

07-0011

Amdt. #1S

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Ms. Patricia Galvan
Initiative Coordinator
Attorney General's Office
1300 I Street
Sacramento, CA 958 14

RECEIVED

APR 12 2007

**INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE**

Re: The California Online Poker Initiative

Dear Ms. Galvan:

Enclosed please find the complete text of an amended version of Proposed Initiative No. 07-0011.

I would ask that you please substitute the amended version in its entirety for the one originally received by your office on March 29, 2007.

If there is any further information I can provide, please do not hesitate to contact me.

Sincerely,

Anthony Sandstrom

Enclosures

Article 18, Chapter 5, Division 8, (commencing with section 19990) is added to the California **Amdt. #1 S** Business and Professions Code

19990. This measure shall be known as the “California Online Poker Act of 2008.”

19990.1. Findings and Declaration of Purpose:

- 1) The people of the State of California declare that poker is a great American game with deep roots in this country. Throughout history, presidents, generals, members of Congress, Supreme Court justices and average citizens have enjoyed playing poker.
- 2) The people of California declare that, unlike casino gambling, poker is a game of skill. It is a game of patience, mathematics, psychology, and observation. Individual players have control over the progression of the game, and their actions can affect a favorable outcome. Unlike games of chance, individuals can learn to improve their play and, through their own efforts, become more skilled than their opponents.
- 3) Poker is a community game, where the “house” is not your competition.
- 4) The people of the State of California further declare that simply putting the word “Internet” in front of poker does not change the historic qualities of the game.
- 5) The people of the State of California recognize that a number of online poker sites exist today, that these online poker sites are extremely profitable, and that large numbers of Californians play at these sites.
- 6) The people of the State of California further declare that money that is leaving California for these sites would be of greater benefit to California if kept in California.
- 7) The people of the State of California recognize that many states have monopoly ownership of liquor outlets and state lotteries, and that such ownership is legal and furthers the best interests of the citizens of the state.
- 8) The people of the State of California, through this act, direct the creation of a state owned, private contractor operated, online poker site, the main characteristics of which shall be set forth in this initiative.
- 9) The people of California declare that the beneficiaries of this initiative be the retired school teachers of California who are receiving the least amount of retirement benefits, and the aged and disabled veterans of California.
- 10) The people of California direct that a portion of the proceeds generated by this measure be used for programs to aid the small minority of citizens who have difficulty participating responsibly in legal wagering activities.
- 11) The people of the State of California, through this act, direct that the California Online Poker Site be run in such manner so as to be most beneficial to the enjoyment of the responsible recreational poker player.

12) Poker defined: The game commonly known as “poker” has many variants. For the purposes of this measure, poker shall be defined by the rules set forth in section 19990.25.

19990.2 Except as stated herein, no other provisions of California laws regarding gambling shall be modified.

19990.3 This measure specifically grants to the State of California the right to establish a state owned, contractor operated internet poker site.

- a) For the sole purpose of establishing a State of California owned online poker site, Section 19801, Article 1, Chapter 5, Division 8 of the California Business and Professions Code shall not apply.
- b) California Penal Codes sections shall not be applicable: For the purposes of this measure only, California Penal Code, sections 330, California Penal Code, sections 337j, 337t, or any other statute prohibiting the creation and operation of a State of California owned online poker site having a percentage rake shall not apply.
- c) For the sole purpose of establishing a State of California owned online poker site, the State of California is hereby granted an exception to Sections 19961, 19962, 19963, 19964, Article 13, Chapter 5, Division 8 of the California Business and Professions Code.

19990.4 To accomplish the stated purpose of this measure, California shall offer poker players a state owned online poker site.

- 1) Revenues shall be generated by a percentage rake of online poker games, and buyin fees for online poker tournaments. The particulars of the rake and fees shall be set forth in this initiative.
 - a) Definition of Pot and Rake: It is common practice in poker; all monies bet go onto the table and are aggregated together to form a “pot”. The winner of the hand collects the total of the pot less a small percentage taken by the game provider as a fee for providing the game. This is called the “rake”, and is the income for the provider, also known as the “house”, or online, known as the “site”.
- 2) Net revenue shall be defined as that portion of the gross proceeds of the poker site (generated by the rake) not used for site operator expenses, salaries and expenses of the Director and commissioners described below, advertising and marketing, and miscellaneous expenses required to make the site safe and successful.
- 3) Rake and fee schedule:
- 4) The rake shall be 5.75% of the amount of the pot when last called capped at the amount of the big blind, excepting:
 - a) At all limits having a big blind of \$1.00 and below the rake shall be 4% capped at the big blind.
 - b) At fixed limit games having a big blind above \$1.00, if there are fewer than 5 players at the table the rake shall be 4% and capped at ½ the big blind.

- c) At no limit games having a big blind above \$1.00, if there are fewer than 5 players at the table the rake shall be 4% and capped at 2/3 the big blind.
 - d) Rake shall be capped at \$2.00 at tables where the players are heads up.
 - e) No rake amount taken from any winning pot shall exceed \$5.75.
 - f) All raked amounts shall be rounded up to the nearest \$.05.
 - g) No rake shall be taken before the flop. No rake shall be taken from a pot called only by the small blind and in which there is no further betting.
 - h) Rake shall be only taken from money put into the pot that has been matched by at least one other player.
- 5) Tournament fees shall be 6.5% of the tournament buyin rounded up to the nearest dollar. Tournaments with a buyin of less than \$20 shall have a fee of \$1.00
- 6) Rake and fees taken at the table shall be immediately electronically credited to the State of California and held in a special segregated account until disbursed in accordance with the directives of this initiative under the direction of the State Controller.
- 7) The Director with approval of the Governor and one commissioner may lower rake and fee percentages. (See 19990.6 below)
- 8) Rake and fee percentages may be raised by the unanimous consent of all members of the governing body (See 19990.6 below) with majority approval of both houses of the legislature.
- 9) Play Money Games: The site operator may add play money games that mimic the look and feel of the real money games. Anyone may access the play money games for fun, entertainment, or to familiarize themselves with the online game software and poker experience.
- 10) The California online poker website, but not the game window, shall be allowed to host advertising, including but not limited to, poker related books and products, services to players and applicants, promotion of legal poker events, automobiles, financial services, cell phones, or any other appropriate product or service.
- a) Revenue from any advertising shall be considered to be part of the gross revenue of the site.
 - b) All advertising shall be unobtrusive and in good taste.
- 11) The people of the State of California, through this act, direct that the site be run in a responsible manner, and that expenses and overhead be kept to the minimum consistent with prudent site operation

19990.5. The people of the State of California declare that the purpose of this act is to provide additional revenue to the State of California for the betterment of Californians.

- 1) Allocation of net revenue shall be as follows:
 - a) 45% of net revenues shall be added as supplemental funds to the California State Teachers Retirement System. These funds shall be used to equitably raise the retirement incomes of teachers who taught in California schools and are currently receiving retirement benefits through the California State Teachers Retirement System. (Hereafter referred to as eligible retired teachers.)
 - b) Administration of these funds shall be by the California State Teachers Retirement System, hereafter referred to as CALSTRS.
 - c) The People of the State of California hereby direct that funding shall be to the benefit of eligible retired teachers who have the least actual dollar amount monthly retirements.
 - d) Distribution of these funds shall be as follows:
 - i) Each quarter, the State Controller shall make available to CALSTRS that portion of the revenues generated which are allocated by this measure for the benefit of California eligible retired teachers.
 - ii) Each quarter, using 90% of available funds, CALSTRS shall calculate a monthly minimum benefit level (floor) for eligible retired teachers.
 - iii) All eligible teachers having monthly benefit amounts below the calculated minimum shall, each month of the quarter, receive added funds that raise their benefit to this minimum.
 - iv) The amount of the minimum monthly benefit level, (floor), shall be determined by the available funds for that quarter, the number of eligible retired teachers having a retirement benefit level below the minimum calculated, and the varying amounts needed to bring each individual teacher's monthly retirement amount up to the floor amount.
 - v) Funds not used during the quarter shall be added to the next quarter revenues.
 - e) The provisions of this paragraph shall sunset 20 years after enactment of this measure. At that time, this portion of the revenues shall be allocated as determined by the legislature.
- 2) 45% of net revenues shall be allocated as supplemental funds to be administered by the California Department of Veterans Affairs.
 - a) Each quarter, the State Controller shall make available to California Department of Veterans Affairs that portion of the revenues generated which are allocated by this measure for the benefit of California veterans.

- b) These funds shall be used for the benefit of California veterans as follows with no particular priority:
 - i) Direct funding or to match federal funds for construction, maintenance, staffing, of California Veterans Homes.
 - ii) Programs and facilities for the treatment and care of veterans suffering from Alzheimer's.
 - iii) Procuring or upgrading prosthetics and sensory aids for injured veterans.
 - iv) Mental health and family counseling services for veterans suffering from overseas service and combat related disorders.
 - c) The California Veterans Board shall, in consultation with the leadership of California veteran's service organizations, allocate the funds to these stated purposes in such a way as to gain the greatest benefit commensurate with the available funds.
- 3) 10% of net revenues shall be added as supplemental funds to the California Gambling Addiction Program Fund.

19990.6. Governance: The governance of the California Online Poker Site shall be as follows:

- 1) One Director, three advisory commissioners, and the Governor of the State of California. These persons will be known as "The California Online Poker Governing Board", hereafter referred to as The Board.
 - a) The Governor shall have the option of designating a person to act in his or her place on The Board.
 - b) The governor may, at any time, choose to act on his or her own behalf on matters before the board.
- 2) Unless otherwise stated herein, decisions requiring the direction or approval of The Board shall have a majority concurrence.
- 3) Compensation of non-elected members of The Board shall come from the gross proceeds and shall be considered a part of the operational overhead.

19990.7. Director:

- 1) Within 30 days of adoption of this measure, the Governor shall appoint a Director.
 - a) The Director serves at the Governor's pleasure, and is directly and wholly responsible for the successful and profitable operation of California's online poker site.
 - b) The Director is responsible for ensuring the integrity, fairness, and security of the site operations.

- 2) Upon accepting the appointment, the Director shall immediately set about creating the California Online Poker site.
- 3) The Director shall work with the office of the State Controller to implement the financial transactions network, establish procedures for account funding, (see 19990.15), solicit proposals from potential site operators, and carry out all other duties to implement this measure.
- 4) The Director, working with and directing the site operator selected in accordance with the provisions of 19990.12 below, shall insure the smooth day-to-day operations of the site.
- 5) The Director shall give a yearly address to a joint session of the legislature. This address shall be a comprehensive report on the status of site operations, profitability of the operation, address any trouble areas and detail what remedies are being implemented, and any other significant developments concerning the site.
- 6) The Director can be removed by a 2/3-majority vote in both houses of the state legislature.
- 7) The state legislature can prevent the removal of a Director by a 2/3-majority vote in both houses of the state legislature.
- 8) The Director's compensation shall be set by the Governor, approved by the legislature, and shall be appropriate to the demands and responsibilities of the position.
- 9) The Director will be allowed a support staff sufficient to allow the Director to efficiently perform his or her duties.
 - a) Staff compensation and expenses shall be considered part of the operational overhead of the site.

19990.8. Commissioners:

- 1) The advisory commissioners shall be appointed by the Governor with the majority approval of the state senate.
 - a) The initial appointments shall be made and approved, and the commissioners shall assume their duties, no later than 30 days after the appointment of the Director.
 - b) The commissioner's terms shall coincide with the governor's term plus one year. The Governor, shall, after one year of a new term, reappoint or replace the commissioners subject to majority approval of the state senate.
- 2) Duties of the advisory commissioners:
 - a) The advisory commissioners shall act as knowledgeable resources for the Director, the Governor, and the legislature. They may give advice, render opinions, make observations, and be available for consultation.

- b) The Commissioners shall jointly make written quarterly reports on the operation of the site to the Governor, the Attorney General, the Controller, the Treasurer, and the Legislature.
 - i) The reports shall be due 60 days after the close of each fiscal quarter.
 - ii) This report shall be focused on the general state of operations of the site, and shall include such recommendations, observations, and reservations as the commissioners see fit.
 - iii) Each Commissioner may issue individual addendums to the quarterly report.
 - c) The commissioners shall meet at least once a quarter with the Director and the Governor or Governor's designee. More frequent meetings shall occur if circumstances warrant.
- 3) Qualifications of the commissioners:
- a) The advisory commissioners shall be persons of unquestionable integrity and broad experience.
 - b) Each commissioner shall have general knowledge in one of these three areas:
 - i) Computer operations and security
 - ii) Poker, especially online poker
 - iii) Gambling law and general gambling matters.
- 4) Compensation of the commissioners:
- a) The governor with majority approval of the state legislature shall set commissioner's compensation.
 - b) Such compensation shall reflect the duties, time demands, and responsibilities of the commissioners.
- 5) Removal of a commissioner:
- a) A commissioner(s) may be removed by a majority vote in either house of the legislature.
 - b) Upon removal, the Governor shall have 30 days to appoint a replacement, subject to the approval of the State Senate.

19990.9. The people of the State of California expect and command all members of The Board to be like good umpires at a baseball game. That is, work together, move things along, get it right, and be barely noticed.

19990.10. Start up costs:

- 1) Except for start up costs, no state funds shall be used for operations of the site.

- 2) Immediately upon passage of this measure, the State Controller shall create one or more financial accounts for the California Online Poker Site.
 - a) These accounts shall be for holding and dispersing monies for expenses related to the operations of the site, and for holding and dispersing the net revenues in accordance with the provisions of this initiative.
- 3) Upon passage of this measure, the State shall allocate a sum of \$1 million from the General Fund to cover initial costs associated with starting the California Online Poker Site.
- 4) At the request of the Director, the State shall make available by loan or bond, such additional sums as deemed necessary to successfully initiate the operations of the site.
 - a) Such loan or bond shall be repaid using 50% of all net revenue generated by the site until the obligation is paid in full.
 - i) Loan or bond payments shall be made quarterly or, at the discretion of the State Controller, more often.

19990.11. Openness and Transparency:

- 1) Significant decisions made concerning the operation of the site, major points of debate leading up to the decision, and dissenting opinions shall be made a matter of written public record. Exceptions will be made for sensitive financial or security information.
 - a) Such records may be in the form of minutes of the meetings or as a report of the proceedings.
- 2) The Controller shall make a quarterly report to the Governor, the Attorney General, the Treasurer, and the Legislature which includes a full and complete statement of site revenues, expenses, net revenues, and all other financial transactions involving site operations, including a statement of assets, statement of revenues, expenses, changes in net assets, and changes in financial position with all attached financial notes.

19990.12. Site operator duties and requirements:

- 1) A site operator shall be chosen to create the site, and to administer the day-to-day operations of the site.
- 2) The site operator shall be selected not later than 90 days after the Director accepts his or her duties
- 3) The Board shall select the site operator by means of evaluating competing proposals.
 - a) After a comprehensive but timely review of proposals by all members of The Board and such persons as The Board deem helpful, and after hearing thoughts and advice from all other members of the review, the Director shall recommend a candidate for approval or rejection by The Board.

- 4) Upon selection, the site operator shall assist the state to obtain a physical plant with adequate power and Internet connectivity, and shall maintain the physical plant.
- 5) The site operator shall obtain on behalf of the state, proper game software.
 - a) The software shall be robust, proven free of defects, capable of handling any reasonably projected load, be pleasant and easy to use, have one or several attractive poker motifs, and generally be appropriate for this task.
- 6) The site operator shall acquire on behalf of the state, adequate computer resources to run the software and handle any reasonably projected number of users.
- 7) The software and hardware, required for the site may be by purchase or lease; whichever is greater advantage to the state.
 - a) The decision to buy or lease hardware and software shall require the approval of the State Controller.
- 8) The physical plant required may be obtained through ownership by the state or by long-term lease.
- 9) The site operator shall put the resources in place, insure the robustness and adequacy of these resources, get the site up and running, and thoroughly test the site's functionality.
- 10) The site operator, with the assistance of the Director and the State Controller, shall integrate the cashier function of the game software with the real money accounts of the players.
- 11) The site operator shall post all terms, conditions, rules, and regulations of the site in an easily accessible location on the online poker room website.
- 12) Compensation of the site operator:
 - a) The site operator may be compensated by a percentage of gross proceeds from the rake, or by flat fee plus incentive bonus as negotiated by the Director and approved by The Board.
 - b) The Director may, at his or her discretion, provide additional bonus compensation for exceeding expectations in, but not limited to, the following areas:
 - i) Maintaining low overhead costs.
 - ii) Increasing the performance and profitability of the site.
 - iii) Maintaining excellent customer service and minimizing problems experienced by the players.
- 13) It shall be the responsibility of the site operator to put forth best effort to ensure:
 - a) The game hardware and software is completely secure.
 - b) The games are free from collusion and cheating.
 - c) Problems encountered by players and problems with the games are dealt with in a speedy and just manner.

- d) That the players maintain a measure of decorum at all times.
 - e) The poker hands are dealt in a fair and completely random manner.
- 14) After the first nine months of operation, The Board shall engage an independent firm experienced in general and computer security procedures to conduct a comprehensive study and evaluation of all aspects of security in the operation of the California online poker site. This study shall include, but not be limited to, personnel security, site operations security, computer security, data communications security, data base security, financial transactions security, security controls and physical security
- 15) The portion of the report containing the overall evaluation of site security in terms of each aspect of security shall be presented to The Board, the Governor, the Controller, the Treasurer, the Attorney General, and the Legislature. The portion of the report containing specific recommendations shall be exempt from public disclosure and shall be presented only to The Board, the Attorney General, the Controller, and the Governor. Upon request, all materials and data used in the production of the report shall be made available to The Board, the Attorney General, the Controller, and the Governor.
- 16) Similar audits of security shall be conducted every two years after the completion of the first audit.
- 17) The site operator shall be under continual review for performance and efficiency.
- a) Every 5 years, a formal request shall be issued for new competing proposals. These proposals shall be evaluated and a determination made as to whether to replace or keep the current site operator.
 - b) The decision shall be a majority decision by the members of The Board and reported in writing.
- 18) The site operator may also be referred to as the operator.

19990.13. Games and limits to be offered:

- 1) The operator shall offer the following games.
 - a) Limit Texas Holdem
 - b) No Limit Texas Holdem
 - c) Pot Limit Texas Holdem
 - d) Pot Limit Omaha
- 2) Other poker games, such as 7-card stud, 5 card draw, other types of Omaha games, may be offered at the discretion of the site operator with the approval of The Board.
- 3) The specific rules of the games to be initially offered are contained in 19990.25 and shall be posted on the site.
 - a) The operator upon approval of The Board may make changes and clarifications to these rules.

- 4) Except as set forth herein, limits and buyins will be established by the operator and approved by The Board.
 - a) Limits and buyins shall be similar to prevailing online and live poker room practices, and shall reflect customer demand.
- 5) Definition of blinds, antes, and “button”.
 - a) Blind - A forced bet (or partial bet) put in by one or more players before any cards are dealt. Typically, blinds are put in by players immediately to the left of the button.
 - b) Big Blind - The larger of the two blinds typically used in a hold'em game. The big blind shall be posted by the player to the immediate left of the small blind. The big blind shall be defined as a full first round bet.
 - c) Small Blind - The smaller of two blind bets typically used in a hold'em game. The small blind shall be posted by the player to the immediate left of the “button”. The normal small blind shall range from one-third to one half of a first round bet.
 - d) Button - A marking or graphical notation that indicates the (nominal) dealer. Also used to refer to the player on the button.
 - e) Ante - A small portion of a bet contributed by each player to seed the pot at the beginning of a poker hand. Most cash hold'em games do not have an ante. Many tournaments introduce an ante in the later stages of the tournament.
- 6) Buyin defined:
 - a) A buyin is defined as the initial amount of chips a player may bring to the table when first entering a game.
 - b) A player shall not leave a table and return to a table of the same game type and limit within a half hour with less chips than he or she previously left the table with.
- 7) The standard buyin for No Limit Texas Holdem and Pot Limit Omaha shall be offered in a range from a minimum 40x (40 times) the Big Blind (BB) to a maximum of 100x (100 times) the Big Blind.
- 8) Specifically, as part of this act, the operator shall offer:

For Limit, Pot Limit, and No Limit Texas holdem, and Pot Limit Omaha.

Small blinds/Big Blinds

\$.10/.20

\$.25/.50

\$.50/1.00

\$1.00/2.00

\$2.00/4.00

\$3.00/6.00

\$4.00/8.00
\$5.00/10.00

For No Limit Texas Holdem only:

\$1.00/3.00 (Standard buyin)
\$2.00/5.00 (Standard buyin)

\$.50/.50 Beginners \$10 min buyin, \$35 max buyin
\$1.00/1.00 Beginners, \$15 min buyin, \$50 max buyin
\$2.00/2.00 Beginners, \$20 min buyin, \$80 max buyin

- 9) Players shall be allowed to participate in the following Limit and No Limit Texas Holdem, and Pot Limit Omaha games, after affirming to the operator that they are sufficiently skilled, properly bankrolled, and understand the risks. These games shall have a 50x (50 times) the Big Blind minimum buyin.

\$10/20 with a maximum buyin of 200x the BB
\$20/40 with a maximum buyin of 200x the BB

\$1/3 No Limit Texas holdem with no maximum buyin
\$2/5 No Limit Texas holdem with no maximum buyin
\$10/25 No Limit Texas holdem with no maximum buyin

- 10) The operator shall offer online poker tables seating 6 players per table, 9 players per table, and heads up (2 players only) tables.

- a) The software shall be written so as to have one empty table always available at every game and limit, for heads up play, 6 players, and 9 players.
- b) At the option of the operator, tables seating 7 or 8 players may be offered.

- 11) The site game selection screen (lobby) shall offer game and limit filters that allow players to sort and view only the listing of games and limits that are of interest to the player.

19990.14. Participation:

- 1) No ineligible person may participate in the real money poker games on the site. Ineligible persons shall include:
- a) Persons under the age of 21.
- b) Employees of the site operator, immediate family members of such employees, and any person residing in the same household as the employee.
- c) Members of The Board and their immediate family members and any person residing in the same household as the member.
- d) Any person directly involved with the site operation, immediate family members of such persons, and anyone residing in the same household as such person.

- e) Anyone prohibited by law or regulation from playing California Online Poker.
- 2) Should an ineligible person be found to have a real money account with the site, that account shall be frozen until such time as the matter can be resolved by the office of the Director.
- 3) This measure specifically allows eligible citizens of the State of California to participate in online poker at the State of California owned site created by this initiative.
- 4) This measure specifically allows the participation in California online poker by citizens of any state or locale that does not prohibit by law or regulation its citizens from participating in legal online poker.
- 5) Reciprocity:
 - a) This measure specifically allows eligible citizens of the State of California to participate in legal online poker at sites located in states or locales that do not prohibit their citizens from participating in the State of California owned site created by this initiative, providing such participation is allowed by that state or locale.

19990.15. Player accounts and funding.

- 1) The State Controller shall establish a site account with an appropriate financial institution that shall act as a repository for all player account funds. Player's accounts shall be debited when the player buys chips at the table or registers for a tournament, and credited for the amount of player's chips when the player leaves the table or finishes in the tournament.
 - a) It shall be the responsibility of the State Controller to insure that the player's onsite funds are completely safe and readily available at all times.
- 2) Credit in any form shall never be accepted to fund a player's real money account.
- 3) Creation of a player account:
 - a) In order to initially create an account at the California online poker site, the applicant player shall make application in person through the services of an authorized agent.
 - b) Authorized agent defined.
 - i) Any willing public agency, including but not limited to, local police desks, passport agencies, motor vehicle departments, or other offices with a normal responsibility of verifying the identity of persons appearing before them in their usual course of business. The agency may be compensated as set forth below.
 - ii) Any properly authorized notary public.
 - iii) Any licensed California cardroom.
 - iv) Any employee of a state or federally chartered bank or credit union, or recognized international bank at which the applicant has an account.

- v) Any private company or individual authorized by The Board to perform this function.
- c) The applicant shall apply for verification and submittal of the account application in person and provide the following verifiable information.

Full Name

Age

Address

Telephone number

- i) In addition, the player shall choose a unique screen name, the name by which he or she is seen by the other players at the table.
 - ii) The operator shall allow the screen names to be changed by the player not less than once every 3 months.
 - iii) Screen names shall not be vulgar or offensive. Should such a name appear, the site operator shall immediately disable the account until a better choice is made.
- d) A government issued photo ID plus a utility bill or other document(s) containing the address and phone number of the applicant shall be considered adequate verification. Student ID shall not be accepted as a photo ID.
 - e) The authorized agent, not the applicant, shall forward, by fax, scan, or other acceptable means, the name of the agency and agency contact information, the name of the person performing the identification, fee charged to applicant if any, affirmation of existing bank account - but not account information - if applicable, the applicant's full name, age, address, telephone number, and the player's application, to the site operator in accordance with posted instructions.
 - f) Verification procedures and forms shall be available on the California online poker website.
 - g) The authorized agent, public or private, shall be allowed to charge the applicant an unspecified but appropriate fee to cover the cost of this effort. Fees shall be clearly communicated, and shall be agreed upon by the applicant in advance.
- 4) Upon receipt of a verified application, the player shall be provided an account number, the format of which will be determined by agreement between the operator, the State Controller and The Board. At the option of these parties, the player's account number may also double as a debit card tied directly to the players individual cash account.
 - 5) The operator shall have the responsibility to do random spot checks of applications upon receipt, and shall have other means in place to insure the accuracy of applicant information.
 - a) Persons submitting falsified applications risk having their funds confiscated and possible legal action.

- b) Access to a new account shall be by accessing the site and posting the same identifying information as contained in the application.
 - c) Procedures shall be in place such that access to a new account is available within one hour after the site receives the information.
- 6) The operator shall not allow an account for a person residing in a location known to prohibit, by law or regulation, the playing of legal online poker.
- 7) Funding of a player account:
- a) The player may fund an account in good standing by cashiers checks, money orders, bank debit cards, prepaid debit cards, electronic funds transfer (EFT), wire transfers, and other methods as approved by the State Controller.
 - b) A personal check shall be considered to be credit.
 - c) Player funds shall be held for safekeeping in a manner designated and approved by the State Controller. Upon payment to the site, credit shall immediately accrue to the player through the site cashier.
- 8) Withdrawing funds of a player account:
- a) Player's funds shall be held in such a way so as to be accessible for withdrawal through the banking system by way of electronic funds transfer (EFT).
 - b) Players shall be able to withdraw funds by means of wire transfer. Wire transfer fees may apply.
 - c) Players shall be able to request a check be sent to the address on record.
 - d) If the player's account is in the form of a debit account, the player shall be able to withdraw at participating ATMs.
 - e) Withdrawal shall be allowed by any other means approved by the State Controller.
- 9) The State Controller shall oversee the monetary network, be responsible for the integrity and security of monetary transactions, and shall use audits and inspection of all financial records to insure complete honesty in the process.
- 10) The State Controller shall be allowed to make a request to The Board for funding sufficient to cover solely the direct additional costs incurred in the execution of the duties proscribed by this measure.
- a) Such funding shall not be allocated to cover costs associated with activities normal to the office of State Controller.

19990.16. Player Protections: The safety and well being of the players shall be of paramount concern to the Director and the operator. The Board shall promulgate rules and operating procedures directing that the site be operated in accordance with the following provisions:

- 1) The site operator shall have knowledgeable customer service representatives who are readily available by live chat, e-mail, or telephone.
- 2) This site shall be run for the benefit of the responsible recreational Internet poker player. To this end, any practices determined to be any form of cheating shall not be tolerated. Any player caught cheating shall face the most severe sanctions including, but not limited to, having their funds confiscated and possible legal action.
- 3) Collusion defined:
 - a) Collusion is players sitting with a friend or friends at the same table and sharing information about their cards.
 - b) The software shall be designed to flag activity common to collusion among players.
 - c) Should players be caught colluding, their accounts shall be frozen, and the Director has the option of banning the players in question and confiscating the funds in the account.
- 4) Real time computerized aids to automate playing a hand or having a computer program play the hand in any way is forbidden.
 - a) Any software that reads the cards on the screen by any means or any software that the player might input the dealt cards into a computer program in an attempt to get computerized advice is strictly prohibited. Players caught using such aids shall have their accounts frozen, and the Director has the option of banning the players in question and confiscating the funds in the account.
 - b) The use of any computer program to directly play the hand, or any program which reduces human interaction by automation (known as a bot) is forbidden. The site software shall incorporate means to detect any such program. Players caught using such aids shall have their accounts frozen, and the Director has the option of banning the players in question and confiscating the funds in the account.
- 5) Chip dumping defined:
 - a) Chip dumping is the deliberate losing of a hand to facilitate the transfer of funds from one player to another.
 - b) Players caught engaging in the practice of “chip dumping” shall have their accounts frozen, and the Director has the option of banning the players in question and confiscating the funds in the account.
 - c) Players shall not be allowed to make player-to-player transfers of funds.
- 6) Predatory tools and practices: Current (at this writing) online games are a haven for professional online poker players who use a variety of aids and software gadgets that allow them to track and take advantage of recreational and lesser skilled players.

The people of the State of California do not intend our poker site to be used by online poker professionals to take unfair advantage of other players. To this end, the site operator is hereby directed to disallow any and all real time predatory poker software including, but not limited to:

- a) "Buddy" lists and "fish finders":
 - i) The site shall not support any feature which allows a player to locate another player through means of automatic scanning of players present, through automated opening of tables and examining of those players present, or by any other means. The site operator shall use every means available to thwart such activities.
 - ii) Use of any software to find a specific player shall be considered a form of cheating.
 - iii) If a player wants to locate another player, they shall use conventional means of communication such as the telephone or online messaging.
- 7) A player shall be able to observe one additional table where action is in process in addition to the table(s) on which he or she is playing.
- 8) Table and player statistics:
 - a) The site software shall not support the display of any listing of table statistics to any player not seated with chips at the table. This shall include but not be limited to, percentage of players seeing the flop and average pot size.
 - b) The site shall not allow a player to use software aids that gather and display real time current session table statistics to any player at a table excepting that such software is a part of the site software and is freely available to all players participating on the site.
 - c) The site shall not allow a player to use software aids displaying real time current session statistics for any player excepting that such software is a part of the site software and is freely available to all players participating on the site.
- 9) Players playing multiple tables at one time:
 - a) Any player shall be allowed to play at two real money tables on the site at any given time. The tables may be cash games, tournaments, or a combination.
 - b) The software shall be designed to reject attempts to place chips on a third table for any player.
- 10) The software security features shall be designed to flag activity common to players attempting to play on two or more accounts at the same time.
 - a) Abuse of this rule shall be considered a form of cheating, and shall result in the player's account being frozen pending action from the office of the Director.

11) Slow play:

- a) Players who are chronically late to act for no apparent reason are often engaged in other Internet games or activities. This costs the site money and annoys the other players.
- b) The site operator shall take such steps as necessary to ensure that players pay attention to the game and act in a timely fashion.

12) Aids for player improvement: There are programs and aids that help a player learn and improve his or her game. The people of the State of California encourage efforts of players to become better at the great game of poker.

13) Hand histories defined:

- a) Hand histories are text files generated by the game software that record the history of the action on each hand.

14) Text hand histories shall be made available as part of the game interface for immediate review following the conclusion of play of the hand. No part of the hand history shall be shown or published prior to the hand being completed.

15) A player must have been dealt into the hand in order to review the hand history.

16) Any previous hand history in which a player was dealt cards may be viewed by choosing the appropriate hand identifier.

17) It is desired that the software incorporate a graphical replayer that uses the hand history to create an animation of the hand being reviewed.

18) At the end of each session, a hand history file containing all the hands into which the player was dealt cards during the session may be sent directly to the player's computer if they so request. The player may set this request to be automatic at the end of every session.

19) No hand history shall be sent to a player's computer containing information for hands in which the player was not dealt cards.

20) The collection and sharing of hand histories (data mining) is considered cheating and is strictly forbidden.

21) No software that is not part of the site software shall be employed at any time to take real time information from the game window and generate statistics or any kind of opponent profile. Use of such software by a player shall be considered cheating.

22) Mucked cards shall be shown in hand histories:

- a) The hand history shall show the cards of all players who went to showdown even if any player chooses not to show his or her hand in real time.

- 23) The software shall offer the player a way to keep notes specific to the other participants. Such notes shall be visible and available for viewing only at a table at which the other participant is seated and at which the player is seated or which the player is observing.
 - a) Notes shall be persistent across screen name changes.
 - b) Notes shall not appear automatically, but shall require a positive action on the part of the player. Only one note shall be visible at a time.
- 24) Cards shall be turned face up when the players are all in:
 - a) When one or more of the players in a hand are “all in” and there are no more players left to act and no more betting to come, all player’s cards shall be turned face up for the remainder of the hand.
- 25) The operator shall offer the option of using a four-color deck.
- 26) The software shall incorporate pre action buttons and programmable hot keys for actions including but not limited to, folding, calling, or raising by various increments.

19990.19. Advertising and Promotion:

- 1) It shall be the duty of the site operator to advertise and promote the site.
 - a) In decisions relating to advertising and promotion of the California online poker site, the operator shall ensure that any advertising complies with both the letter and spirit of the laws governing false and misleading advertising, including Section 17500 and following of the Business and Professions Code.

19990.20. Partnerships with other states:

- 1) It shall be deemed desirable to partner with other states and localities in order to broaden the player base, increase game selection, and increase exposure in other markets.
- 2) This measure specifically gives the Governor, or his or her designee, acting on behalf of The Board, the right to negotiate agreements with other states and localities that allow players from other states and localities to play California Online Poker.
 - a) To encourage other states and localities to allow player participation, a state or locality shall be offered a “rakeback” benefit in return for specifically legalizing play for their citizens at the State of California online poker site and for allowing promotion and advertising in that state or locality. The state or locality shall be allowed to retain control over form and content of such advertising or promotion.
 - b) Rakeback, as defined in the context of this measure, shall mean the following:
 - i) When a player wins a pot, the pot is raked at the previously defined percentage. The amount raked is taken from the game and held for the benefit of the State of California. Rakeback shall be the practice of returning a portion of the rake (taken from the winning pot) to the state or locality where the winner of the pot resides.

c) The amount of rakeback offered in any agreement shall not exceed 50% of the total rake taken from any winning pot.

3) Any and all agreements shall be subject to majority approval of The Board.

19990.21. Role of State Attorney General:

- 1) The people of the State of California declare their belief and hereby affirm that no federal or state law applies adversely to any provision of this initiative.
- 2) Should the Department of Justice, any federal authority, or any other entity, challenge this measure, or any provision herein, the People of the State of California hereby command the State Attorney General to mount a vigorous defense of California's online poker site and all provisions of this measure. The Attorney General shall affirm and protect the right of the People of the State of California to move forward with all provisions of this measure unless and until any action as provided for in this measure is ruled unlawful by a court of competent jurisdiction.
- 3) Should an adverse court decision be rendered, the State Attorney General is hereby commanded to exhaust every available avenue of appeal.

19990.22. Changes to this measure:

- 1) All provisions of this measure shall take effect immediately upon passage.
- 2) The site operator may make such operational changes as are deemed necessary to further promote the provisions of this measure and to improve the operation, marketability, and competitiveness of the California Online Poker Site. All such changes shall be reviewed by The Board, and such changes may be amended or disallowed by The Board by a majority decision.
- 3) Any and all parts of this act may be amended by the unanimous vote of The Board and 2/3 majority vote of either house of the legislature.

19990.23. Severability:

- 1) If any provision of this act, or part thereof, is for any reason held to be invalid by a court of competent jurisdiction, the remaining provisions shall not be affected, but shall remain in full force and effect, and to this end the provisions of this act are severable.

19990.24. Conflicting Ballot Measures

- 1) If a conflict exists between the provisions of this measure and the provisions of any other measure approved by the voters at the same election regarding the same or similar subject, the provisions of this measure shall take effect except to the extent that they are in direct and irreconcilable conflict with the provisions of such other measure and the other measure receives a greater number of affirmative votes.

- 2) If any provisions of this measure are superseded by the provisions of any other conflicting ballot measure approved by the voters, and the conflicting ballot measure received a greater number of affirmative votes at the same election, and should the conflicting ballot measure be subsequently held to be invalid, the provisions of this measure shall be self-executing and shall be given full force of law.

19990.25:Poker rules for Texas Holdem

Texas Holdem Poker is a game that involves a communal "pot" consisting of the players' bets. The pot is awarded to the poker player who either holds the highest-ranking hand at showdown or makes wager that goes unmatched by his or her opponents.

Texas Holdem poker games are always played high hand only with Limit, Pot Limit and No Limit options.

After each hand of play, a graphical notation, known as a "button", moves clockwise from player to player with each hand. The button marks the nominal dealer.

Texas Hold 'Em Poker games start with the two players to the left of the nominal dealer (the button) putting a small and a big blind into the pot before any cards are dealt

This is called "posting the blinds." The "first blind", the player to the left of the dealer, puts up one third to one half the minimum bet, and the "second blind" puts up the full minimum bet.

After the blinds are posted, each player is dealt two cards, face down. These are known as the "hole cards."

Betting Begins

A round of betting takes place, beginning with the player to the left of the two who posted the blinds. The players strategically wager using a number of actions available to them. The actions are as follows:

CHECK - If there is no wager on the current betting round, a player may check. The act of checking passes the action to the next poker player immediately clockwise from him or her. A check does not forfeit interest in the pot, only the current right to bet. If all players check during a round of betting, the round is considered complete.

BET - If there is no wager on the current betting round, a player may bet. If a player bets, the poker player immediately clockwise from him or her (and any subsequent poker players) may fold, raise, or call.

FOLD - The act of folding forfeits all interest in the pot. A player who folds is not required or allowed to wager any further money for the current poker hand.

CALL - If there has been a wager on the current round of poker play, a player may call. The act of calling requires the player to match the current bet made by his or her opponent(s).

RAISE - If there has been a wager on the current betting round, a player may raise. The act of raising requires the poker player to match the current bet, and make a greater one. All subsequent players are required to call the raise or re-raise the pot in turn to maintain interest in the pot.

The Flop

Three community cards are dealt face up on the table. These cards are called the "flop."

After the flop, another round of betting takes place, beginning with the player to the left of the nominal dealer (the button). During this and all future rounds of betting, players can check, call, raise, re-raise, or fold when it's their turn to bet.

Fourth Street

One more community card is dealt face up onto the table. This, the fourth community card, is called the "turn" or "Fourth Street."

The player to the left of the nominal dealer (the button) begins the third round of betting.

Fifth Street

A final community card is dealt face-up on the table. This card is called the "river" or "Fifth Street."

Players can now use any combination of seven cards, the five community cards and the two hole cards known only to them, to form the best possible five card Poker hand.

Final Betting and The Winner

The fourth and final round of betting starts with the player to the left of the dealer (the button).

When the last bet or raise on the final betting round is called, the "showdown" occurs. This is when it is determined who wins the pot, as players show their hands one-by-one. It may be the case that there is no showdown. This occurs when a player bets or raises, and no active players choose to call the player's bet (in other words, all players fold). In this case, the player doing the betting or raising wins the full amount of the pot.

California online poker shall be played "table stakes", meaning only the chips the players have at the beginning of each hand may be used throughout the hand. The table stakes rule has an application called the "All-In" rule, which states that a player cannot be forced to forfeit a poker hand because the player does not have enough chips to call a bet. A player who does not have enough chips to call a bet is declared All-In. The player is eligible to win only that portion of the player's wagers in the pot that match his or her final wager. All further action involving other players takes place in a "side pot", which is ineligible to the All-In player.

The player with the best hand wins.

California online poker hand rankings: There are never any wild cards.

Royal Flush

This is the best possible hand in standard five-card Poker. Ace, King, Queen, Jack and 10, all of the same suit.

In the event of a tie: The tying hands split the pot.

Straight Flush

Any five-card sequence in the same suit (e.g.: 8, 9, 10, Jack and Queen of clubs; or 2, 3, 4, 5 and 6 of diamonds).

In the event of a tie: Highest rank at the top of the sequence wins.

Four of a Kind

All four cards of the same value (e.g.: 8, 8, 8, 8; or Queen, Queen, Queen, Queen).

Full House

Three of a kind combined with a pair (e.g.: 10, 10, 10 with 6, 6; or King, King, King with 5, 5).

In the event of a tie: Highest three matching cards wins the pot. In community card games where players have the same three matching cards, the highest value of the two matching cards wins.

Flush

Any five cards of the same suit, but not in sequence (e.g.: 4, 5, 7, 10 and King of spades).

In the event of a tie: The player holding the highest ranked card wins. If necessary, the second-highest, third-highest, fourth-highest, and fifth-highest cards can be used to break the tie.

Straight

Five cards in sequence, but not in the same suit (e.g.: 7 of clubs, 8 of clubs, 9 of diamonds, 10 of spades and Jack of diamonds).

In the event of a tie: Highest-ranking card at the top of the sequence wins.

Note: The Ace may be used at the top or bottom of the sequence, and is the only card that can act in this manner.

Three of a Kind

Three cards of the same value (e.g.: 3, 3, 3; or Jack, Jack, Jack).

In the event of a tie: Highest ranking three of a kind wins. In community card games where players have the same three of a kind, the highest side card, and if necessary, the second-highest side card wins.

Two Pair

Two separate pairs (e.g.: 2, 2, Queen, Queen).

In the event of a tie: Highest pair wins. If players have the same highest pair, highest second pair wins. If both players have identical pairs, highest side card wins.

Pair

Two cards of the same value (e.g.: 7, 7).

In the event of a tie: Highest pair wins. If players have the same pair, the highest side card wins, and if necessary, the second-highest and third-highest side card can be used to break the tie.

High Card

If a Poker hand contains none of the above combinations, it's valued by the highest card in it.

In the event of a tie: Highest card wins, and if necessary, the second-highest, third-highest, fourth-highest and smallest card can be used to break the tie.

Omaha poker:

Omaha poker is derived from Texas Holdem. Each player is dealt four cards ("hole cards") that belong only to that poker player. Five community cards are dealt face-up on the "board". All players use three of the five community cards together with two of their hole cards to make the best five-card poker hand.

In Omaha poker, players must use two and only two of their four hole poker cards in combination with three of the cards from the board. In the event of identical hands, the pot will be equally divided between the players with the best hands.

Pot Limit Omaha Poker - A player can only bet what is in the pot (i.e., \$100 into a \$100 pot).

The betting action and hand rankings are the same as Texas Holdem.