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BUSINESS AND PROFESSIONS CODE - BPC

DIVISION 8. SPECIAL BUSINESS REGULATIONS [18400 - 22949.92.2] (*Division 8 added by Stats. 1941, Ch. 44.*)

CHAPTER 5. The Gambling Control Act [19800 - 19987] (*Chapter 5 repealed and added by Stats. 1997, Ch. 867, Sec. 3.*

)

ARTICLE 5. Licensing of Corporations [19880 - 19883] (*Article 5 added by Stats. 1997, Ch. 867, Sec. 3.*)

19880. In addition to the requirements of Section 19852, in order to be eligible to receive a gambling license as the owner of a gambling enterprise, a corporation shall comply with all of the following requirements:

- (a) Maintain an office of the corporation in the gambling establishment.
- (b) Comply with all of the requirements of the laws of this state pertaining to corporations.
- (c) Maintain, in the corporation's principal office in California or in the gambling establishment, a ledger that meets both of the following conditions:
 - (1) At all times reflects the ownership of record of every class of security issued by the corporation.
 - (2) Is available for inspection by the department at all reasonable times without notice.
- (d) Supply supplemental forms and information, in accordance with Section 19865, with the initial license application, and thereafter only on request, to the department, which shall include, but not be limited to, all of the following:
 - (1) The organization, financial structure, and nature of the business to be operated, including the names, personal and criminal history, and fingerprints of all officers and directors, and the names, addresses, and number of shares held by all stockholders of record.
 - (2) The rights and privileges acquired by the holders of different classes of authorized securities, including debentures.
 - (3) The terms on which securities are to be offered.
 - (4) The terms and conditions on all outstanding loans, mortgages, trust deeds, pledges, or any other indebtedness or security interest.
 - (5) The extent of the equity security holdings in the corporation of all officers, directors, and underwriters, and their remuneration as compensation for services, in the form of salary, wages, fees, or otherwise.
 - (6) The amount of remuneration to persons other than directors and officers in excess of one hundred thousand dollars (\$100,000) per annum.
 - (7) Bonus and profit-sharing arrangements.
 - (8) Management, consultant, and service contracts related to the operation of controlled gaming.
 - (9) Options existing, or to be created, in respect of their securities or other interests.
 - (10) Financial statements for at least three fiscal years preceding the year of registration, or, if the corporation has not been in existence for a period of three years, financial statements from the date of its formation. All financial statements shall be prepared in accordance with generally accepted accounting principles and audited by a licensee of the California Board of Accountancy.

(11) Any further financial data that the department, with the approval of the commission, may deem necessary or appropriate for the protection of the state.

(12) An annual profit-and-loss statement and an annual balance sheet, and a copy of its annual federal income tax return, within 30 calendar days after that return is filed with the Internal Revenue Service.

(Amended by Stats. 2009, Ch. 233, Sec. 9. (AB 293) Effective January 1, 2010.)

19881. (a) A corporation is not eligible to receive a license to own a gambling enterprise unless the conduct of controlled gambling is among the purposes stated in its articles of incorporation and the articles of incorporation have been submitted to and approved by the department.

(b) The Secretary of State shall not accept for filing any articles of incorporation of any corporation that include as a stated purpose the conduct of controlled gambling, or any amendment thereto, or any amendment that adds this purpose to articles of incorporation already filed, unless the articles have, or amendment has, been approved by the department.

(Amended by Stats. 2013, Ch. 352, Sec. 48. (AB 1317) Effective September 26, 2013. Operative July 1, 2013, by Sec. 543 of Ch. 352.)

19882. (a) If at any time the commission denies a license to, or revokes the license of, an individual owner of any security issued by a corporation that applies for or holds an owner license, both of the following shall apply:

(1) The commission shall immediately notify the individual and the corporation of that fact.

(2) The owner of the security shall sell the security for an amount not greater than fair market value, within 60 calendar days of the denial or revocation. Upon a showing of due diligence, the commission may extend the time for selling the security.

(b) Beginning upon the date when the commission serves notice of the denial upon the corporation, it is unlawful for the denied security owner to do any of the following:

(1) Receive any dividend, income, or interest upon any security described in subdivision (a), except dividends equal to the good faith estimate of the owner's personal share of any income tax due on the ownership interest until the date of the sale, as determined in writing by an independent certified public accountant, or as may be necessary to protect the election of the gambling enterprise to be treated as an "S corporation" under Subchapter S (commencing with Section 1361) of Chapter 1 of Subtitle A of the Internal Revenue Code.

(2) Exercise, directly or through any trustee or nominee, any voting right conferred by any security described in subdivision (a).

(3) Receive any remuneration in any form from the corporation for services rendered or for any other purpose.

(c) Every security issued by a corporate owner licensee shall bear a statement, on both sides of the certificate evidencing the security, of the restrictions imposed by this section.

(d) (1) The commission may, at its discretion, not apply the provisions of subdivision (b) or paragraph (2) of subdivision (a) when the person who has been denied a license was denied that license solely due to the person's failure to clearly establish eligibility and qualification for licensure as described in subdivision (a) of Section 19859.

(2) Paragraph (1) shall not apply if additional grounds for denial of the license existed, whether or not those grounds were formally provided as the reason for the denial.

(Amended by Stats. 2024, Ch. 138, Sec. 4. (SB 1519) Effective January 1, 2025.)

19883. (a) To the extent required by this chapter, officers and directors, shareholders, lenders, holders of evidence of indebtedness, underwriters, agents, or employees of a corporate owner licensee shall be licensed individually. The corporation shall require these persons to apply for a gambling license, and shall notify the department of every change of corporate officers, directors, or key employees within 10 business days after the change. An officer, director, or key employee who is required to apply for a license shall apply for the license within 30 calendar days after he or she becomes an officer, director, or key employee.

(b) The corporation shall immediately remove any officer or director required to apply for a license from any office or directorship if any of the following apply to that officer or director:

(1) He or she fails to apply for the license within 30 calendar days after becoming an officer or director.

(2) He or she is denied a license.

(3) His or her license is revoked.

(c) If the license of any officer or director is suspended, the corporation, immediately and for the duration of the suspension, shall suspend that officer or director.

(d) If any shareholder who is required to apply for a gambling license fails to apply for the license within the time required, the shareholder shall be deemed to have been denied a license for purposes of subdivision (b) of Section 19882.

(e) If any person, other than an officer, director, or shareholder, who is required to apply for a gambling license fails to do so, the failure may be deemed to be a failure of the corporate owner licensee to require the application.

(Amended by Stats. 2007, Ch. 176, Sec. 31. Effective August 24, 2007.)