be made by drawing one line through the error, then entering the correct information. All count team members shall be present and be witness to a correction. The individual that made the mistake shall initial the correction.
- All members of the count team attest by signature on the count documentation to the accuracy of the games drop count.

Appendix A

- The cage must verify the count afterwards.
- Count sheet should be submitted to the Accounting Department.

- Prior to the count chips being turned over to the cage/vault a cage/vault cashier who is independent of the count team shall count and verify the entire count and reconcile it to the count total recorded on the count documentation. Any variance shall be reconciled and documented by the vault cashier and forwarded to the Accounting Department.
- Prior to all monies (chips) being turned over to the cage/ vault, the cage/ vault cashier independently counts and verifies the entire drop that is being turned over to the cage/ vault department and reconciles it to the drop amount recorded on the count document.
- The cage/vault cashier certifies by signature on the count documentation the accuracy of the monies (chips) and assumes accountability of the drop proceeds.
- Access to stored drop boxes, full or empty is restricted to authorized members of the drop and count teams.
- The count sheet, with all the supporting documents, is immediately delivered to the accounting department at the conclusion of the count by a count team member.
- Alternatively, the count sheet, with all the supporting documents, is adequately secured in the security office in a locked container to which only accounting personnel can gain access until retrieved by the accounting department.
- The permittee complies with Accounting Regulations 1.080, subsection 1, and reports semiannually to the Division, on or before January 15th and July 15th, the time or times when drop boxes will be removed and the contents counted.
- The permittee complies with Accounting Regulations 1.080, subsection 4, and submits a list of employees authorized to participate in the count and those employees who are authorized to be in the count room during the count (“count personnel list”) during and as of the end of the calendar quarter to the Division within 10 days after the end of each calendar quarter.
- The count room is used only to count and not as a storage facility.

Appendix A

	<ul style="list-style-type: none"> • The count room contains removable containers other than Drop Boxes that could be used to conceal chips or cash. • Review prior audit findings.
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MINIMUM INTERNAL CONTROL STANDARDS: SURVEILLANCE STANDARDS AND REQUIREMENTS	
State Requirements	City Requirements
<p>§ 12396. Surveillance</p> <ul style="list-style-type: none"> • The surveillance system must record with reasonable coverage and clarity, at a minimum, the gambling operation, the payment of player drop fees, the collection of drop boxes, the drop count processes, cage and cashier activities, gambling equipment storage areas, except for furniture storage areas, and the interior of gambling establishment entrances and exits. 	<p>Minimum Internal Control Standards, Chapter 7</p> <ul style="list-style-type: none"> • At all times shall be from excluded from performing any and all tables games, cardroom cage, table games drop box removal and table fees count procedures, security, gaming equipment control and other functions deemed incompatibility by the Administrator.
<ul style="list-style-type: none"> • All surveillance recordings must be made in real time mode, or at a speed sufficient to capture and record with reasonable completeness the actions of all individuals being observed, except that any recording of the gambling establishment parking area, and the gambling establishment entrances and exits may be recorded in timelapse mode, at a minimum speed of 15 frames per second. 	<ul style="list-style-type: none"> • The surveillance system of each Permittee shall consist of, at a minimum, video cameras, monitors, video cameras, monitors, video recorders, printers, switches, selections and other ancillary equipment with the capability to record and observe activities being conducted inside and in the parking area(s) of a Permitted Cardroom.
<ul style="list-style-type: none"> • All video surveillance cameras must be installed in a manner that prevents them from being intentionally obstructed, tampered with or disabled by patrons or employees, to the extent reasonably possible. All recording and monitoring equipment must be located in secure rooms or areas of the gambling establishment so that access is controlled. 	<ul style="list-style-type: none"> • The surveillance system provides a service which is considered compensatory in nature. As such, it shall not be constructed as a primary control in the design of the overall system of internal control of the Cardroom Permittee.
<ul style="list-style-type: none"> • The surveillance system operation must be checked daily to ensure that all surveillance equipment is functioning properly and reasonable efforts must be made to repair malfunctioning surveillance equipment within 72 hours of the discovery of the malfunctions. 	<ul style="list-style-type: none"> • Reasonable effort shall be made to correct or repair each malfunction of surveillance system equipment required by these standards within seventy-two (72) hours after the malfunction is discovered. The Permittee shall immediately notify the Division via facsimile within one (1) hour of discovery of the malfunction, stating the action to be taken to correct or repair the malfunction,

Appendix A

	<p>stating the action to be taken to correct or repair the malfunction, and the approximate time the malfunction will be corrected or repaired.</p>
<ul style="list-style-type: none"> The DVR system must have a failure notification system that, at a minimum, provides a visual notification of any failure in the surveillance system or the DVR media storage system. 	<ul style="list-style-type: none"> A failure notification system that provides an audible, as well as a visual notification of any failure in the surveillance system or the DVR media storage system.
<ul style="list-style-type: none"> A single DVR system may not have more than 8 cameras required by the standards of this section, unless the DVR system has an appropriate backup system to ensure that there is no loss of data in the event of a failure of the primary DVR system or any single component of that system. 	<ul style="list-style-type: none"> Any part of the Cardroom Permittee’s surveillance system that uses a DVR, shall not have more than 8 cameras required by the published surveillance standards in the first stage of concentration, unless the licensee has a fault tolerant or redundant system so there is no loss of data in the event of a failure of a single first stage of concentration.
<ul style="list-style-type: none"> Videotapes or other recording media must be marked or coded to denote the activity recorded. 	<ul style="list-style-type: none"> A video verification encryption code (watermark) must be submitted to the Division of Gaming Control, at no cost to the Division, before the Division’s inspection and approval of the DVR system.
<ul style="list-style-type: none"> Cardroom business licensees must prominently display in a place and manner conspicuous to all patrons entering and exiting the gambling establishment, a sign containing the following statement printed in bold lettering of sufficient size to be visible and readable: “All Public Areas, Entrances and Exits of This Establishment are Subject to Surveillance and Video Recording.” The lettering and background must be of contrasting colors, and the sign must comply in all respects with applicable signage requirements, if any, of the local jurisdiction. 	<ul style="list-style-type: none"> Access to a surveillance room shall be limited to surveillance personnel, key employees and other personnel authorized in accordance with the Permittee’s policy as set forth in its written surveillance system plan.
<ul style="list-style-type: none"> The surveillance room must have controlled access through a secured door or doors, which must be under constant recorded video surveillance. 	<ul style="list-style-type: none"> The surveillance system for each Permittee shall be maintained, secured, and operated from a surveillance room.
<ul style="list-style-type: none"> Routine access and entry into the surveillance room must be limited to on-duty employees of the surveillance unit assigned to monitor gambling operations. Cardroom employee type licensees may be granted access to the surveillance room for the purpose of performing their duties. Other persons may be granted limited access to the surveillance room for educational, investigative or 	<ul style="list-style-type: none"> The entrance to the surveillance room shall be located so that it is not readily accessible by either casino employee who work primarily on the casino floor or the general public.

Appendix A

<p>maintenance purposes, if accompanied at all times by a surveillance unit employee.</p>	
<ul style="list-style-type: none"> At least one surveillance employee must be present in the surveillance room and actively monitoring the gambling operations, via the surveillance room equipment, during all hours of operation, except that the surveillance room may be unattended for no more than a total of one hour during any shift or eight-hour period to allow for required meal and rest breaks for staff. No controlled gambling may take place when a surveillance employee is not present and on duty in the gambling establishment, whether on a break or not. 	<ul style="list-style-type: none"> The surveillance room shall be manned 24 hours each day and every day of the year by surveillance personnel trained in the use of the surveillance equipment. The surveillance personnel shall possess knowledge of the permissible games and house rules sufficient to protect the integrity of the cardroom operations. When necessary, the surveillance room may be unattended for periods of time not to exceed one (1) hour in any eight (8) hour period to allow appropriate meal and rest breaks. The surveillance personnel shall be required to demonstrate their knowledge, upon request by Divisional representatives.
<ul style="list-style-type: none"> Cardroom business licensees must maintain a record of all surveillance activity in the surveillance room, by surveillance period or shift, in a surveillance activity log. The surveillance activity log entries must be made by on-duty surveillance personnel. 	<ul style="list-style-type: none"> All original source documents generated in the surveillance department, include but not limited to equipment malfunction logs, surveillance room logs, incident reports, break-in-procedure logs, other forms and ledgers, etc. shall be maintained for a minimum of five (5) years. To maintain integrity of gambling through strict regulatory control, the City of San Jose exceeded the Minimum Internal Control Standards required by the State of California. The difference between the State of California and City of San Jose Minimum Internal Control Standards is given in a number of different capacities. CITY OF SAN JOSE - MINIMUM INTERNAL CONTROL STANTARD 7.C.5 (Backup Power Source) The City of San Jose requires both cardrooms to have Uninterrupted Power Supply. In an event either cardroom had interrupted power supply, restoration of power is a required of all elements of the surveillance system. The uninterrupted power supply shall have capacity to backup power source until power is restored. Cardrooms are to have generators displayed the date and time of recorded events on all video recording. The uninterrupted power internal control is enforced with the City of San Jose, but not with State of California Minimum Internal Control Standards.

Appendix A

	<ul style="list-style-type: none"> • Upon request by the City of San Jose Division personnel, surveillance staff is required to demonstrate their knowledge of the following: <ul style="list-style-type: none"> • The rule of the permitted games • Playing card and dice control • Table Drop box removal collection fees count procedures. • Regulation 3 – Observed Patron Monitoring Requirements • Cheating detection • The State of California does not have a Minimum Internal Control Standard for a written surveillance system plan. The purpose of the surveillance plan is to observe and record all activities of the club not limited to all areas of the club, all areas of the parking lot and all employees of the club. The City of San Jose requires the cardrooms to have a written surveillance system plan and preserve the integrity of the cardroom. • The City of San Jose required at the cardrooms expense to install a remote surveillance system at the office of the Division of Gaming Control. The surveillance system is accessible 24 hours per day, seven days a week for remote viewing. The access provides further oversight to the City of San Jose to prevent, detect, and enforce incidents with respect to any violations to Minimum Internal Control Standard. This tool assists with compliance investigations and covert observations. The state does not have access nor capability to enforce as the City of San Jose.
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ACCOUNTING DEPARTMENT	
State Requirements	City Requirements
<p><u>Article 1. Accounting and Financial Reporting</u></p> <ul style="list-style-type: none"> • Maintain all records required by this article for a minimum of seven years. 	<p><u>Minimum Internal Control Standards, Chapter 5</u></p> <ul style="list-style-type: none"> • Retain operation and secure for a minimum of five years. • Complete, accurate, and legible records of all accounting transactions.

Appendix A

- Maintain accurate, complete, and legible records of all transactions pertaining to financial activities.
- Records must be maintained in sufficient detail to support the amount of revenue reported to the Bureau in renewal application.
- Maintain accounting records identifying the following, as applicable:
- Maintain a uniform chart of accounts and accounting classifications in order to ensure consistency, comparability, and effective disclosure of financial information.
- The chart of accounts must provide the classifications necessary to prepare a complete set of financial statements including, but not limited to, a statement of financial position (balance sheet), a detailed statement of operations (income statement or profit and loss statement), a statement of changes in equity, a statement of cash flow, and other statements appropriate for the particular licensee.
- A chart of accounts must be submitted with an initial license application for review and approval by the Bureau.
- Keep a general ledger, which documents all accounting transactions completed and posted to accounts listed in the chart of accounts referred to in the subsection above.
- General accounting records shall be maintained on a double-entry system of accounting with recorded transactions supported by detailed subsidiary records including, but not limited to, ledgers, invoices, purchase orders, and other source documents.

§ 12313. Financial Statements and Reporting Requirements

- Each licensee must prepare financial statements covering all financial activities of that cardroom business licensee or TPPPS business licensee, as applicable, for each fiscal year, in accordance with generally accepted accounting principles, unless otherwise provided in this section. If a cardroom owner type licensee owns or operates lodging, food, beverage, or any other non-gambling

- The chart of accounts shall be minimum level of detail that the Cardroom Permittee shall maintain for the accounting classification.
- The permittee shall maintain a cross reference from the Cardroom Permittee's chart of accounts to the prescribed chart of accounts.
- [The Cardroom Permittee shall keep a general ledger, which documents all accounting transaction completed and posted to accounts listed in the chart of accounts.](#)
- [General accounting records on a double entry system of accounting with transactions recorded on a full accrual basis.](#)
- The difference between the State of California and the City of San Jose Accounting Minimum Internal Control Standards is that the City exceeds the regulatory requirements. The City of San Jose requires the cardroom permittee to maintain statistical game records to reflect revenue by table for each game and by shift. The Cardroom Permittees are required to submit records identifying the purchase, receipt, and destruction of gaming chips. The City of San Jose requires the records of internal accounting controls submitted to the Administrator of Gaming Control.
- The City of San Jose - Minimum Internal Control Standards requires both Cardrooms to submit original and copies of forms, books, records, and documents. The forms or serial numbers are to be accounted for, along with a record and explanation of exceptions. The stored data is required to be prepared, maintained, and controlled by Cardrooms, with the approval of Administrator of Gaming Control. A list of all forms used, including a copy of each and every form used shall be on file with the Administrator of Gaming Control. Subsequent changes to existing forms and copies shall be submitted to the Administrator of Gaming Control 30 days of implementation of new/revised forms.
- The City of San Jose requires each Cardroom Permittee to prepare and maintain a complete, accurate, and legible form, along with a process, preserving, and maintenance of books, records, and documents for a minimum of five (5) years. Original documents are to be placed in a system that provides for the processing,

Appendix A

operation at the gambling establishment, the financial statements must reflect the results of the gambling operation separately from those non-gambling operations.

- A Group I licensee must engage an independent accountant licensed by the California Board of Accountancy to audit the Group I licensee's annual financial statements in accordance with generally accepted auditing standards.
- A Group II licensee must engage an independent accountant licensed by the California Board of Accountancy to, at a minimum, review the Group II licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable professional accounting standards. The Group II licensee may elect to engage an independent accountant licensed by the California Board of Accountancy to audit the annual financial statements in accordance with generally accepted auditing standards.
- A Group III licensee must prepare financial statements including, at a minimum, a statement of financial position, a statement of income or statement of operations, and disclosure in the form of notes to the financial statements. If the Group III licensee is unable to produce the financial statements, it must engage an independent accountant licensed by the California Board of Accountancy to perform a compilation of the Group III licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable professional accounting standards, including full disclosure in the form of notes to the financial statements. The Group III licensee may elect to engage an independent accountant licensed by the California Board of Accountancy to compile or perform a review of the Group III licensee's annual financial statements in accordance with standards for accounting and review services, or to audit the annual financial statements in accordance with generally accepted auditing standards.

preservation, and maintenance of books, records, and documents. The Administrator of Gaming Control requires an approved reader printer available for use by the Division of Gaming Control. The Administrator of Gaming Control requires at least 15 days prior to the scheduled destruction of any original books, records, or documents.

Regulation 1.030 Accounting Records

- Each Permittee, in such manner as the Administrator may approve or require, shall keep accurate, complete, legible, and permanent records of all transactions pertaining to revenue that is taxable or subject to fees under San Jose Municipality Code, Title 4. Each Permittee that keeps permanent records in a computerized or microfiche fashion shall provide the Division upon request, with a detailed index to the microfiche or computer record that is indexed by casino department and date.
- Each Permittee shall keep general accounting records on a double entry system of accounting, maintaining detailed, supporting, subsidiary records, including:
- Detailed records identifying revenues, expenses, assets, liabilities, and equity for each establishment.
- Detailed records of all returned checks, hold checks, or other similar commercial papers (instruments).
- Journal entries prepared by the Permittee and its independent accountant.
- Any other records that the Administrator specifically requires to be maintained.
- Each Permittee shall create and maintain records sufficient to accurately reflect gross income and expenses relating to its gaming operations.
- If a Permittee fails to keep the records sufficient to accurately reflect gross gaming revenue, the Division may compute and determine the amount of taxable revenue upon the basis of an audit conducted by the Division, upon the basis of any information within

Appendix A

- A Group IV licensee must prepare financial statements that include, at a minimum, a statement of financial position and a statement of income or statement of operations. If the Group IV licensee is unable to produce the financial statements, it must do one of the following:
- Engage an independent accountant licensed by the California Board of Accountancy to perform a compilation of the Group IV licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable professional accounting standards. Management may elect not to provide footnote disclosures as would otherwise be required by generally accepted accounting principles.
- Submit to the Bureau, no later than 120 calendar days following the end of the year covered by the federal income tax return, copies of the Group IV licensee's complete, signed, and duly filed federal income tax return for the tax year in lieu of the financial statements as otherwise required under this section.
- The Group IV licensee may elect to engage an independent accountant licensed by the California Board of Accountancy to compile or review the Group IV licensee's financial statements in accordance with standards for accounting and review services, or to audit the financial statements in accordance with generally accepted auditing standards.
- The Bureau may require a Group II, III, or IV licensee to engage an independent accountant licensed by the California Board of Accountancy to compile or review the licensee's financial statements in accordance with standards for accounting and review services, or to audit the financial statements in accordance with generally accepted auditing standards, if there are concerns about the licensee's operation or financial reporting, including but not limited to:
- (1) Inadequate internal control procedures; (2) Insufficient financial disclosure; (3) Material misstatement in financial

the Division's possession, or upon statistical analysis and will refer this information to the Director of Finance regarding any information that comes to the Administrator's attention regarding any suspected deficiency, using the methodology allowed under subsection (A) of SJMC §4.77.130.

Regulation 1.040 Records of Ownership

- Each corporate Permittee shall keep on the premises of its gaming establishment, or shall provide to the Division, upon request, the following documents pertaining to the corporation:
- A certified copy of the articles of incorporation and any amendments.
- A copy of the bylaws and any amendments.
- A copy of the certificate issued by the California secretary of state authorizing the corporation to transact business in California.
- A list of all current and former officers and directors.
- Minutes of all meetings of the stockholders.
- Minutes of all meetings of the directors.
- A list of all stockholders listing each stockholder's name, address, the number of shares held, and the date the shares were acquired.
- The stock certificate ledger.
- A record of all transfers of the corporation's stock.
- A record of amounts paid to the corporation for issuance of stock and other capital contributions.
- Each partnership Permittee shall keep on the premises of its gaming establishment, or provide to the Division, upon request, the following documents pertaining to the partnership:
- A copy of the partnership agreement and, if applicable, the certificate of limited partnership.
- A list of the partners, including their names, addresses, the percentage of interest held by each, the amount and date of each capital contribution of each partner, the date the interest was acquired, and the salary paid by the partnership.
- A record of all withdrawals of partnership funds or assets.

Appendix A

reporting; (4) Inadequate maintenance of financial data; or (5) Irregularities noted during an investigation.

- Unless otherwise provided in this section, a licensee must submit copies of the annual financial statements to the with the independent auditor’s or accountant’s report issued to meet the requirements under this section Bureau and the Commission no later than 120 calendar days following the end of the fiscal year covered by the financial statements. If a management letter is issued, a copy of the management letter must also be submitted to the Bureau, including the licensee's reply to the management letter, if any.
- The Bureau or Commission may request additional information and documents from either the licensee or the licensee's independent accountant, regarding the annual financial statements or the services performed by the accountant.
- The Bureau or Commission may require the licensee to engage an independent accountant licensed by the California Board of Accountancy to perform a fraud audit in the event that fraud or illegal acts are suspected by the Bureau or Commission.

- Each sole proprietorship Permittee shall keep on the premises of its gaming establishment, or provide to the Division, upon request, a schedule showing the name and address of the proprietor and the amount and date of the proprietor’s original investment and of any additions and withdrawals.

1.060 Audited Financial Statements

- Each Permittee shall prepare financial statements covering all financial activities of the Permittee’s establishment for each business year.
- Each Permittee shall engage an independent accountant licensed by the California state board of accountancy who shall audit the Permittee’s financial statements in accordance with the AICPA’s Generally Accepted Auditing Standards (“GAAS”).
- Unless the Administrator approves otherwise in writing, the financial statements required by subsection 2 must be presented on a comparative basis.
- Each Permittee shall submit to the Division 2 copies of its audited financial statements no later than 120 calendar days after the last day of the Permittee’s business year. In the event of a Cardroom Permit termination, change in business entity, or a change in the percentage of ownership of any percent, the Permittee or former Permittee shall, not later than 120 calendar days after the event, submit to the Division at least 2 copies of audited financial statements covering the period since the period covered by the previous financial statement. If a Cardroom Permit termination, change in business entity, or a change in the percentage of ownership of any percent occurs within 120 calendar days after the end of a business year for which a financial statement has not been submitted, the Permittee may submit financial statements covering both the business year and the final period of business.
- If a Permittee changes its business year, the Permittee shall prepare and submit to the Division audited financial statements covering the “stub” period, from the end of the previous business year to the

Appendix A

	<p>beginning of the new business year, not later than 120 calendar days after the end of the stub period or incorporate the financial results of the stub period in the financial statements for the new business year.</p> <ul style="list-style-type: none"> • Reports that communicate the results of the audit, including management advisory letters or activities not related to the gaming operation, must be submitted within 120 calendar days after the end of the Permittee’s business year.
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RECORDS RETENTION	
State Requirements	City Requirements
<p><u>§ 12312. Record Retention and Maintenance; General Provisions</u></p> <ul style="list-style-type: none"> • Each licensee must: a) Maintain all records for a minimum of seven years. b) Maintain accurate, complete, and legible records of all transactions pertaining to financial activities. Records must be maintained in sufficient detail to support the amount of revenue reported to the Bureau in renewal applications. • Records must identify the following as applicable: a) Revenues, expenses, assets, liabilities, and equity for the cardroom business licensee or TPPPS business licensee. B) Records of all players' banks, dealers' banks, credit transactions, returned checks, and drop for each table (either by shift or other accounting period). C) Records required by the licensee's written system of internal controls. Records, separated by gaming activity, of all jackpot monies contributed by the cardroom business licensee, jackpot monies collected from patrons, and monies withdrawn for either jackpot administrative fees or payment to patrons. • Maintain a uniform chart of accounts and accounting classifications in order to ensure consistency, comparability, and effective disclosure of financial information. The chart of accounts must provide the classifications necessary to prepare a complete 	<p><u>Minimum Internal Control Standards, Chapter 1</u></p> <ul style="list-style-type: none"> • The Cardroom Permittees personnel shall be trained in all current internal and accounting control practices and procedures relevant to each employee’s individual function. Evidence of training (i.e., instructional materials, attendance records, schedules, etc.) certified by the management shall be maintained for a minimum of five years and a copy sent to the Division of Gaming Control within five calendar days upon completion of a training class. <p><u>Minimum Internal Control Standards, Chapter 2</u></p> <ul style="list-style-type: none"> • All Original source documents generated in the cardroom (casino) cage, including but not limited to cage/vault accountability, window count sheets, books, records, logs, forms, ledgers, etc., must be routed to and maintained in the accounting department for a minimum of five years. <p><u>Minimum Internal Control Standards, Chapter 3</u></p>

Appendix A

set of financial statements including, but not limited to, a statement of financial position (balance sheet), a detailed statement of operations (income statement or profit and loss statement), a statement of changes in equity, a statement of cash flow, and other statements appropriate for the particular licensee. A chart of accounts must be submitted with an initial license application for review and approval by the Bureau.

- Keep a general ledger, which documents all accounting transactions completed and posted to accounts listed in the chart of accounts referred above. General accounting records shall be maintained on a double-entry system of accounting with recorded transactions supported by detailed subsidiary records including, but not limited to, ledgers, invoices, purchase orders, and other source documents.

- Access to the count room during the count is restricted to members of the drop and count teams, and authorized repair personnel with all such repair work documented and maintained for five years.
- New or used cards and tiles, when determined to be defective or unusable, shall be destroyed with records maintained for five years and must include the reason for destruction.
- Investigations must be performed by a casino supervisory personnel if evidence of tampering is noted. The results of such investigations must be documented in writing and maintained for a minimum of five years.
- The Casino Shift Manager shall document the table games movement procedures including date, time, table number, area of casino floor, reason for the movement and name of personnel involved in the transaction. The documentation shall be maintained for a minimum of five years.
- All noted improper transactions or unusual occurrences are investigated with the results documented and maintained for five years.
- Evidence of table games revenue audit procedures and any follow-up performed shall be maintained for a minimum of five years.
- A full accountability of all administrative fee collection and expenditures for each tournament shall be documented and maintained for five years.
- At a minimum, investigations are performed for all statistical percentage fluctuations from the base level (for same types of table games) for a month in excess of 10%. The base level is defined as the Permittee drop records per hour for the previous business year or previous 12 months. The results of such investigations are documented in writing and maintained for a minimum of five years.
- All original source documents generated in the table games area and/or table games department, including but not limited to books, records, logs, forms, ledgers, etc., must be routed to and maintained by the accounting department for a minimum of five years.

Appendix A

Minimum Internal Control Standards, Chapter 4

- The internal audit department shall perform internal audit work as required. Reporting the results of internal audit work to an audit committee or to the Board of Directors. Preparing documentation (i.e., checklists, programs, reports, etc.) to evidence all internal audit work performed as it relates to these requirements. All exceptions resulting from internal audit work are investigated and resolved, with the results of such work being documented and retained for five years.

Minimum Internal Control Standards, Chapter 5

- All original forms, books, records, and documents pertaining to the Cardroom operation shall: a) be the responsibility of the Cardroom Permittee. B) be prepared and maintained in a complete, accurate and legible form. C) be retained on the site of the approved cardroom operation or at another secure location approved by the Administrator of Gaming Control for a minimum of five years or the minimum retention period as may be required by any other local, state, or federal statute, whichever is greater. D) Be made immediately available for inspection by the Division of Gaming Control during all hours of operation. E) Be organized and indexed in such a manner so as to provide immediate accessibility to the Division of Gaming Control.
- A Cardroom Permittee may copy and store original forms, books, records, and documents on a microfilm, microfiche, or other suitable media system approved by the Administrator of Gaming Control as an option to maintaining original documents. A microfilm, microfiche or other media system shall contain, at a minimum, the following elements: a) a system that provides for the processing, preservation, and maintenance of books, records, and documents in a form which makes them readily available for review and copying on the site of the approved cardroom building or other site approved by the Administrator of Gaming Control. b) A system

Appendix A

of inspection and quality control which ensures that microfilm, microfiche or other media when displayed on a reader (viewer) or reproduced on paper exhibit a high degree of legibility and readability. C) A reader-printer available for use by the Division of Gaming Control on the site of the approved cardroom building or other site approved by the Administrator of Gaming Control which permits the ready location, reading, and reproduction of any book, record, or document being stored on microfilm, microfiche, or other media. D) a detailed index of all microfilmed, microfiche or other stored data maintained and arranged in such a manner as to permit the immediate location of any particular book, record, or document.

- A Cardroom Permittee shall notify the Administrator of Gaming Control in writing, except for the items listed on the retention policy issued by the Administrator of Gaming Control, at least 15 days prior to the scheduled destruction of any original books, records, or documents.
- Each Cardroom Permittee shall retain this record of destruction for a minimum of five years.
- Unless specified elsewhere in this or any other section of the Minimum Internal Control Standards, all forms, books, records and any and all other original (source) or duplicate documentation required to be maintained by the Cardroom Permittee, either generated in the accounting or any other department must be maintained by the accounting office either on the Cardroom premises or an approved outside storage facility for a minimum of five years.

Minimum Internal Control Standards, Chapter 6

- Backup data and program files recovery procedures shall be tested at least annually with the test results documented and maintained for a minimum of five years.
- Passwords are changed at least quarterly with changes documented for a minimum of five years.

Appendix A

- System exception information (i.e., changes to system parameters, corrections, overrides, voids, etc.) is documented and maintained for a minimum of five years.
- Personnel access to IT listing are documented and maintained for a minimum of five years which include at a minimum: a) employee name and title or position. B) employee identification. C) listing of functions, the employee can perform or equivalent means of identifying same.
- All original source documents generated in the IT department, including but not limited to security logs, password change logs, other forms and ledgers, etc., must be routed to and maintained in the accounting department for a minimum of five years.

Minimum Internal Control Standards, Chapter 7

- All video recordings of coverage in the following areas as required to be provided by dedicated cameras, motion-activated dedicated cameras, and Pan/Tilt/Zoom (PTZ) cameras shall be retained for a minimum of 15 days: a) casino floor overview, b) tables games, c) casino cage and vault, d) count rooms.
- All video recordings of coverage in the following areas as required to be provided by dedicated cameras, motion-activated dedicated cameras, and Pan/Tilt/Zoom (PTZ) camera and these following video recordings shall be retained for a minimum of fourteen days: a) perimeters of the cardroom property including parking lots, b) all entrances and exits of the cardroom location.
- All video recordings of detentions and questioning by cardroom security personnel shall be retained for a minimum of ninety days.
- Each Cardroom Permittee shall include in its written surveillance system plan and comply with procedures for the storage and identification of all video recordings.
- A copy of the storage media recoding of a recorded event shall be provided to a Division representative upon his/her request.
- Each Cardroom Permittee shall have the capability to produce a still copy or photograph of the image depicted on a video recording,

Appendix A

which shall be provided to a Division representative upon request. This may be accomplished using a video printer, still camera or other available means.

- Each Cardroom Permittee shall maintain a malfunction log that documents each malfunction and repair of the surveillance system. The log shall state the date and time the malfunction was discovered; nature of each malfunction, the efforts expended to repair the malfunction and the date the malfunction is repaired and where applicable, any alternative security measures that were taken. The log should also reference, by date and time, any communication with the Division concerning any malfunction or corrective action. The log shall be retained for a minimum of three years.
- Each Permittee shall maintain a surveillance room access log. The log shall include, at a minimum, name, date, time-in/time-out of each person, reason for access and signature of the visitor and surveillance authorizing the access.
- All Digital Video Recording (DVR) standards equipment and system shall: a) be capable of recording and thereafter, being viewed at a minimum of fifteen images per second, full screen, in real time, b) Maintain for a period of not less than fourteen days, all images obtained from the video cameras, c) have a media storage system that is configured so that a failure of any single component will not result in the loss of any data from the media storage system.
- All original source documents generated in the surveillance department, including but not limited to equipment malfunction logs, surveillance room access logs, incident reports, break-in-procedure logs, other forms, and ledgers, etc., shall be maintained for a minimum of five years.

Minimum Internal Control Standards, Chapter 8

- Each Cardroom Permittee shall maintain a list of all vendors/contractors providing any and all gaming equipment, gaming associated equipment, and gaming related services or other

Appendix A

	<p>nongaming related goods and services to the gaming establishment or related locations. This list shall be made readily available for review by the representatives of the Division of Gaming Control upon request.</p> <ul style="list-style-type: none"> Any goods and services contract/agreement that calls for payment in the aggregate of \$10,000 or more (per vendor/contractor) on an annual basis (calendar year or fiscal year) shall have such contract in writing and a copy of the contract shall be submitted to the Division of Gaming Control no later than 30 days from the date of the signing of the contract. <p><u>Minimum Internal Control Standards, Chapter 9</u></p> <ul style="list-style-type: none"> Documentation (i.e., log, checklist, notation on reports, and tapes attached to original documents, etc.) is maintained by the accounting department evidencing the performance of food and beverage audit procedures. This documentation and the follow-up performed on all food and beverage audit exceptions shall be maintained for five years.
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CARDROOM LICENSES	
State Requirements	City Requirements
<p><u>§ 19850 Licensing Policy</u></p> <ul style="list-style-type: none"> Every person who, either as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, deals, operates, carries on, conducts, maintains, or exposes for play any controlled game in this state, or who receives, directly or indirectly, any compensation or reward, or any percentage or share of the money or property played, for keeping, running, or carrying on any controlled game in this state, shall apply for and obtain from the commission, and shall thereafter maintain, a valid state gambling 	<p><u>16.32.010 – Licensing Policy</u></p> <ul style="list-style-type: none"> An effective and comprehensive licensing procedure is essential for the preservation of the integrity of cardroom and funding source operations in the city. Licensing of all persons who are required to be licensed pursuant to the provisions of this chapter is essential to assure the preservation of the integrity of cardroom and funding source operations in the city. Licensing shall be conducted in accordance with the requirements and procedures set forth in this chapter and the regulations

Appendix A

<p>license, key employee license, or work permit, as specified in this chapter.</p>	<p>promulgated by the administrator to fulfill the requirements and policies of this chapter and title.</p>
<p><u>§ 19852 License Procedures</u></p> <ul style="list-style-type: none"> • An owner of a gambling enterprise that is not a natural person shall not be eligible for a state gambling license unless each of the following persons individually holds a state gambling license. • The owner of a gambling enterprise shall apply for and obtain a state gambling license. • If the owner is a trust, then the trustee and, in the discretion of the commission, any beneficiary and the trustor of the trust. • Each person who receives, or is to receive, any percentage share of the revenue earned by the owner from gambling activities. • A person shall not be employed as a key employee unless that person applies for and obtains a key employee license. • A person shall not be issued a key employee license unless the person would qualify for a state gambling license. • A key employee license, once issued, shall authorize a person to act as a key employee until the expiration or revocation of that license and shall entitle the holder to work for any gambling enterprise as a key employee upon proper notice to the department. • Every person who, by statute or regulation, is required to hold a state license shall obtain the license prior to engaging in the activity or occupying the position with respect to which the license is required. Every person who, by order of the commission, is required to apply for a gambling license or a finding of suitability shall file the application within 45 calendar days after receipt of the order. • The commission shall issue and deliver to the applicant a license entitling the applicant to engage in the activity for which the license is issued, together with an enumeration of any specific terms and conditions of the license if both of the following conditions have been met: (a) The commission is satisfied that the 	<p><u>16.32.020 -License Procedures</u></p> <ul style="list-style-type: none"> • All licenses required by this section shall be subject to the procedures of this Part. • A Complete Application for a license shall include any applicable fees as set forth in the Schedule of Fees established by Resolution of the City Council. • Notwithstanding any contrary provision of this Chapter regarding licensing procedures, a person applying for a position with a Cardroom Permittee designated under State Gambling Law as requiring a Key Employee License shall be issued an interim Key Employee License or Key Employee License by the Commission as a condition precedent to filing an application for a City issued temporary Key Employee License or Key Employee License. • Notwithstanding any contrary provision of this Chapter regarding licensing procedures, within ten (10) Business Days after the Gaming Administrator receives written notice from the California Gambling Control Commission that the Commission has issued a state Key Employee License to an Applicant, the Gaming Administrator shall submit a final written report and recommendation to the Chief of Police recommending granting a City issued Key Employee License, with or without limitations and conditions. The Administrator's final report and recommendation shall become a final decision effective twenty-one (21) calendar days after the service of the final report and recommendation on the Applicant unless the Applicant files a written request for a licensing hearing with the Chief of Police before the close of business on the twentieth day in order to contest the denial, or the limitations and conditions recommended by the Administrator which are not on the state Key Employee license issued by the Commission. The Applicant shall have no right to contest Commission imposed limitations and conditions with the City.

Appendix A

<p>applicant is eligible and qualified to receive the license. (b) All license fees required by statute and by regulations of the commission have been paid.</p>	<ul style="list-style-type: none"> • Notwithstanding the Commission's issuance of a state Key Employee License, the Chief of Police retains the authority to place limitations and conditions on the City License pursuant to <u>Section 16.32.160</u> or to subsequently revoke the City License if the applicant does not meet the criteria for licensing under this Title. • When the Chief of Police issues a Key Employee License based upon the issuance of a state Key Employee License by the Commission, the term of the City License shall be the same as the term of the Commission license and any temporary Key Employee License issued pursuant to Section 16.32.620 of this Chapter shall automatically terminate as of the date the City issues the Key Employee License.
<p><u>19857 Affirmative Criteria for License</u></p> <ul style="list-style-type: none"> • No gambling license shall be issued unless, based on all of the information and documents submitted, the commission is satisfied that the applicant is all of the following: (a) A person of good character, honesty, and integrity. (b) A person whose prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the public interest of this state, or to the effective regulation and control of controlled gambling, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled gambling or in the carrying on of the business and financial arrangements incidental thereto. (c) A person that is in all other respects qualified to be licensed as provided in this chapter. 	<p><u>16.32.060 – Affirmative Criteria for License</u></p> <ul style="list-style-type: none"> • No license shall be issued unless, based on all of the information and documents submitted, the administrator is satisfied that the applicant is all of the following: • A person of good character, honesty, and integrity. • A person who has a current and prior activities, criminal record, if any, reputation, habits, and associations do not: <ol style="list-style-type: none"> 1) Pose a threat to the public interest of the city and state; or 2) Pose a threat to the effective regulation and control of cardrooms in the city; or 3) Create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled gambling or in the carrying on of the business and financial arrangements incidental thereto. • A person who has, in the judgment of the administrator, the appropriate business ability and experience for the position to which the person is applying. • A person who is in all other respects, qualified to be licensed as provided in this chapter.

Appendix A

§ 19856 Disqualification Criteria for License

- Any person who the commission determines is qualified to receive a state license, having due consideration for the proper protection of the health, safety, and general welfare of the residents of the State of California and the declared policy of this state, may be issued a license. The burden of proving his or her qualifications to receive any license is on the applicant.
- An application to receive a license constitutes a request for a determination of the applicant's general character, integrity, and ability to participate in, engage in, or be associated with, controlled gambling.
- In reviewing an application for any license, the commission shall consider whether issuance of the license is inimical to public health, safety, or welfare, and whether issuance of the license will undermine public trust that the gambling operations with respect to which the license would be issued are free from criminal and dishonest elements and would be conducted honestly.
- The commission shall deny a license to any applicant who is disqualified for any of the following reasons:
- Failure of the applicant to clearly establish eligibility and qualification in accordance with this chapter.
- Failure of the applicant to provide information, documentation, and assurances required by this chapter or requested by the chief, or failure of the applicant to reveal any fact material to qualification, or the supplying of information that is untrue or misleading as to a material fact pertaining to the qualification criteria.
- Conviction of a felony, including a conviction by a federal court or a court in another state for a crime that would constitute a felony if committed in California.
- A conviction of a felony for the possession of cannabis, the facts of which would not constitute a felony or misdemeanor under California law on the date the application for a license is

16.32.070 – Disqualification Criteria for License

- The administrator may deny a license to any applicant who is disqualified for any of the following reasons:
- Failure of the applicant to establish eligibility and qualifications by clear and convincing evidence.
- Failure to provide information, documentation, and assurances required for qualification or failure to reveal any material fact relating to qualification, or to otherwise fail or refuse to fully cooperate with the administrator's licensing investigation.
- The supplying of information which is untrue or misleading.
- A felony conviction, including by a plea of nolo contendere, or a conviction by any federal court or a court in another state for a crime that would constitute a felony in California.
- A misdemeanor conviction, including by a plea of nolo contendere, or a conviction by any federal court or a court in another state for a crime that would constitute a misdemeanor in California, involving dishonesty, moral turpitude, prostitution, sale or possession for sale of a controlled substance, gambling, or any other crime substantially related to the qualifications, functions, or duties of the cardroom business or gambling business, within a ten-year period immediately preceding the submission of the application; provided, however, that the granting of relief pursuant to California Penal Code Sections 1203.4, 1203.4a, or 1203.45, shall not constitute a limitation on the discretion of the administrator under the affirmative criteria set out in this chapter or affect the applicant's burden as set forth in this chapter.
- Contumacious defiance by the applicant relating to any legislative investigative body or any other investigative body in any state of the United States.
- The applicant is a partner, officer, director or shareholder or has any financial interest in any business organization that engaged in any form of prohibited gambling pursuant to the California Penal Code whether within or outside of the state.

Appendix A

submitted, shall not constitute a basis to deny a license pursuant to this section.

- Association of the applicant with criminal profiteering activity or organized crime, as defined by Section 186.2 of the Penal Code.
- Conviction of the applicant for any misdemeanor involving dishonesty or moral turpitude within the 10-year period immediately preceding the submission of the application.
- The applicant is less than 21 years of age, except as provided by this chapter.
- The commission shall deny a gambling license with respect to any gambling establishment that is located in a city, county, or city and county that does not have an ordinance governing all of the following matters: (1) The hours of operation of gambling establishments. (2) Patron security and safety in and around the gambling establishments. (3) The location of gambling establishments. (4) Wagering limits in gambling establishments. (5) The number of gambling tables in each gambling establishment and in the jurisdiction.
- The commission may deny a gambling license for any of the following reasons: (1) If issuance of the license with respect to the proposed gambling establishment or expansion would tend unduly to create law enforcement problems in a city, county, or city and county other than the city, county, or city and county that has regulatory jurisdiction over the applicant's premises. (2) If an applicant fails to conduct an economic feasibility study that demonstrates to the satisfaction of the commission that the proposed gambling establishment will be economically viable, and that the owners have sufficient resources to make the gambling establishment successful. (3) If issuance of the license is sought in respect to a new gambling establishment, or the expansion of an existing gambling establishment, that is to be located or is located near an existing school, an existing building used primarily as a place of worship, an existing playground or other area of juvenile congregation, an existing hospital, convalescence facility, or near

- Denial of an application for, or revocation or suspension of, a license or work permit under this title or a license, work permit, registration or approval under State gambling law or the denial of an application for, or revocation or suspension of, a regulatory license, work permit, registration, or approval for gambling in any other state.
- [The applicant is less than twenty-one years of age.](#)
- Related activities of the applicant with criminal activity defined in the California Penal Code Section 186.2 of the California Control of Profits of Organized Crime Act, Penal Code Sections 186 et seq.

Appendix A

another similarly unsuitable area, as determined by regulation of the commission, which is located in a city, county, or city and county other than the city, county, or city and county that has regulatory jurisdiction over the applicant's gambling premises.

19876. License renewal; application; fees; penalties; closure of premises

- Subject to the power of the commission to deny, revoke, suspend, condition, or limit a license, as provided in this chapter, a license shall be valid for a period of two years from the date of issuance.
- An application for renewal of a gambling license shall be filed by the owner-licensee or key employee with the department no later than 120 calendar days prior to the expiration of the current license. The commission shall act upon an application for renewal prior to the date of expiration of the current license. Upon renewal of an owner license, the commission shall issue an appropriate renewal certificate or validating device or sticker.
- If an applicant has submitted an application for renewal prior to the original expiration date of the current license and the commission is unable to act on the application prior to the expiration date, the commission may extend the current license for up to 180 days.
- In addition to the penalties provided by law, an owner-licensee who deals, operates, carries on, conducts, maintains, or exposes for play a gambling game after the expiration date of the gambling license is liable to the state for all license fees and penalties that would have been due upon renewal.
- If an owner-licensee fails to renew the gambling license as provided in this chapter, the commission may order the immediate closure of the premises and a cessation of all gambling activity within the premises until the license is renewed.
- If an owner-licensee applicant submits an application for renewal of the gambling license after the deadline described above but before the original expiration date of the license, the commission

Appendix A

may assess reasonable delinquency fees not to exceed three times the usual application fee.	
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RELOCATION OF GAMING ESTABLISHMENT	
State Requirements	City Requirements
<p><u>§ 12364. Relocation of Gambling Establishment</u></p> <ul style="list-style-type: none"> • A cardroom business licensee must notify the Bureau of a planned relocation of a gambling establishment at least 90 days in advance of the intended commencement of gambling operations at the new location on the form Notice of Relocation. • If the new location is more than 1,000 feet from any boundary line of its governing local jurisdiction, the cardroom must submit within 30 days: A) A copy of the cardroom business licensee's fully executed rental or lease agreement for, or evidence of the cardroom business licensee's ownership of, the proposed new location. B) A copy of the cardroom business licensee's fire safety and evacuation plan for the proposed new location. C) A copy of the cardroom business licensee's security and surveillance plan for the proposed new location. D) Documentary evidence of the issuance to the cardroom business licensee of all required approvals, licenses and permits by any applicable local jurisdictional entity concerning the new location. E) Other required non gambling operations evidence. • If the new location is less than 1,000 feet from any boundary line, it must submit prior requirements and documentation from the appropriate agency in the neighboring jurisdiction confirming that the agency has no objection to the planned location of the gambling establishment. • If a cardroom business licensee does not provide documentation from a neighboring jurisdiction as provided in above and receives 	<p><u>16.30.050 - Premises relocation</u></p> <ul style="list-style-type: none"> • A cardroom permit is valid only for the location provided in the permit. Relocation of a cardroom is permitted only upon an amendment to the cardroom permit as provided in this chapter. • Relocation of a permitted cardroom to a location different from that described in the cardroom permit is expressly permitted where governmental acquisition of an existing permitted cardroom premises is under threat of eminent domain or an actual exercise of the power of eminent domain would result in the closing of the permitted cardroom. • If the cardroom permittee desires to apply for a new location on which to conduct the cardroom business, the cardroom permittee must comply with both of the following procedures: 1. The cardroom permit amendment procedure set out in this chapter; and 2. The procedures set out in Title 20 of this Code. • In the event that the government takes possession of the property subject to a cardroom permit under threat or actual exercise of the power of eminent domain, the permit for the cardroom shall be deemed to be valid and remain in effect for not less than a period of twenty-four months from the date of closing of the cardroom in order to allow a relocation. • Any cardroom, other than a legal nonconforming use, shall only be located and operated in conformity with Title 20.

Appendix A

<p>objections from neighboring jurisdiction, the cardroom may not relocate without Commission review.</p> <ul style="list-style-type: none"> • If the Bureau notes any deficiency in compliance with laws or regulations, including, but not limited to, a deficiency in the internal controls listed in paragraph (1), it will issue a notice to the cardroom business licensee to correct the deficiency. Failure to correct or otherwise mitigate the deficiency may be considered during the license renewal process and may result in disciplinary action. • No gambling operations may be conducted at any new location until the provisions above have been complied with. 	
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VENDOR APPROVAL	
State Requirements	City Requirements
<p><u>§ 12492 - Manufacturers, Distributors, and Vendors of Bingo Equipment, Devices, Supplies, and Services</u></p> <ul style="list-style-type: none"> • An interim approval process is established to further the legislative intent of avoiding disruption of fundraising efforts by nonprofit organizations as expressed in Business and Professions Code section 19850.6. • No person may manufacture, distribute, or provide remote caller bingo equipment, supplies, or services or card-minding devices in this state unless they have a valid interim license issued by the Commission pursuant to this article. • Any manufacturer or distributor of card-minding devices or any vendor providing remote caller bingo equipment, supplies, or services in this state on or after April 24, 2009, shall apply for an interim license, pursuant to this article, within 30 days of the effective date of this section. • Any person applying for an initial interim license as the owner-licensee, as defined above shall submit the following to the 	<p><u>16.21.010 – Vendor Approval</u></p> <ul style="list-style-type: none"> • No person shall be or act as a Vendor at any Cardroom Premises without the prior approval of the Administrator. • Any person seeking to become or act as a Vendor at any Cardroom Premises shall first apply to the Administrator for a Vendor approval and must be granted a Vendor approval prior to acting as a Vendor. • The Administrator is authorized to promulgate such regulations as he or she deems necessary to implement the requirements of this part. <p><u>Minimum Internal Control Standards, Chapter 8</u></p> <ul style="list-style-type: none"> • Each Cardroom Permittee shall maintain a list of all vendors/contractors providing any and all gaming equipment, gaming associated equipment, and gaming related services or other non-gaming related goods and/or services to the gaming establishment or related locations. This list shall be made readily available for review by the representatives of the Division of Gaming Control upon request.

Appendix A

<p>Bureau: (1) Application for Interim License for Manufacturers, Distributors, and Vendors of Bingo Equipment, Devices, Supplies, and Services. (2) A non-refundable application fee of \$500.00. (3) If the applicant is an individual residing in the state of California, a completed Request for Live Scan Service, as referred to above, confirming that the applicant has submitted his or her fingerprints to the BCII for an automated criminal history check and response. The applicant is responsible for any fees necessary for the completion of this form. (4) If the applicant is an individual residing outside the state of California, two FBI Fingerprint cards.</p> <ul style="list-style-type: none">• Any person applying for an initial interim license as an owner, of a manufacturing, distributing, or vending business shall submit the following to the Bureau: (1) Application for Interim License for Manufacturers, Distributors, and Vendors of Bingo Equipment, Devices, Supplies, and Services, BGC-610, referred to above. (2) A non-refundable application fee of \$500.00. (3) If the applicant is an individual residing in the state of California, a completed Request for Live Scan Service, as referred to above, including ATI Number, confirming that the applicant has submitted his or her fingerprints to the BCII for an automated criminal history check and response. The applicant is responsible for any fees necessary for the completion of this form. (4) If the applicant is an individual residing outside the state of California, two FBI Fingerprint cards.• Interim license approvals pursuant to this article, are subject to the following conditions: (1) An interim license shall be valid for one year from the date it is issued by the Commission and may be renewed if regulations specifying the criteria for a regular license have not been adopted. (2) Upon adoption of regulations specifying the criteria for a regular license, the Commission will notify the holder of the interim license of the requirement to submit a regular application package within 30 days of the effective date of the regulations. If a response has not been received within 30 days, the interim license will not be eligible for renewal. (3) An interim license does not obligate the Commission	<ul style="list-style-type: none">• The list shall include name, address and employer’s identification number (EIN) of the vendor/contractor; date and amount of contract and/or agreement, nature of goods/services provided and approximate date of deliver of goods or service.• Any goods and/or services contract/agreement that calls for payment in the aggregate of \$10,000 or more (per vendor/contractor) on an annual basis (calendar year or fiscal year) shall have such contract in writing and a copy of the contract shall be submitted to the Division of Gaming Control no later than 30 days from the date of the signing of the contract.• The Permittee needs only submit to the Division copies of signed original contract/agreement that calls for payment in the aggregate of \$10,000 or more per annum per vendor that supplies recurring goods and services to the cardroom. After the initial or first year contract with a vendor who supplies recurring goods and services, the cardroom needs to provide the Division with a written notice of the renewal of the contract for the succeeding year, along with a copy of any new or materially changed terms and conditions.
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Appendix A

to issue a regular license nor does it create a vested right in the holder to either a renewal of the interim license or to the granting of a subsequent regular license. (4) Issuance of an interim license has no bearing on the question of whether the holder will qualify for issuance of any Commission permit, registration, or license. The interim license will be cancelled in the event that the Commission subsequently determines the applicant does not qualify for a regular license. (5) If, during the term of an interim license, it is determined that the holder is disqualified pursuant to Section 12493, the Executive Director shall prepare an order to show cause why that interim license should not be cancelled. The holder of the interim license shall be given at least 30 days, but not more than 90 days, to respond in writing. After receipt of the holder's response, or if the holder fails to respond in the time specified, the matter shall be set for consideration at a noticed Commission meeting. The holder may address the Commission by way of an oral statement at the Commission meeting, and may request an evidentiary hearing, either in writing not less than ten days prior to the meeting or at the meeting itself. Any evidentiary hearing shall be conducted in accordance with applicable provisions of the above subsection.

- Any person applying for a renewal interim license as the owner-licensee of the manufacturing, distributing, or vending business shall submit the following to the Bureau no later than 90 days prior to the expiration of that license: (1) Application for Interim License for Manufacturers, Distributors, and Vendors of Bingo Equipment, Devices, Supplies, and Services, BGC-610, referred to in paragraph (1) of subsection (d). (2) A non-refundable application fee of \$500.00.
- Any person applying for a renewal interim license as an owner of the manufacturing, distributing, or vending business shall submit the following to the Bureau no later than 90 days prior to the expiration of that license: (1) Application for Interim License for Manufacturers, Distributors, and Vendors of Bingo Equipment,

Appendix A

<p>Devices, Supplies, and Services, BGC-610, referred to in paragraph above. (2) A non-refundable application fee of \$500.00.</p> <ul style="list-style-type: none"> • Each application for an initial or renewal interim license shall be reviewed and, if found to be complete and correct, shall be set for consideration at a noticed Commission meeting. If the application does not satisfy the requirements of this article, the applicant shall be provided a written list of the deficiencies. • A renewal interim license shall be valid for one year from the date of approval of the renewal application or from the expiration of the prior interim license, whichever is later. • An application for an interim license shall be denied by the Commission if either of the following applies: (1) The applicant meets any of the criteria for mandatory disqualification in subdivisions above of section 19859 of the Business and Professions Code. (2) The applicant, if an individual, is less than 18 years of age. • A manufacturer, distributor, or vendor shall advise the Bureau in writing of any new California business locations, or any terminations of existing business locations, within 15 days following the change. 	
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MINOR VIOLATIONS	
State Regulations	City Regulations
<p><u>§ 19930. Investigations; accusations; fines or penalties; payment of costs and deposit of funds</u></p> <ul style="list-style-type: none"> • The department shall make appropriate investigations as follows 	<p><u>16.33.010 - Notice of minor violation</u></p> <ul style="list-style-type: none"> • Conduct, action or failure to act by a Cardroom Permittee, Licensee or Employee may be treated as a minor violation if the Administrator determines that:
<ul style="list-style-type: none"> • Determine whether there has been any violation of this chapter or any regulations adopted thereunder. 	<ul style="list-style-type: none"> • <i>The conduct, act, or failure to act was not of a nature, quality, or extent that it affected the integrity of any Controlled Game conducted on the Cardroom Premises;</i>

Appendix A

<ul style="list-style-type: none"> Determine any facts, conditions, practices, or matters that it may deem necessary or proper to aid in the enforcement of this chapter or any regulation adopted thereunder. 	<ul style="list-style-type: none"> The conduct, act, or failure to act was not willful or intentional.
<ul style="list-style-type: none"> To aid in adopting regulations. 	<ul style="list-style-type: none"> The conduct, act, or failure to act was not part of a continuing pattern or practice of the Cardroom Permittee or Licensee.
<ul style="list-style-type: none"> To secure information as a basis for recommending legislation relating to this chapter. 	<ul style="list-style-type: none"> For each minor violation, the Administrator may assess a monetary penalty against the Cardroom Permittee in an amount up to, but not to exceed, two thousand dollars (\$2,000) per incident
<ul style="list-style-type: none"> If, after any investigation, the department is satisfied that a license, permit, finding of suitability, or approval should be suspended or revoked, it shall file an accusation with the commission in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code. 	<ul style="list-style-type: none"> The aggregate of all monetary penalties assessed pursuant to Subsection B. above, shall not exceed one hundred thousand dollars (\$100,000) per calendar year with respect to any one (1) Cardroom Permittee.
<ul style="list-style-type: none"> In addition to any action that the commission may take against a license, permit, finding of suitability, or approval, the commission may also require the payment of fines or penal. 	<ul style="list-style-type: none"> A decision of the Administrator to impose a monetary penalty under this Section shall be final upon written notice to the Cardroom Permittee, and shall not be subject to challenge, appeal, or review save and except, and only to the extent that the decision is arbitrary or capricious. If the Cardroom Permittee files a request for a hearing pursuant to Subsection F., the Cardroom Permittee shall make an advance deposit of the monetary penalty with the Administrator within ten (10) calendar days of the notice of monetary penalty. If the Cardroom Permittee does not contest the notice of monetary penalty, the monetary penalty shall be paid to the City within thirty (30) calendar days from the date of the notice of minor violation.
<ul style="list-style-type: none"> However, no fine imposed shall exceed twenty thousand dollars (\$20,000) for each separate violation of any provision of this chapter or any regulation adopted thereunder. 	<ul style="list-style-type: none"> If the Administrator finds that a minor violation has occurred, and imposes monetary penalties under this Section, the facts and circumstances constituting the minor violation shall not be the subject of any other regulatory action, nor shall they be used or considered in connection with any future regulatory action, or enforcement proceedings against the Cardroom Permittee. A minor violation shall not constitute a violation of the terms of any permit

Appendix A

	<p>or license held or enjoyed by a Cardroom Permittee and/or Licensee.</p>
<ul style="list-style-type: none"> In any case in which the administrative law judge recommends that the commission revoke, suspend, or deny a license, the administrative law judge may, upon presentation of suitable proof, order the licensee or applicant for a license to pay the department the reasonable costs of the investigation and prosecution of the case. 	<ul style="list-style-type: none"> If the Cardroom Permittee contends that the imposition of the minor violation is arbitrary or capricious or lacking in substantial evidentiary support, the Cardroom Permittee shall file a written request for hearing with the Administrator within ten (10) calendar days of the date of the notice of monetary penalty. Upon a timely request for hearing, the Chief of Police shall designate a hearing officer, who will set a hearing for such determination. The minor violation shall be upheld if the hearing officer determines that the imposition of the minor violation was not arbitrary or capricious or lacking in substantial evidentiary support.
<ul style="list-style-type: none"> The costs assessed pursuant to this subdivision shall be fixed by the administrative law judge and may not be increased by the commission. When the commission does not adopt a proposed decision and remands the case to the administrative law judge, the administrative law judge may not increase the amount of any costs assessed in the proposed decision. 	<ul style="list-style-type: none"> The notice of minor violation and any additional report submitted by the Administrator shall constitute prima facie evidence of the respective facts contained in those documents. Discovery is not permitted; however, within a reasonable time prior to the hearing, the parties shall exchange any reports or documents that the party intends to rely upon at the hearing. The Cardroom Permittee shall have the burden of proving its challenge. The hearing will be informal, with the Cardroom Permittee and the City having the opportunity to present evidence, documents and testimony regarding the minor violation. Technical rules relating to evidence and witnesses shall not apply, nor will cross-examination be authorized without express permission by the hearing officer. Any relevant evidence which is not unduly repetitious, including hearsay evidence, may be admitted into the record and considered, and is sufficient in itself to support a finding, if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule that might make improper the admission of that evidence over objection in a civil action. The hearing will be scheduled by the hearing officer in a reasonable time period after

Appendix A

	<p>written notice of request for hearing is filed with the Administrator. The hearing officer shall have the authority to control the conduct of the proceeding, including the ability to limit testimony and the admissibility of evidence that is unduly repetitious or make any other rulings or place other limitations on the administrative hearing consistent with the informal nature of the proceeding. The written decision of the hearing officer shall be served upon the Cardroom Permittee within a reasonable period of time after the close of the hearing. The written decision of the hearing officer will be final upon service on the Cardroom Permittee and shall contain a notice setting out the provisions contained in Section 1.16.010 of this Code.</p>
<ul style="list-style-type: none"> • The department may enforce the order for payment in the superior court in the county in which the administrative hearing was held. The right of enforcement shall be in addition to any other rights that the department may have as to any licensee directed to pay costs. 	
<ul style="list-style-type: none"> • In any judicial action for the recovery of costs, proof of the commission’s decision shall be conclusive proof of the validity of the order of payment and the terms for payment. 	
<ul style="list-style-type: none"> • Notwithstanding any other provision of law, all costs recovered under this section shall be deposited in the fines and penalties account. 	
<ul style="list-style-type: none"> • For purposes of this section, “costs” include costs incurred for any of the following: The investigation of the case by the department and The preparation and prosecution of the case by the Office of the Attorney General. 	

Appendix A

REGULATORY ACTIONS AND CEASE AND DESIST ORDER	
State Regulations	City Regulations
<p><u>§ 19930. Investigations; accusations; fines or penalties; payment of costs and deposit of funds</u></p> <ul style="list-style-type: none"> In addition to any action that the commission may take against a license, permit, finding of suitability, or approval, the commission may also require the payment of fines or penalties. 	<p><u>16.34.300 - Cease and desist orders</u></p> <ul style="list-style-type: none"> The procedures set out in this chapter shall apply to all regulatory actions that the administrator is authorized to take against cardroom permittees and licensees.
<ul style="list-style-type: none"> In any case in which the administrative law judge recommends that the commission revoke, suspend, or deny a license, the administrative law judge may, upon presentation of suitable proof, order the licensee or applicant for a license to pay the department the reasonable costs of the investigation and prosecution of the case. 	<ul style="list-style-type: none"> The Administrator shall make appropriate investigations to determine whether grounds may exist for regulatory action. If an investigation cannot be concluded and a notice of Regulatory Action served in accordance with Section 16.34.060 of this Chapter within one hundred and eighty (180) Business Days after the date of discovery by the Administrator of the incident and/or circumstances that precipitated the investigation, the Administrator shall inform the Chief of Police in writing of the focus of the investigation and an estimated date for completion of the investigation. Thereafter, the Administrator shall provide the Chief of Police with a written status update on a monthly basis until the investigation concludes.
<ul style="list-style-type: none"> Any person who willfully fails to report, pay, or truthfully account for and pay over any license fee imposed by this chapter, or who willfully attempts in any manner to evade or defeat the license fee or payment thereof, shall be punished by imprisonment in a county jail, by a fine of not more than five thousand dollars (\$5,000), or by both that imprisonment and fine. 	<ul style="list-style-type: none"> Failure by the cardroom permittee to pay the monetary penalty imposed pursuant to the provisions of this chapter on or before the date that the monetary penalty is due also shall be liable for the payment of any applicable late payment charges set in the schedule of administrative fines established by resolution of the city council.
	<ul style="list-style-type: none"> The Administrator may issue any cease and desist orders against a Cardroom Permittee or any Licensee that the Administrator deems reasonably necessary.
	<ul style="list-style-type: none"> The cease and desist order shall set forth the grounds upon which it is based, including a statement of the facts constituting the imminent danger to the public peace, health, safety, or general welfare necessitating the order.

Appendix A

	<ul style="list-style-type: none"> The cease and desist order is effective immediately upon service on the Cardroom Permittee or the Licensee. The cease and desist order may suspend, limit, condition or take other action in relation to the Cardroom Permit or License. The cease and desist order shall remain in effect until further order of the Administrator or final disposition of any proceeding conducted pursuant to this Section.
	<ul style="list-style-type: none"> Within two (2) Business Days after service of a cease and desist order, the Administrator shall serve the Cardroom Permittee or the Licensee with a notice giving the name of the hearing officer.
	<ul style="list-style-type: none"> The notice served upon the Cardroom Permittee or licensee shall also notify the Cardroom Permittee or the licensee of his or her right to request a hearing before a hearing officer.
	<ul style="list-style-type: none"> The Cardroom Permittee or the Licensee is entitled to request that the hearing commence within ten (10) Business Days of the date of the request for hearing if the Gambling Operation at the Cardroom is closed by the order, and in all other cases, within thirty (30) calendar days of the date of the request. Upon application of the Administrator, the Cardroom Permittee, or the Licensee for good cause shown, the hearing officer may extend the time within which a hearing is required to be commenced, upon those terms and conditions that the hearing officer deems equitable.

UNIFORM ADMINISTRATIVE HEARING	
State Regulations	City Regulations
<p><u>§ 11400.20. Regulations</u></p> <ul style="list-style-type: none"> Proceeding required to be conducted by an administrative law judge employed by the Office of Administrative Hearings, except to the extent the regulations are otherwise authorized by statute. 	<p><u>16.36.020 - Conduct of administrative hearing</u></p> <ul style="list-style-type: none"> The administrative hearing shall be conducted as follows: Oral evidence shall be taken only on oath or affirmation, both the city and the person who is the subject of the administrative hearing shall have the following rights: The right to call and examine witnesses, The right to introduce exhibits relevant to the issues of the case, The right to cross-examine opposing witnesses on matters

Appendix A

	<p>relevant to the issues, even though the matter was not covered on direct examination, The right to impeach any witness, regardless of which party first called the witness to testify.</p>
	<ul style="list-style-type: none"> Judicial notice may be taken of any generally accepted information or technical or scientific matter in the field of gambling.
	<ul style="list-style-type: none"> The presiding official shall rule on all evidentiary issues.
	<ul style="list-style-type: none"> The person who is the subject of the administrative hearing is entitled to be represented at the administrative hearing by any person. The representative need not be an attorney.
	<ul style="list-style-type: none"> The parties are authorized to rely upon transcripts of testimony, documentary, and other evidence accepted into evidence in the administrative hearing to the extent deemed appropriate by the presiding official.
<ul style="list-style-type: none"> The department may enforce the order for payment in the superior court in the county in which the administrative hearing was held. The right of enforcement shall be in addition to any other rights that the department may have as to any licensee directed to pay costs. 	<ul style="list-style-type: none"> A record of the administrative hearing consisting of a tape, digital recording or stenographic record of all oral evidence, arguments and rulings, along with all exhibits offered and/or admitted into evidence and any written comments, arguments, reports, documents, or other written materials presented to or relied upon by the presiding official and the written decision of the presiding official shall be maintained by the administrator until all administrative and judicial appeals have been concluded.
	<ul style="list-style-type: none"> The failure of the person who is the subject of a properly noticed administrative hearing or the person's representative to appear at the administrative hearing without good cause shall be deemed a waiver of the hearing.

WORK PERMITS	
State Regulations	City Regulations
<u>Article 8. Work Permits</u>	<p><u>16.40.020 – Work permit application procedures</u></p> <ul style="list-style-type: none"> A work permit fee or renewal fee as set forth in the Schedule of Fees established by Resolution of the City Council shall be paid by

Appendix A

<ul style="list-style-type: none"> • A valid work permit issued in accordance with the applicable ordinance or regulations of the county, city, or city and county in which the person's duties are performed. 	<p>the Applicant at the time of filing of a work permit or renewal application.</p>
<ul style="list-style-type: none"> • A work permit issued by the commission pursuant to regulations adopted by the commission for the issuance and renewal of work permits. A work permit issued by the commission shall be valid for two years. It shall authorize a person to act as a gambling enterprise employee or serve as a gambling enterprise employee, or serve as an independent agent, until the expiration or revocation of that work permit and shall entitle the holder to work for any gambling enterprise for which the commission issues work permit as a gambling enterprise employee after proper notification to the department. 	<ul style="list-style-type: none"> • Within twenty (20) Business Days after receipt of a Complete Application, the Administrator shall serve a written decision on the Applicant either granting or denying a work permit, or granting a work permit with limitations and conditions, and explaining the reasons for denial. If the decision is to grant a work permit, the work permit shall be construed as a final decision by the Administrator and shall take effect on the date of service of the written decision by the Administrator on the Applicant and a work permit credential shall be issued to the Applicant.
<ul style="list-style-type: none"> • A person under 21 years of age is not eligible for a work permit, and a permit shall not be issued to a person under 21 years of age. The department may object to the issuance of a work permit by a city, county, or city and county for any cause specified under this chapter deemed reasonable by the department, and if the department objects to issuance of a work permit, the work permit issued by a city, county, or city and county shall be denied. 	<ul style="list-style-type: none"> • The Administrator may deny, suspend, revoke, or add limitations and conditions to a work permit on any of the following grounds. • The Permittee has violated any provision of this Title. • The Permittee has failed to timely pay any fees due under this Title. • The Permittee has violated any work permit limitation or condition. • Failure to cooperate with the Administrator or to provide information, documentation, and reasonable assurances required for qualification or failure to reveal any material fact relating to qualification. • Supplying information to the Administrator that is untrue or misleading. • Conviction, including a plea of nolo contendere, of any crime punishable as a felony; including a conviction by any federal court or a court in another state for a crime that would constitute a felony in California. • Conviction, including a plea of nolo contendere, of any crime punishable as a misdemeanor, including conviction by any federal court or a court in another state for a crime that would constitute a misdemeanor in California, involving dishonesty, moral turpitude, prostitution, sale or possession for sale of a controlled substance, gambling, or any other crime substantially related to the

Appendix A

	<p>qualifications, functions, or duties of the cardroom business or gambling business, within a ten-year period immediately preceding the submission of the application.</p> <ul style="list-style-type: none"> • Refusal by the applicant or work permittee to obey an order to appear before any legislative investigative body or any other investigative body in any state of the United States. • The applicant or work permittee is a partner, officer, director or shareholder or has any financial interest in any business organization that engaged in any form of prohibited gambling pursuant to the California Penal Code whether within or outside of the state. • Denial, revocation, or suspension of a state gambling license, Key Employee license, work permit, registration, or finding of suitability pursuant to state gambling law, or the denial, revocation, suspension of a permit or license regulating legal gambling in any other state. • The applicant or work permittee has committed any act involving dishonesty, fraud or deceit with the intent to substantially benefit the applicant or work permittee, or benefit another, or substantially injure another. • Objection to the issuance of a work permit by the Bureau or an order denying an application for a work permit by the Commission pursuant to state gambling law. • The applicant or work permittee has violated any provision of this Title, State Gambling Law, the applicable law of any state or local government, or any federal law relating to Gambling or the operation of a Permitted Cardroom.
<ul style="list-style-type: none"> • Order of summary suspension; content; hearing. • The commission may issue an order summarily suspending a person’s work permit, whether issued by a city, county, or city and county, or by the commission, upon a finding that the suspension is necessary for the immediate preservation of the public peace, 	<ul style="list-style-type: none"> • Work permit show cause hearing procedures. • If it appears at any time that good cause may exist for the Administrator to deny, suspend, revoke, or add limitations and conditions to a work permit, the Administrator shall provide the Employee with notice and the opportunity for a hearing before the Chief of Police to show cause why the application should not be

Appendix A

<p>health, safety, or general welfare. The order is effective when served upon the holder of the permit.</p> <ul style="list-style-type: none">• The order of summary suspension shall state facts upon which the finding of necessity for the suspension is based. For the purposes of this section, the order of summary suspension shall be deemed an accusation.• An order of summary suspension shall be signed by at least three members of the commission.• The person whose work permit is summarily suspended has a right to a hearing to commence not more than 30 calendar days from the date of service of the suspension.	<p>denied, why the work permit should not be suspended or revoked, or why limitations and conditions should not be added to the work permit. Notice of the intended action shall also be provided to the employing Cardroom Permittee or employing Funding Source.</p> <ul style="list-style-type: none">• In the case of denial, suspension, revocation, or addition of limitations and conditions, the Employee shall be given ten (10) Business Days from the date of mailing of the notice of denial, suspension or revocation to request a show cause hearing before the Chief of Police. The Employee shall be deemed to have waived the right to a show cause hearing if the Administrator does not receive the Employee's written request for a hearing within ten (10) Business Days of the date of service of the notice. In case of a waiver, the Administrator shall serve a statement of decision upholding the suspension, revocation, or placement of limitations and conditions on the work permit. Notice of the status of the work permit shall also be provided to the employing Cardroom Permittee or employing Funding Source• The Administrator shall schedule the hearing within forty-five (45) Business Days after receipt of the request for a show cause hearing. The Administrator shall mail notice of the day, time, and place of the hearing to the applicant or work permittee and the employing Cardroom Permittee or employing Funding Source within fourteen (14) Business Days after receipt of the request for hearing.• The hearing shall be held in accordance with the procedures and rules set out in Sections <u>16.36.020</u> through <u>16.36.040</u>, with the Chief of Police acting as the presiding official.• If the Chief of Police, on the basis of substantial evidence presented at the show cause hearing, finds good cause, the Administrator may deny, suspend, revoke, or add limitations and conditions to the work permit.• When the Chief of Police denies, suspends, revokes, or adds limitations and conditions to a work permit, the Chief of Police shall issue a statement of decision giving the reasons for the decision and the findings of fact upon which the decision is based.
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Appendix A

	<ul style="list-style-type: none"> The statement of decision shall be served upon the person within forty-five (45) Business Days of the close of the hearing. Notice of the status of the work permit shall also be provided to the employing Cardroom Permittee or employing Funding Source.
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RESPONSIBLE GAMING PROGRAM	
State Regulations	City Regulations
<p>Article 9. Program for Responsible Gambling</p> <ul style="list-style-type: none"> Each cardroom business licensee must have procedures for providing new employee orientations and annual training concerning problem gambling for all employees who directly interact with gambling patrons in gambling areas. A cardroom business licensee may develop an internal training program, may use a third-party training program, or may use a training program developed and provided by the Office of Problem Gambling. 	<p>16.48.010 - Responsible gaming program for employees</p> <ul style="list-style-type: none"> Each cardroom permittee shall provide to its employees a responsible gaming program that will include, at a minimum, the following elements: <ul style="list-style-type: none"> An employee assistance program Mandatory referral of employees who appear to be at risk for compulsive gambling. Provision of literature to employees on problem gambling and a list of referrals to agencies in the San Francisco Bay Area with programs for problem gamblers.
<ul style="list-style-type: none"> New employee orientations must be completed within 60 days of the issuance of a cardroom category license, or the employee's start date. Annual training must be provided to each employee following the calendar year in which a new employee orientation was provided. Annual training may be completed in segments provided that the entire requirement is met during each calendar year, Each cardroom business licensee must designate a person(s) responsible for maintaining the program, coordinating training, and documenting employee completion, The program must be reviewed at least once a year to ensure that the information provided is current. Records of employee completion documented. 	<ul style="list-style-type: none"> Each cardroom permittee shall provide the administrator with an annual plan for a responsible gaming program that includes the program elements listed in this section.

Appendix A

<ul style="list-style-type: none"> • At a minimum, the following employee groups must have training, as specified: • Cardroom employee type licensees, whose duties include interacting with gambling patrons in gambling areas, but do not have duties related to the operation of the games, such as food and beverage providers, must receive training concerning the nature and symptoms of problem gambling behavior. • Cardroom employee type licensees, whose duties include interacting with gambling patrons in gambling areas and who have duties related to the operation of a controlled game must receive the training specified in paragraph (1) and training on how to assist patrons in obtaining information about problem gambling programs. • Key employees licensees must receive the training specified in paragraph (2), and must receive information on the self-restriction and self-exclusion programs, information about any treatment options and prevention programs offered by the State Department of Public Health, Office of Problem Gambling, and may receive information about any problem gambling programs or services available in and around the location of the gambling establishment. • This section must not be construed to require employees to identify problem gamblers. 	<ul style="list-style-type: none"> • Cardrooms are encouraged to undertake further efforts beyond the minimum responsible gaming program required by this chapter.
<ul style="list-style-type: none"> • Each cardroom business licensee must post or provide, at patron gambling entrances or exits, and in conspicuous places in or near gambling areas and any areas where cash or credit are available to patrons, accessible written materials concerning the nature and symptoms of problem gambling and the toll-free telephone number approved by the Office of Problem Gambling (or its successors) that provides information and referral services for problem gamblers, currently “1-800-GAMBLER.” • Any website operated by or on behalf of any cardroom business licensee or TPPPS business licensee must contain a responsible gambling message and a link to the Office of Problem Gambling 	

Appendix A

<p>(or its successors) that provides information and referral services for problem gamblers, currently http://www.problemgambling.ca.gov.</p> <ul style="list-style-type: none"> Advertising material produced by or on behalf of any cardroom business licensee or TPPPS business licensee must contain a responsible gambling message and must refer to the telephone number listed in subsection (a) above or the website listed in subsection (b) above, or both. This provision applies to any advertisement that will be distributed by television, radio, outdoor display, flyer, mail or digitally. This provision does not apply to: Any digital material with limited characters or space that provides a link to a website that complies with subsection (b). Any promotional item in which size or space limitations do not allow the responsible gambling message to be legibly displayed, such as: pens, key chains, hats, drinking glasses, coffee mugs, etc. 	
	<ul style="list-style-type: none"> Each cardroom permittee shall make literature on problem or compulsive gambling easily available in locations visible to patrons in the cardroom.

NON-PROFIT ORGANIZATION FUNDRAISERS	
State Regulations	City Regulations
<p>Article 17. Nonprofit Organization Fundraisers</p> <ul style="list-style-type: none"> The playing of controlled games for the purpose of raising funds by nonprofit organizations is in the public interest. 	<p>16.50.020 - Nonprofit organization fundraiser</p> <ul style="list-style-type: none"> Eligible nonprofit organizations may also conduct nonprofit organization fundraisers on cardroom premises in conformity with the requirements of state gambling law and this title, including, but not limited to the existing limitations and restrictions in this title on the number of card tables that a cardroom permittee may have.
<ul style="list-style-type: none"> A nonprofit organization holding a fundraiser pursuant to the above subdivision shall not conduct more than one fundraiser per calendar year, and each fundraiser shall not exceed five 	<ul style="list-style-type: none"> Registration shall be valid for a period of one (1) year from the date of issuance.

Appendix A

<p>consecutive hours. Each fundraiser shall be preapproved by the department. Eligible nonprofit organizations that have multiple chapters may hold one fundraiser per chapter per calendar year.</p>	
<ul style="list-style-type: none"> The nonprofit organization shall maintain records for each fundraiser using controlled games. 	<ul style="list-style-type: none"> Complete an application provided by the Administrator which shall include a signed permission authorizing the Administrator or his or her authorized representative to have immediate access to enter upon and inspect the premises upon which the nonprofit organization fundraiser is to be held and any equipment and supplies to be used in the playing of Controlled Games at the fundraiser, and to inspect and copy any records or documents required to be maintained under this Title or State Gambling Law.
<ul style="list-style-type: none"> The department may require an eligible organization to pay an annual registration fee of up to one hundred dollars (\$100) per year to cover the actual costs of the department to administer and enforce this section. 	<ul style="list-style-type: none"> Registration is subject to annual renewal.
<ul style="list-style-type: none"> No fundraiser permitted under this section may be conducted by means of, or otherwise utilize, any gaming machine, apparatus, or device that meets the definition of a slot machine contained in Section 330b or 330.1 of the Penal Code. 	<ul style="list-style-type: none"> The use of slot machines or devices, or gambling devices as defined by state gambling law at a nonprofit organization fundraiser is prohibited. The determination of the administrator as to what constitutes a slot machine or device or gambling device that is prohibited under this title shall be conclusive, regardless of any contrary opinion, decision, or regulation promulgated by the California Department of Justice or the California Gambling Control Commission
<ul style="list-style-type: none"> The authority to conduct a fundraiser, as well as the type of controlled games, may be governed by local ordinance. 	<ul style="list-style-type: none"> It remains the policy of the city that this title authorizes cardroom permittees to conduct charitable fundraising on cardroom premises in conformity with the requirements of this Title 16 and state gambling law.
<ul style="list-style-type: none"> Uniform regulation for the conduct of controlled games is in the best interests of nonprofit organizations and the people of this state. 	<ul style="list-style-type: none"> Permissible games shall be the only controlled games allowed at a nonprofit organization fundraiser.
<ul style="list-style-type: none"> Notwithstanding any other provision of state law a nonprofit organization may conduct a fundraiser using controlled games as a funding mechanism to further the purposes and mission of the nonprofit organization. 	<ul style="list-style-type: none"> An eligible nonprofit organization that conducts a nonprofit organization fundraiser shall comply with the requirements of this chapter, other applicable requirements of this title and the requirements of state gambling law.

Appendix A

<ul style="list-style-type: none"> If an eligible nonprofit organization does not own a facility in which to conduct a fundraiser and is required to pay the entity or person conducting the fundraiser a rental fee for the facility, the fair market rental value of the facility shall not be included when determining the compensation payable to the entity or person for purposes of this section. 	<ul style="list-style-type: none"> A registration fee or renewal fee as set forth in the Schedule of Fees established by Resolution of the City Council shall be paid together with the registration application.
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TOURNAMENT PLAY AND GUARANTEED TOURNAMENT PLAY AND ADDITIONAL TABLES	
State Requirements	City Requirements
<p><u>§ 12470. Request for Additional Temporary Tables for Tournaments or Special Events</u></p> <ul style="list-style-type: none"> A cardroom business licensee may apply to operate, on a limited and temporary basis, for a tournament or special event (hereinafter, event), more tables than the gambling establishment is authorized to regularly operate. To apply for additional tables, the applicant must submit to the Bureau, no less than 45 business days prior to the event, the following for each event: (1) A completed and signed application form entitled Cardroom Business License: Gaming Tables, CGCC-CH7-07 (Rev. 09/22), which is attached in Appendix A to this chapter. (2) The non-refundable application fee required in Section 12090 plus a Bureau review deposit pursuant to Title 11, Cal Code Regs., Section 2037, made payable to the Bureau of Gambling Control. The Commission may not grant the application if a review by the Bureau discloses any of the following: (1) The requested temporary increase in the number of tables would exceed the number of tables allowed to be operated by the local jurisdiction for either the particular cardroom or the jurisdiction where the gambling establishment is located. (2) The requested temporary increase in the number of tables has been denied by the local jurisdiction where the gambling establishment is located. (3) The 	<p><u>16.18.080 - Tournament play</u></p> <ul style="list-style-type: none"> Cardroom permittees shall be allowed to conduct "no limit" tournament play four times per year, provided that twenty-five percent of the tournament entry fees and/or sitting fees received for such play shall be contributed to a charitable organization to be used for charitable purposes. The cardroom permittee shall provide the administrator with thirty days advance notice of its intention to conduct "no limit" tournament play. The cardroom permittee shall provide the administrator with documentation satisfactory to the administrator of the entry and/or sitting fees collected for each play and the amount actually contributed to charity. The cardroom permittee shall also provide the administrator with documentation on the charitable organization(s) chosen by the permittee including, but not limited to 1) Proof of nonprofit and charitable status with the state and federal government; 2) The name, address, telephone number of the charitable organization; and 3) The purposes for which the money collected will be used by the charitable organization.

Appendix A

cardroom business license is suspended or contains conditions precluding the approval of a temporary increase in the number of tables. (4) The gambling establishment has outstanding fees, deposits, fines, or penalties owing to the Commission or to the Bureau.

- The Commission may deny the application if the application as submitted was untimely or incomplete.
- A request by an applicant to withdraw the application will result in the application being considered abandoned, and the fees for the additional tables and unused deposit amounts returned, with no further action to be taken by the Bureau.
- The Bureau will complete its review of the application and submit its findings to the Commission within 25 days of receipt of the application. The Commission will either approve or deny the request within 13 days of receiving the Bureau's findings and notify the applicant, in writing, of its decision. The Commission may delegate the authority to deny the requested temporary increase or to issue a license certificate approving the requested temporary increase in the number of tables to any employee of the Commission.

§ 19952. Special license fee; excess tables for tournaments and special events

- The commission, by regulation, shall establish fees for special licenses authorizing irregular operation of tables in excess of the total number of tables otherwise authorized to a licensed gambling establishment, for tournaments and other special events.

16.18.085 - "Guaranteed" Tournament Play

- In addition to the tournament play authorized under Section 16.18.080, a Cardroom Permittee shall be allowed to conduct "guaranteed" tournament play four (4) times per year in accordance with the provisions of this Section.
- [The maximum number of Card Tables at any one \(1\) Cardroom in the tournament shall be thirty \(30\). The additional Card Tables shall not be counted against the maximum Card Table limit under Section 16.04.020.](#)
- The Cardroom Permittee shall obtain written approval of the Administrator in conformance with State Gambling Law.
- Once the Administrator has approved the request under this Section, the Cardroom Permittee shall also obtain approval from the California Gambling Control Commission for the temporary increase in the number of Card Tables for the tournament in compliance with Title 4 of the California Code of Regulations Section 12358.

Chapter 3 Minimum Control Standards, Section J – Tournaments

- [All funds contributed by players into tournaments are returned when won \(i.e., prize pool\) in accordance with the posted rules with no commission withheld except for initial administrative fees authorized and approved by the Administrator.](#)
- [No administrative fees may be deducted from re-buys.](#)
- [A full accountability of all administrative fee collection and expenditures for each tournament shall be documented and maintained for five years.](#)
- [Rules governing each tournament shall be clearly posted in the gaming area and shall designate the following: a\) the tournament buy-in and re-buys amounts. b\) the limit on number and amount of re-buys that are allowed for the tournament, and the re-buy schedule. C\) the betting limits for the specific tournament, as well as limit increase schedule/policy. D\) the tournament's payout rule \(i.e., number of places to be paid and the percentage of the prize pool that is paid to each place\). The number of places paid out may be](#)

Appendix A

determined on the day of the tournament based on the number of participants at the discretion of the tournament director. E) The total fees collected for the prize pool shall be posted within the first hour of the tournament. For a tournament with re-buys, the total prize pool shall be updated at the time when the re-buy period has expired.

- All initial buy-in transactions shall be conducted at the casino cage. Re-buy transactions may be conducted at the casino cage or at the tournament tables.
- If re-buy transactions are allowed at the tournament tables, the funds removed from the tournament tables must be placed in a locked container in plain view of the public. Additionally, the following standards shall apply: a) The locked container contents key is maintained by a department independent of the table game department, including the tournament director. B) At least once a day, the locked container is removed by two employees, one of whom is independent of the table games department, and transported directly to the casino cage to be counted. C) At the casino cage, the locked container is opened by the key custodian in the presence of the casino cage cashier and the Tournament Director or designee and the funds are counted, verified and recorded by the cashier before it is accepted into the cage accountability. D) Employees authorized to transport the locked container to the casino cage are precluded from having access to the contents key. E) The Tournament Director or his designee must maintain a log of all re-buy transactions. F) At the conclusion of the re-buy period the original transaction log is delivered to the accounting office and a copy is maintained by the Tournament Director or his designee.
- A tournament log must be maintained at the casino cage and his log shall reflect the following information: a) the total number of tournament participants and total buy-in fees collected. B) the total number of re-buys made and the amount of total re-buy fee collected. C) the amount of the payout to each winner. D) the name of each participant including the dollar amount of the initial buy-in,

Appendix A

	<p>and verified name of each participant receiving payout in excess of \$3,000.</p> <ul style="list-style-type: none"> The casino cashier or tournament director or designee is responsible for the verification of all such information and attest by signature.
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POLICIES AND PROCEDURES	
State Requirements	City Requirements
<p>§ 12381. Policies and Procedures</p> <ul style="list-style-type: none"> All cardroom business licensees must have written policies and procedures that meet or exceed the Minimum Internal Control Standards contained in this article. A cardroom business licensee's policies and procedures must be communicated to employees through new employee orientations and periodic training sessions. Adherence to the policies and procedures established to comply with this article will be required. On request, copies of a cardroom business licensee's policies and procedures must be provided, within a reasonable time specified, for the Commission and/or Bureau to review. Unless otherwise specified in this chapter, all forms, books, records, logs, lists and any and all other original source or duplicate documentation required to be maintained by a cardroom business licensee pursuant to this chapter must be: (1) Recorded in English; (2) Recorded in a permanent form or media; and (3) Maintained for a minimum of three years, unless otherwise specified, in a secured area on site at the gambling establishment or at a California facility approved in advance by the Bureau. In addition to the requirements above cardroom business licensees in Tiers II through and including V must assign the overall responsibility for establishing, periodically reviewing, 	<p>16.08.020 - Approval by the administrator</p> <ul style="list-style-type: none"> As a condition for operation, each Cardroom Permittee shall submit a written system of internal controls document to the Administrator for review and approval within ninety (90) Business Days after the Administrator issues his or her minimum internal control Regulations. The Administrator shall review the Document submitted by the Permittee and shall serve upon the Permittee either a statement of acceptance approving the document or a statement of deficiency outlining the areas in which the document fails to meet the Administrator's minimum internal control Regulations, within ninety (90) Business Days after receipt of the document. The Cardroom Permittee shall, within thirty (30) Business Days from the service of the statement of deficiency, submit to the Administrator a corrected system of internal controls document that shall correct all areas of deficiency found in the statement of deficiency to the satisfaction of the Administrator. A Cardroom Permittee shall comply with all provisions contained in the written system of internal controls document approved by the Administrator for that Cardroom.

Appendix A

<p>monitoring, and testing for compliance with their Minimum Internal Control Standards policies and procedures to a specific cardroom endorsee licensee or key employee licensee and must document the assignment in the cardroom business licensee's policies and procedures. Tests for compliance with Minimum Internal Control Standards policies and procedures must be performed at least annually, and may be performed by a cardroom business licensee's staff, other than the person or persons who normally perform the duties being tested, or by agents or outside consultants (e.g., a certified public accountant) for the cardroom business licensee. The results of the tests, and a detailed record of the efforts to correct any noncompliance found as a result of the tests, must be documented and the documentation retained by the cardroom business licensee.</p>	
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RESTRICTIONS ON GAMBLING	
State Requirements	City Requirements
<p><u>§ 337j. Controlled game; license requirements; fee collection</u></p> <ul style="list-style-type: none"> It is unlawful for any person, as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, to do any of the following without having first procured and thereafter maintained in effect all federal, state, and local licenses required by law: (1) To deal, operate, carry on, conduct, maintain, or expose for play in this state any controlled game. (2) To receive, directly or indirectly, any compensation or reward or any percentage or share of the revenue, for keeping, running, or carrying on any controlled game. (3) To manufacture, distribute, or repair any gambling equipment within the boundaries of this state, or to receive, directly or indirectly, any compensation or reward for the manufacture, distribution, or repair of any gambling equipment within the boundaries of this state. 	<p><u>16.18 – Restrictions on Gambling</u></p> <ul style="list-style-type: none"> Each permissible game conducted or operated in the city pursuant to the provisions of this chapter shall be conducted and operated in full conformity with, and be subject to, all the provisions of state gambling law and the provisions of this title. <i>It shall be illegal for a cardroom permittee, owner, or employee to permit, allow, or suffer the playing of any controlled game except permissible games.</i> <p><u>16.18.040 - Permissible games</u></p> <ul style="list-style-type: none"> The only Controlled Games that shall be played on the premises of a permitted cardroom are permissible games.

Appendix A

- It is unlawful for any person to knowingly permit any controlled game to be conducted, operated, dealt, or carried on in any house or building or other premises that he or she owns or leases, in whole or in part, if that activity is undertaken by a person who is not licensed as required by state law, or by an employee of that person.
- It is unlawful for any person to knowingly permit any gambling equipment to be manufactured, stored, or repaired in any house or building or other premises that the person owns or leases, in whole or in part, if that activity is undertaken by a person who is not licensed as required by state law, or by an employee of that person.
- Any person who violates, attempts to violate, or conspires to violate this section shall be punished by imprisonment in a county jail for not more than one year or by a fine of not more than ten thousand dollars (\$10,000), or by both imprisonment and fine. A second offense of this section is punishable by imprisonment in a county jail for a period of not more than one year or in the state prison or by a fine of not more than ten thousand dollars (\$10,000), or by both imprisonment and fine.
- As used in this section, “controlled game” means any poker or Pai Gow game, and any other game played with cards or tiles, or both, and approved by the Department of Justice, and any game of chance, including any gambling device, played for currency, check, credit, or any other thing of value that is not prohibited and made unlawful by statute or local ordinance.
- As used in this section, “controlled game” does not include any of the following: (A) The game of bingo conducted pursuant to Section 326.3 or 326.5. (B) Parimutuel racing on horse races regulated by the California Horse Racing Board. (C) Any lottery game conducted by the California State Lottery. (D) Games played with cards in private homes or residences, in which no person makes money for operating the game, except as a player.

- No game shall be played at any permitted cardroom unless it is a Controlled Game listed as a permissible game pursuant to the procedure set out in Section 16.18.050.
- The cardroom permittee shall file with the administrator the rules on the manner in which each permissible game is played and such other reports regarding the rules of controlled games as are required to be filed pursuant to state gambling law.
- The cardroom permittee and stock ownership licensees shall allow the playing of permissible games only in strict conformity with the rules approved by the administrator.

16.18.050 - Permissible game list

- The administrator is authorized to place Controlled Games on the permissible game list.
- A cardroom permittee may request authorization in writing to the administrator for placement of a Controlled Game on the permissible game list.
- The cardroom permittee's written request shall include the following: 1.The rules of the proposed permissible game; 2.Evidence that the proposed permissible game is a controlled game authorized under state law, including, but not limited to specific written authorization by the California Department of Justice or the California Gambling Control Commission; and 3. Such other information as the administrator may require in order to be assured that the game will be played in strict conformity with state gambling law and the provisions of this title.
- The administrator shall begin a review of the written request and an investigation into whether or not the proposed permissible game is a controlled game authorized under state gambling law after receiving the written request and all information the administrator requests from the cardroom permittee.
- The administrator shall reject the addition of the proposed permissible game to the permissible game list only if he or she cannot make all of the following findings: 1. The proposed

Appendix A

- This subdivision is intended to be dispositive of the law relating to the collection of player fees in gambling establishments. A fee may not be calculated as a fraction or percentage of wagers made or winnings earned. The amount of fees charged for all wagers shall be determined prior to the start of play of any hand or round. However, the gambling establishment may waive collection of the fee or portion of the fee in any hand or round of play after the hand or round has begun pursuant to the published rules of the game and the notice provided to the public. The actual collection of the fee may occur before or after the start of play. Ample notice shall be provided to the patrons of gambling establishments relating to the assessment of fees. Flat fees on each wager may be assessed at different collection rates, but no more than five collection rates may be established per table. However, if the gambling establishment waives its collection fee, this fee does not constitute one of the five collection rates.

§ 2070. Unsuitable Gaming Activities

- It shall be an unsuitable method of operation for a gambling establishment to: (a) Offer for play any game that is prohibited or made unlawful by statute, local ordinance, regulation, or final judgment by a competent court of law; (b) Offer to play any gaming activity which is not authorized by the Bureau pursuant to the Act and these regulations for play at that gambling establishment; (c) Fail to display at every table where a game is offered, the specific name of the game, or the variation thereof, that is then available for play at the table; (d) Fail to give ample notice of the fee collection rates applicable to each table to the patrons of the gambling establishment; (e) Fail to determine and collect applicable fees from all players at the table prior to the start of play of any hand or round; and (f) Fail to place in a conspicuous place, or make readily available to the patrons, a printed list of the rules of play for each gaming activity offered at the gambling establishment.

permissible game is a controlled game under state gambling law including either written authorization from the California Department of Justice or the California Gambling Control Commission or a final court determination. 2. The playing of the proposed permissible game will not increase the difficulty of enforcement or tend to undermine the effective regulation and control of cardrooms. 3. The playing of the proposed permissible game does not create or enhance the dangers of unsuitable, unfair, or illegal methods or activities in the conduct of controlled gambling. 4. The playing of the proposed permissible game does not conflict with federal or state law or this title. 5. The playing of the proposed permissible game is consistent with the public interest and the policies of this title.

- The administrator is authorized to apply such terms, conditions, and limitations upon the play of any proposed permissible game as the administrator deems necessary in order to make the findings required under Subsection E.
- The administrator's decision authorizing the proposed permissible game shall be in writing and shall be served upon the cardroom permittee.
- No proposed permissible game shall be played by any cardroom permittee until after the administrator serves upon the cardroom permittee the authorization placing the proposed permissible game onto the list of permissible games.

16.18.060 - Game rules

- The rules describing how each permissible game is to be played shall be posted on the cardroom premises in a conspicuous place. Printed copies of the rules shall also be available to the public upon request.
- The rules, which are posted and made available to the public, shall be identical to the rules provided to the administrator pursuant to requirements of this chapter.

Appendix A

§ 19801. Legislative findings and declarations

- The location of lawful gambling premises, the hours of operation of those premises, the number of tables permitted in those premises, and wagering limits in permissible games conducted in those premises are proper subjects for regulation by local governmental bodies. However, consideration of those same subjects by a state regulatory agency, as specified in this chapter, is warranted when local governmental regulation respecting those subjects is inadequate or the regulation fails to safeguard the legitimate interests of residents in other governmental jurisdictions.

- The rules shall be made available in English, Spanish, Vietnamese, Korean, and Mandarin and/or Cantonese-Chinese, or such other language as the administrator may require.

16.18.070 - Limitations on bets

- No cardroom permittee, owner, licensee, or employee shall allow, permit, or suffer any person to make any single bet or wager on any single betting square for any single hand for a California game in excess of the amount permitted under state gambling law.
- No cardroom permittee, owner, licensee, or employee shall allow, permit or suffer any person playing in any game to make an ante, single bet, or raise per wager in any American poker game in excess of the amount permitted under state gambling law.
- No cardroom permittee, owner, licensee, or employee shall allow, permit, or suffer any person to make a backline bet on any California game played on the cardroom premises unless all of the following conditions exist: 1. It is made on a card table with a layout designed for backline betting that is approved by the administrator; and 2. No backline bet can be placed on a top of a bet that is already on the table.
- No cardroom permittee, owner, licensee, or employee, shall allow, permit, or suffer: 1. Any card table on the cardroom premises to have more than ten betting squares per player-position. 2. Any player at a card table to place a bet on more than ten betting squares for any single hand of any California permissible game. 3. Any player, other than a player-dealer, to place a bet on any single betting square for any single hand of any California game in excess of the amount permitted under state gambling law.
- No cardroom permittee, owner, licensee, or employee shall allow, permit, or suffer any person to make a wager of anything other than approved gaming chips and plaques.

Appendix A

CRIME REPORTING AND SECURITY	
State Requirements	City Requirements
<p><u>§ 19920. Operation to protect public health, safety, and general welfare; disciplinary action</u></p> <ul style="list-style-type: none"> Establishments be operated in a manner suitable to protect the public health, safety, and general welfare of the residents. <p><u>(CCR Title 4 §12395)</u></p> <ul style="list-style-type: none"> Must have at least two uniformed security officers to be on duty during all hours of operation, one of which must periodically patrol the exterior of the gambling establishment, including all adjoining and adjacent parking areas owned, operated or otherwise controlled by the cardroom business licensee for use by its patrons. 	<p><u>16.12.010 - Patron safety and security</u></p> <ul style="list-style-type: none"> Create a plan for the security and safety of patrons and other persons who are lawfully on the premises. Administrator shall have the right to require amendments to the plan that are reasonably necessary to protect the public peace, health, safety, and welfare. Can require more stringent regulations than the state.
	<p><u>16.18.030 - Games to be played on single ground floor level</u></p> <ul style="list-style-type: none"> Games to be played on single ground floor level. No patron shall be on the cardroom premises for more than 20 continuous hours without requiring that patron to have at least a 4 hour absence from the cardroom premises. Patron cannot go to another cardroom after 20 continuous hours until 4 hours have lapsed from the time the patron left the other cardroom. No cardroom permittee shall knowingly permit any person to play in any game at any time or enter into or remain on the cardroom premises where gambling takes place while such person appears to be obviously under the influence of an alcoholic beverage, drug, or controlled substance.
	<p><u>16.26.010 - Continuing obligation to cooperate</u></p> <ul style="list-style-type: none"> Continuing obligation to provide any assistance, information, records, or documentation required by the administrator in the performance of his or her duties under this title without delay, hindrance or conditions.

Appendix A

	<ul style="list-style-type: none"> Cooperate fully and without delay, hindrance or conditions in any inquiry or investigation conducted by the administrator.
<p><u>CCR Title 4 §12395</u></p> <ul style="list-style-type: none"> Must submit an Incident Report Form within 5 business days of the following incidents: (A)When the cardroom business licensee obtains evidence that a reasonably suspected violation of any of the following occurred: <ul style="list-style-type: none"> Gambling Control Act, California Code of Regulations Division 3 of Title 11, Sections 330-337z of the Penal Code, or any misdemeanor violation of an ordinance of San Jose, or County of Santa Clara that pertains to gambling; Civil Code §1916-3(b) (loan sharking); §11012 of the Health and Safety Code (distributing a controlled substance); or (B) Any incident involving: <ul style="list-style-type: none"> A theft valued at over \$950 (487 PC grand theft) or any dollar amount by a licensee or permittee. The death of a person; The on-site presence of law enforcement in response to a physical injury of a person; The theft of \$500 or more in chips, or any dollar amount by a licensee or permittee. The discovery of \$500 or more in counterfeit currency and/or chips in a 24-hour period, or any dollar amount by a licensee or permittee. The discovery of \$500 or more in counterfeit currency and/or chipscumulatively linked to a specific individual or group of individuals over a two week period; or The immediate evacuation of the gambling establishment for a reason such asa false bomb threat (Penal Code Section 148.1). (C) Any incident involving: <ul style="list-style-type: none"> The forfeiture of any unredeemed jackpots or prizes; 	<p><u>16.14.010 - Crime reporting requirement and 911 calls</u></p> <ul style="list-style-type: none"> Immediately report to the San Jose Police Department ANY conduct which raises a reasonable suspicion that a MISDEMEANOR or FELONY crime has been committed on the premises. Report any conduct which raises a reasonable suspicion of a violation of Title 16 to DGC within 4 hours of its discovery. Maintain a chronological criminal activity log and such other reports as the administrator may determine are needed in order to effectively assist SJPD to carry out its law enforcement function. Prescribe regulations as necessary for each cardroom to fulfill the reporting requirement.

Appendix A

<ul style="list-style-type: none"> • The arrest of any associated cardroom endorsee licensee, cardroom employee type licensee, or holder of a local work permit; or • The approval with conditions, denial, suspension, or revocation of a license, permit, or authorization to work in a gambling establishment by any city, county, or city and county regarding any associated cardroom endorsee licensee, cardroom employee type licensee, or holder of a local work permit. 	
<p><u>Reporting of Criminal Activity</u> <u>Penal Code Sections</u></p> <ul style="list-style-type: none"> • 148.10 PC (resisting a peace officer resulting in death or serious bodily injury to peace officer) • 186.10 PC (money laundering) • 211 PC (robbery) • 220 PC (assault with intent to commit mayhem, rape, sodomy, oral copulation or other specified offense) • 236.1 PC (human trafficking) • 243.4 PC (sexual battery) • 245 PC (assault with a deadly weapon) • 261 PC (rape) • 266h PC (pimping) • 266i PC (pandering) • 286 PC (sodomy) • 287 PC (oral copulation) • 288 PC (lewd and lascivious acts on a child) • 289 PC (forcible acts of sexual penetration) • 347 PC (poisoning food or drink) • 422 PC (criminal threats) • 470 PC (forgery) • 470b PC (display of forged identification card) • 476 PC (fictitious or altered bills) • 518 PC (extortion) 	<p><u>Reporting of Criminal Activity</u> <u>Penal Code Sections</u></p> <ul style="list-style-type: none"> • Immediately report to the San Jose Police Department any conduct which raises a reasonable suspicion that a misdemeanor or felony crime has been committed on the premises.

Appendix A

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| <ul style="list-style-type: none">• 641.3 PC (commercial bribery)• 647(b) PC (prostitution)• 653.23 PC (aiding a prostitute) | |
|--|--|



55 INDICTED IN PROBE OF TWO S.J. CARD CLUBS GRAND - Mercury News, The (San Jose, CA) - May 2, 2000 - page 1A

May 2, 2000 | Mercury News, The (San Jose, CA) | BRANDON BAILEY, Mercury News | Page 1A

A four-year investigation into cardroom crime has led to the indictment of 55 people, including an attorney for San Jose's Bay 101 Club and a second club executive who is being portrayed as a man with underworld connections and intimidating power.

The Santa Clara County grand jury found evidence of loan-sharking, drug-dealing, check-kiting and other crimes at the Bay 101 and **Garden City** cardrooms, according to a 60-page indictment that was made public Monday. It also lists assaults and numerous cases of extortion.

The indictment is one of the largest in recent San Jose history. And while club owners have insisted they run clean operations, the charges provide new ammunition to critics who have long contended that the **city's** licensed cardrooms have a dark underside.

Most of the crimes are attributed to individual gamblers and loan sharks who plied their trade at both clubs. None of the owners of the two cardrooms is charged with wrongdoing.

But court documents portray Bay 101 in particular as a business where the top executive in charge of "California games" -- a variety of Asian-style games that is especially popular with Vietnamese immigrants -- wielded power over employees and customers alike.

Club vice president Hai Quang Huynh allegedly boasted of having organized crime connections, tried to intimidate witnesses and ordered a beating for one man who was seen with Huynh's mistress, according to a sworn police affidavit.

Employee kickbacks alleged

Huynh, who allegedly employed a local Vietnamese gang leader as bodyguard and enforcer, also is accused of helping his father collect on loan-sharking debts. He also has been attempting to extend his influence at another cardroom, the Outpost in San Ramon, where he purportedly has an ownership interest, the affidavit said.

The grand jury also apparently heard testimony about alleged kickbacks that employees paid to obtain jobs at Bay 101. One defendant was **indicted** for perjury after saying he couldn't name

anyone with whom he had discussed the subject.

Huynh pleaded not guilty in court Monday, and his lawyer, noted criminal defense attorney Ken Robinson, told a reporter: "My client has done nothing wrong."

A spokeswoman for Bay 101's owners said they weren't aware of any criminal activity at the club. **Garden City** executives couldn't be reached for comment.

The charges resulted from a four-year investigation by San Jose police, the FBI, U.S. postal inspectors and the district attorney's office. It's the largest such probe aimed at the **city's** two cardrooms since 1993, when the previous owners of **Garden City** were convicted of pocketing millions in unreported income.

Defense attorneys quickly blasted the new indictments, suggesting they are politically motivated and part of a campaign by local authorities to shut the cardrooms down.

"It's a fact that both the police and the district attorney's office have been after Bay 101 for a long time," said James McManis, another prominent San Jose lawyer, whose client Ron Werner is a Bay 101 executive and in-house attorney.

Werner was **indicted** on one count of perjury and three counts of attempting to dissuade a witness from cooperating with authorities. He has not yet entered a plea, but McManis said he's confident the charges will be proved false.

Prosecutor Charles Constantinides denied any political motive in the case.

"It's not to shut down the cardrooms. It's to eliminate all the illegal activities connected with the cardrooms," said Constantinides, a deputy district attorney who is handling the case along with his wife, Deputy District Attorney Catherine Constantinides.

While the indictment doesn't allege an overall conspiracy, Charles Constantinides said the investigation focused on crimes "which seem to have as their nexis the cardrooms." For example, he said, "the investigation found that loan sharks travel from one club to another, make loans in the clubs and collect money inside the clubs."

Authorities say the case was built on the foundation of an earlier joint probe by police and FBI agents, who were investigating a series of computer chip robberies involving mostly Asian criminal gangs, whose members often socialized at the cardrooms. Those investigations led to a series of

indictments and convictions over the last five years.

Anonymous letters

The new probe was also spurred by a series of letters that were sent to numerous public officials, containing allegations of loan-sharking and other criminal activity at the clubs.

Authorities were never able to identify the author of the letters, according to sources familiar with the case. But the letters named names -- identifying as loan sharks some of the people who were later snared with the help of undercover agents.

According to law enforcement sources, the loan sharks typically approach people who are gambling and losing, extending them credit with the understanding they would have to pay 10 percent interest every week.

Many borrowers struggle to pay the interest, however, and debts of a few hundred dollars can mount to several thousand dollars as time goes by. Eventually, sources say the lenders would make a variety of threats in order to collect what was owed.

"People just get way in over their heads," said a source familiar with the cardrooms. "They feel like they have to gamble, and they get into extreme debt. They tap their savings, they'll sell their cars and jewelry."

The loan sharks, this source added, "are not nice people. They'll hire the typical gang members that hang around the card clubs and they'll pay them a commission to go collect the loan."

The indictment charges 23 people with loan-sharking and several others with selling cocaine, buying stolen property -- including computer chips -- and carrying out various check-fraud schemes.

Almost all of the defendants and victims in the case are of Vietnamese descent. Experts say the Asian-style games, such as Pai Gow and double-handed poker, are the most popular and profitable sector at most California cardrooms.

Authorities declined to release details behind any of the charges. Much of the case is based on grand jury testimony, which by law is conducted in secret. The grand jury began hearing evidence a few months ago and issued its indictments under seal last week.

All plead not guilty

The charges were made public Monday, after most of the defendants were arrested over the weekend. Twenty-two were arraigned in Santa Clara County Superior Court on Monday; all pleaded not guilty.

Among those appearing in court however was a man who was wrongfully arrested because he had the same name as one of the defendants. Prosecutors acknowledged the mistake and the man was ordered released.

The remaining defendants are expected to be arraigned in the coming week, authorities said.

Defense attorneys were already attacking the charges, however.

"We haven't had a chance to do anything on this case yet," said Robinson, who is defending Hai Huynh. "Once this case sees the light of day, it will dissipate."

Huynh remained in custody Monday in lieu of \$10 million bail. Allegations against him are contained in both the indictment and a related prosecution affidavit. That document says Huynh threatened prospective grand jury witnesses and also harassed several people, demanding to know the substance of their testimony.

According to the affidavit, Huynh has also loaned out \$40,000 to gamblers at the Outpost cardroom in San Ramon, where he was attempting to encourage players to come for the Asian-style games.

Two people connected with the Outpost were also charged in the indictment, including owner Mark Luciano, who is charged with perjury after he claimed that he interviewed every person hired as an employee at the club. An Outpost employee was charged with selling cocaine, loan-sharking and perjury.

Huynh's alleged bodyguard is another defendant in the case. Anh Tuan Hong, identified in the affidavit as a leader of a violent street gang known as "SVN," allegedly works as a collector for a number of loan sharks. Last month, Hong's brother-in-law was convicted of murder in a gang-related shooting.

The affidavit says Hong is nominally employed as a "fugitive apprehension specialist" for a local bail-bonding service.

RANDON BAILE , M rcury News, '55 INDICT D IN PROB OF TWO S.J. CARD C UBS GRAND JURY: EVIDENC CITED FOR LOAN-SHARKING AND OTHER CRIMES.', *San Jose Mercury News* (online), 2 May 2000 1A <<https://infoweb-newsbank-com.sjezpt01.sjlibrary.org/apps/news/document-view?p=NewsBank&docref=news/0EB714DBFA5843DC>>

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Former Garden City **Card** Club president Nicholas J. Dalis and 13 other club officers and associates were **indicted** Monday night on charges ranging from tax fraud to conspiracy.

The 60-count indictment, issued Monday night by the Santa Clara County Grand Jury, includes several counts of tax violations related to funds that allegedly were "skimmed" from the club and not reported as income, said Police Lt. Joe Brockman, head of the San Jose police intelligence and vice squad.

Among the others charged were the Garden City's attorney, Frank Nicoletti, club executive Henry Schiro, four other members of the Dalis family and the club itself.

All of the defendants except Nicoletti were accused of criminal conspiracy for violations of the state government code on campaign disclosure, Brockman said. Nicholas Dalis, who was fired by the club last year amid allegations that he had skimmed funds from the club, was charged with 14 counts ranging from tax fraud to grand theft.

Nicholas Dalis was not available for comment. His attorney, Ken Robinson, said, "All I can say is that, on behalf of Nick Dalis, we're prepared to defend. Nick hasn't done anything wrong. He's been an upstanding citizen of this community for 38 years. Once we can review the allegations, we'll be able to put on a defense."

"I can tell you that the grand jury proceeding is a one-way street," Robinson said. "There's no right of cross-examination."

Police Chief Joseph McNamara today is reviewing a "show-cause" order prepared by the vice squad that could put the club out of business, Brockman said. The order, based on municipal ordinances, would require the club to show why its **card room** permit should not be revoked.

Brockman said he isn't sure when the club will receive the order.

Police said the investigation of the club began more than a year ago, when they were told by an informant that Dalis had embezzled \$50,000.

Brockman said the grand jury heard evidence gathered by detectives when search warrants were served at the club at 360 S. Saratoga Ave.; the home of Dalis; the office of the club accountant, Lou Boitano; and the office of the corporation's attorney, Nicoletti.

"Criminals keep records," Brockman said today, displaying club records that he said proves the suspects skimmed cash at the **card** club and didn't report it for tax purposes.

Brockman said the people **indicted** have been notified of the action through their attorneys and have been given 24 hours to surrender to police.

For years, McNamara unsuccessfully has urged the City Council to strictly limit the number of tables and hours of betting at the club. One **card** club employee told the Mercury News that more than \$10,000 in skimmed money was distributed each month at the board of directors' meeting for the Garden City in San Jose, Northern California's largest **card** parlor. The grand jury and district attorney's office also have been probing the potential laundering of campaign contributions from club owners to local political candidates, including Mayor Tom McEnery, several council members, and Sheriff Robert E. Winter.

Those charged and the counts against them are:

(check) Nicholas Dalis, 38, conspiracy to commit a crime, conspiracy to cheat and defraud, four counts of a fraudulent corporation tax return, four counts of false individual tax return, perjury, attempted grand theft and two counts of grand theft.

(check) Nicoletti, 47, four counts of filing a false individual (state) tax return.

(check) Carmen Pascali Dalis, 66, Nicholas Dalis' mother, conspiracy to commit a crime.

(check) Chris Peter Dalis Sr., 73, conspiracy to commit a crime, conspiracy to cheat and defraud, filing a fraudulent corporation tax return, four counts of false individual tax returns and perjury.

(check) Louis Peter Dalis, 66, conspiracy to commit crime.

(check) Philip Harris, 63, a club director, conspiracy to commit a crime, conspiracy to cheat and defraud, four counts of false individual tax return, perjury.

(check) Patria Michelle Jafferries, 34, conspiracy to commit a crime, two counts of false individual tax return.

(check) Gary Craig Rovai, 43, conspiracy to commit a crime, four counts of false individual tax returns, perjury.

(check) Dominica Marie Schiro, criminal conspiracy.

(check) Henry Anthony Schiro, criminal conspiracy and four counts of filing false (state) individual tax returns and perjury.

(check) Deborah Ann Dalis-Smith, criminal conspiracy and conspiracy to cheat and defraud and 1 count of filing a fraudulent corporate (state) tax return, four counts of filing a false individual (state) tax return and perjury.

(check) Mark Francis Talesfore, criminal conspiracy, four counts of filing a false individual (state) tax return and perjury.

(check) Allen Wayne Wasserman, criminal conspiracy, three counts of filing a false individual (state) tax return.

(check) John David Weingarten, another club director, criminal conspiracy, conspiracy to cheat and defraud, four counts of filing a false individual (state) tax return, perjury.

(check) The Garden City Inc., conspiracy to commit a crime, conspiracy to cheat and defraud, and six state tax code counts of filing fraudulent corporation tax returns.

Allen J. Ruby, an attorney for Henry Schiro and Rovai, two executives at the club, said he cannot understand the perjury counts against Schiro and Rovai because neither one testified before the grand jury, and he is unaware of any testimony in any other context.

"I'm sure their reaction in one sense will be relief," Ruby said. "This has been going on for so long; they will be relieved that it will finally move out of the secrecy of the grand jury into a forum where they can defend themselves."

Ruby said he believes the police are on a vendetta against the **card** club.

"I have never seen an investigation carried on in this way," he said. "This has been extraordinary in a whole variety of ways. The only thing that suggests itself to me is that somebody is mad at the Garden City."

CITATION (AGLC STYLE)

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