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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 The Gambling Control Act [19800 - 19987] (*Chapter 5 repealed and added by Stats. 1997, Ch. 867, Sec. 3.*)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 6. Licensing of Partnerships and Limited Liability Companies [19890 - 19893] (*Heading of Article 6 amended by Stats. 2009, Ch. 233, Sec. 11.*)

19890. In addition to the requirements of Section 19852, in order to be eligible to receive a gambling license to own a gambling enterprise, a partnership shall comply with all of the following requirements:

- (a) Be registered as may be required under the laws of this state.
- (b) Maintain an office of the partnership in the gambling establishment.
- (c) Comply with all of the requirements of the laws of this state pertaining to partnerships.
- (d) Maintain an ongoing ledger in an office of the partnership in California that shall meet both of the following conditions:
 - (1) At all times reflects the ownership of all interests in the partnership.
 - (2) Be available for inspection by the department at all reasonable times without notice.
- (e) Supply the following supplemental forms and information in accordance with Section 19865 with the initial license application, and thereafter upon request, to the department, which shall include, but not be limited to:
 - (1) The organization, financial structure, and nature of the business to be operated, including the name, address, personal history, interest, and fingerprints of each partner and manager.
 - (2) The rights, privileges, and relative priorities of any partners as to the return of contributions to capital, and the right to receive income, accept losses, and incur liabilities.
 - (3) The terms on which partnership interests 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 holding in the partnership of all underwriters, and their remuneration as compensation for services, in the form of salary, wages, fees, or otherwise.
 - (6) The remuneration to persons other than general partners in excess of one hundred thousand dollars (\$100,000) per annum.
 - (7) Bonus and profit-sharing arrangements.
 - (8) Management, consulting, and service contracts related to the operation of controlled gambling.
 - (9) Options existing or to be created.
 - (10) Financial statements for at least three fiscal years preceding the year of registration, or, if the partnership 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 in accordance with generally accepted auditing standards.

(11) Any further financial data that the department reasonably deems necessary or appropriate for the protection of the state.

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

(Amended by Stats. 2009, Ch. 233, Sec. 12. (AB 293) Effective January 1, 2010.)

19890.5. In addition to the requirements of Section 19852, in order to be eligible to receive a gambling license to own a gambling enterprise, a limited liability company shall comply with all of the following requirements:

(a) Be registered to do business in California.

(b) Maintain an office in the gambling establishment.

(c) Comply with all of the requirements of the laws of this state pertaining to a limited liability company.

(d) Maintain an ongoing ledger in an office of the limited liability company in California that shall meet both of the following conditions:

(1) At all times reflect the ownership, membership, and management interests.

(2) Be available for inspection by the department at all reasonable times without notice.

(e) Supply the following supplemental forms and information in accordance with Section 19865 with the initial application, and thereafter upon 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 members and managers, and the name, address, and interest of each owner, member, and manager.

(2) The rights, privileges, and relative priorities of members as to the return of contributions to capital, and the right to receive income, accept losses, and incur liabilities.

(3) The terms on which membership interests 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 holding in the limited liability company of all underwriters, and their remuneration as compensation for services, in the form of salary, wages, fees, or otherwise.

(6) The remuneration to persons other than managers or members in excess of one hundred thousand dollars (\$100,000) per annum.

(7) Bonus and profit-sharing arrangements.

(8) Management, consulting, and service contracts related to the operation of controlled gambling.

(9) Options existing or to be created.

(10) Financial statements for at least three fiscal years preceding the year of application, or, if the limited liability company 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 in accordance with generally accepted auditing standards.

(11) Any further financial data that the department reasonably deems necessary or appropriate for the protection of the state.

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

(Added by Stats. 2009, Ch. 233, Sec. 13. (AB 293) Effective January 1, 2010.)

19891. No limited partnership is eligible to receive a license to own a gambling enterprise unless the conduct of gambling is among the purposes stated in the certificate of limited partnership.

(Added by renumbering Section 19881 by Stats. 2002, Ch. 738, Sec. 70. Effective January 1, 2003.)

19892. (a) The purported sale, assignment, transfer, pledge, or other disposition of any interest in a partnership or limited liability company that holds a gambling license, or the grant of an option to purchase the interest, is void unless approved in advance by the commission.

(b) (1) If at any time the commission denies a license to, or revokes the license of, an individual owner of any interest described in subdivision (a), the commission shall immediately notify the individual and the partnership or limited liability company of that fact.

(2) The individual denied a license, or whose license is revoked, shall sell their interest in 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.

(c) Beginning upon the date when the commission serves a notice of denial upon the partnership or limited liability company, it is unlawful for the denied owner of the interest to do any of the following:

(1) Receive any share of the revenue or interest upon the partnership or limited liability company interest, except distributions 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.

(2) Exercise, directly or through any trustee or nominee, any voting right conferred by that interest.

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

(d) Every certificate of limited partnership of any limited partnership or limited liability company holding a gambling license shall contain a statement of the restrictions imposed by this section.

(e) (1) The commission may, at its discretion, not apply the provisions of subdivision (c) or paragraph (2) of subdivision (b) 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. 5. (SB 1519) Effective January 1, 2025.)

19893. To the extent required by this chapter, general partners, limited partners, lenders, members, managers, holders of evidence of indebtedness, underwriters, agents, or employees of a partnership or limited liability company that holds or applies for a license to own a gambling enterprise shall be licensed individually. The partnership or limited liability company shall require these persons to apply for and obtain a gambling license. A person who is required to be licensed by this section as a partner, manager, or member shall not hold that position until he or she secures the required approval of, or a temporary license issued by, the commission. A person who is required to be licensed pursuant to a decision of the commission shall apply for a license within 30 days after the commission requests him or her to do so.

(Amended by Stats. 2009, Ch. 233, Sec. 15. (AB 293) Effective January 1, 2010.)