

CHARITABLE GAMING BOARD

Agenda

Department of Agriculture and Consumer Services

Pop's Bingo World

210 Giant Drive

Richmond, Virginia

Tuesday, October 13, 2020

11:00 AM

1. Call to Order
2. Roll Call
3. Message from the Chair
4. Approval of the Minutes – September 16, 2020
5. New Business
 - Proposed exempt action to promulgate new regulations to govern Texas Hold'em Poker Tournaments.
6. Date of Next Board Meeting
7. Public Comment

Adjournment

CHARITABLE GAMING BOARD
Promulgate Texas Hold'Em Poker Tournament Regulations

CHAPTER 50
TEXAS HOLD EM POKER TOURNAMENT REGULATIONS

11VAC15-50-10. Definitions.

The following words and terms when used in this regulation shall have the following meanings unless the context clearly indicates otherwise:

"Administer" means the activities by an operator that are associated with production of a poker tournament.

"Agent" means any person authorized by an operator, supplier, or landlord to act for or in place of such operator, supplier, or landlord.

"Charitable Gaming Statute" means Article 1.1:1 of Chapter 8 of Title 18.2 of the Code of Virginia.

"Charitable host representative" means a person who (i) is a bona fide member, as defined in § 18.2-340.16 of the Code of Virginia, of the qualified organization; (ii) meets all other requirements for bona fide members set forth in the Charitable Gaming Statute and this chapter; and (iii) is responsible for the oversight and execution of the written contract between the qualified organization and operator during the poker tournament.

"Conduct" means the actions by a qualified organization associated with the provision of a poker tournament during and immediately before or after the permitted activity, which may include (i) dealing playing cards; (ii) distributing poker chips; (iii) distributing prizes; and (iv) any other services provided by a volunteer game worker or volunteer dealer.

"Fiscal year" means the 12-month period beginning January 1 and ending December 31 of any given year.

"Game manager" means a person who (i) is a bona fide member, as defined in § 18.2-340.16 of the Code of Virginia, of the qualified organization that is managing, operating, and conducting the poker tournament; (ii) meets all other requirements for bona fide members set forth in the Charitable Gaming Statute and this chapter; and (iii) is responsible for the operation of the qualified organization's poker tournament.

"Immediate family" means a person's spouse, parent, child, sibling, grandchild, grandparent, mother or father-in-law, or stepchild.

"Interested persons" means (i) the president or chief executive officer, treasurer or chief financial officer, an officer, a game manager, or charitable host representative of any qualified organization that is exempt or is a permit applicant or holds a permit to conduct Texas Hold'em Poker Tournaments; (ii) the owner, partner, president or chief executive officer, treasurer or chief financial officer, or tournament manager of any operator; or (iii) the owner, director, officer, or partner of an entity engaged in supplying charitable gaming supplies to a qualified organization.

"IRS" means the United States Internal Revenue Service or its successor.

"Landlord" means any person or his agent, firm, association, organization, partnership, corporation, employee, or immediate family member thereof, who owns or leases any premises devoted in whole or in part for use to hold a poker tournament and any person residing in the same household as a landlord.

"Manufacturer" means a person who assembles from raw materials or subparts a completed piece of charitable gaming equipment or supplies. "Manufacturer" also means a person who or an entity that modifies, converts, adds, or removes parts to or from charitable gaming equipment or supplies.

"Operator" means a person not affiliated with a qualified organization who has registered with the department in accordance with Section 40 of this chapter to administer poker tournaments.

"Poker game" means a Texas Hold'em poker game as defined in § 18.2-340.16 of the Code of Virginia.

"Poker tournament" means a Texas Hold'em poker tournament as defined in § 18.2-340.16 of the Code of Virginia.

"Remuneration" means payment in cash or the provision of anything of value for goods provided or services rendered.

"Tournament manager" means a person who is employed or contracted by an operator to administer poker tournaments for a qualified organization.

"Use of proceeds" means the use of funds derived by a qualified organization from its charitable gaming activities that are disbursed for those lawful religious, charitable, community, or educational purposes. "Use of proceeds" includes expenses relating to the acquisition, construction, maintenance, or repair of any interest in the real property involved in the operation of the qualified organization and used for lawful religious, charitable, community, or educational purposes.

11VAC15-50-20. Organization eligibility; permit requirements.

A. The conduct of charitable gaming is a privilege that may be granted or denied by the Department. Except as provided in § 18.2-340.23 of the Code of Virginia, every eligible organization with anticipated gross gaming receipts that exceed the amount set forth in § 18.2-340.23 of the Code of Virginia in any 12-month period shall obtain a permit from the Department prior to the commencement of a poker tournament. To be eligible for a permit an organization must meet all of the requirements of § 18.2-340.24 of the Code of Virginia.

B. In accordance with § 18.2-340.19 A 1 of the Code of Virginia, as a condition of receiving a poker tournament permit, a qualified organization shall use a minimum of 2.5% of gross receipts from its poker tournaments for (i) those lawful religious, charitable, community, or educational purposes for which the organization is specifically chartered or organized; (ii) those expenses relating to the acquisition, construction, maintenance, or repair of any interest in real property involved in the operation of the organization and used for lawful religious, charitable, community, or educational purposes; or (iii) compensating an operator who is contracted by the qualified organization to administer its poker tournament. However, the amount from this compensation

that may be counted towards the minimum use of proceeds shall not exceed 1.0% of the gross receipts generated from the poker tournament.

C. If an organization fails to meet the minimum use of proceeds requirement, its permit may be suspended or revoked. However, the department shall not suspend or revoke the permit of any organization solely because of its failure to meet the required percentage without having first provided the organization with an opportunity to implement a remedial business plan.

D. An organization may request a temporary reduction in the predetermined percentage specified in subsection B of this section from the department. In reviewing such a request, the department shall consider such factors appropriate to and consistent with the purpose of charitable gaming, which may include (i) the organization's overall financial condition; (ii) the length of time the organization has conducted charitable gaming; (iii) the extent of the deficiency; and (iv) the progress that the organization has made in attaining the minimum percentage in accordance with a remedial business plan.

E. An organization must meet all requirements related to the conduct of charitable gaming established in the Charitable Gaming Regulations (11VAC15-40).

F. An organization whose permit is revoked for failure to comply with provisions set forth in subsection B of this section shall be eligible to reapply for a permit at the end of one year from the date of revocation. The department, at its discretion, may issue the permit if it is satisfied that the organization has made substantial efforts towards meeting its remedial business plan.

11VAC15-50-30. Permit application process for organization.

A. Any organization anticipating gross gaming receipts that exceed the amount set forth in § 18.2-340.23 of the Code of Virginia shall complete a form prescribed by the department to request issuance or renewal of an annual permit to conduct charitable gaming. Organizations shall submit a nonrefundable fee payable to the Treasurer of Virginia in the amount of \$200 with the application, unless the organization is exempt from such fee pursuant to § 18.2-340.23 of the Code of Virginia or holds a charitable gaming permit issued pursuant to 11VAC15-40-30.

B. The department may initiate action against any organization exempt from permit requirements when the department reasonably believes the organization is not in compliance with the provisions of the Charitable Gaming Statute or this chapter.

C. A permit shall be valid for a period of one year from the date of issuance or for a period specified on the permit. The department may issue permits for periods of less than one year.

D. The department shall complete a background investigation of an organization or interested persons to ensure public safety and welfare as required by § 18.2-340.25 of the Code of Virginia. Investigations shall consider the nature, the age and severity, and the potential harm to public safety and welfare of any criminal offense. The investigation may include the following:

1. A search of criminal history records for the president or chief executive officer, treasurer or chief financial officer, game manager, and charitable host representative of the organization. Information and authorization to conduct these records checks shall be provided in the permit application. In addition, the department shall require that the organization provide assurances that all other individuals, excluding an operator, involved in the management, operation, or conduct of charitable gaming, meet the requirements of

subdivision 12 of § 18.2-340.33 of the Code of Virginia, which is contracted by the organization to administer its poker tournament. The department may deny an application if:

a. Any person participating in the management of any charitable gaming has ever been:

(1) Convicted of a felony; or

(2) Convicted of any misdemeanor involving fraud, theft, or financial crimes within the preceding five years.

b. Any person participating in the conduct of charitable gaming has been:

(1) Convicted of any felony in the preceding 10 years; or

(2) Convicted of any misdemeanor involving fraud, theft, or financial crimes within the preceding five years.

2. An inquiry as to whether the organization has been granted tax-exempt status pursuant to § 501(c) of the Internal Revenue Code by the IRS and is in compliance with IRS annual filing requirements;

3. An inquiry as to whether the organization has entered into any contract with, or has otherwise employed for compensation, any person for the purpose of organizing or managing, operating, or conducting any charitable gaming activity outside of a written contract with an operator to administer the organization's poker tournament;

4. Inquiries into the finances and activities of the organization and the sources and uses of funds;

5. Inquiries into the level of community or financial support to the organization and the level of community involvement in the membership and management of the organization; and

6. Inquiries into the percentage of members who are residents of the Commonwealth of Virginia for a membership-based organization to determine compliance with the membership requirement of § 18.24-340.24 A of the Code of Virginia.

E. The permit application for an organization that has not previously held a permit shall include:

1. A copy of the articles of incorporation, bylaws, charter, constitution, or other appropriate organizing document;

2. A copy of the determination letter issued by the IRS under § 501(c) of the Internal Revenue Code, if appropriate, or a letter from the national office of an organization indicating the applicant organization is in good standing and is currently covered by a group exemption ruling. A letter of good standing is not required if the applicable national or state office has furnished the department with a listing of member organizations in good standing in the Commonwealth of Virginia as of January 1 of each year and has agreed to promptly provide the department any changes to the listing as they occur;

3. A copy of the written lease or proposed written lease agreement and all other written agreements between an organization and the landlord, if the organization rents or intends to rent a facility where a poker tournament is or will be conducted. Information on the lease shall include name, address, and phone number of the landlord; maximum occupancy of the building; and the rental amount;

4. An authorization by an officer or other appropriate official of the organization to permit the department to determine whether the organization has been investigated or examined by the IRS in connection with charitable gaming activities during the previous three years;

5. A statement whether the organization will manage, operate and conduct its own poker tournament or will contract with an operator to administer its poker tournament. If the organization contracts with an operator, then the identity of the operator shall be disclosed, a copy of the written contract with the operator shall accompany the application, and the written contract shall comply with the provisions of 11VAC15-50-140;

6. If the organization uses or intends to use an operator to administer its poker tournament, the identity of the organization's charitable host representative, and a copy of a current photo identification of the charitable host representative, such as a driver's license or other government issued identification;

7. If the organization intends to manage, operate, and conduct or manages, operates, and conducts its own poker tournament, the designation and identity of the organization's game manager, who shall be a person and shall be responsible for the operation and conduct of the poker tournament for the qualified organization, and a copy of a current photo identification of the game manager, such as a driver's license or other government issued identification;

8. If the organization intends to manage, operate, and conduct a poker tournament, then a copy of written internal control policies and procedures that includes segregation of duties, cash security, and cash controls based on generally accepted standards; and

9. Written statement as to whether the president or chief executive officer, treasurer or chief financial officer, an officer, a game manager, charitable host representative, their immediate family, or persons residing in their household has directly or indirectly any interest or ownership in an operator.

10. A sample of the badge to be worn by the game manager and other game workers during the operation and conduct of the qualified organization's poker tournament, which shall include the following:

a. A recent photo of the person;

b. The first name and last name of the person;

c. The name of the qualified organization; and

d. The date the badge was issued to the person.

F. An organization applying to renew a permit previously issued by the department shall submit articles of incorporation, bylaws, charter, constitution, or other organizing document; IRS determination letter; or any other document or information specified in subsection E of this section

only if there are any amendments or changes to these documents or information that are directly related to the management, operation, or conduct of charitable gaming.

G. The department may request copies of minutes of meetings of the organization and any contracts with landlords, suppliers, or operators to which the organization is or may be a party.

H. If any information on the permit application becomes out-dated or is found to be inaccurate, then the qualified organization shall notify the department and provide the updated or corrected information within three business days of the change or the discovery of the inaccuracy.

I. A qualified organization wishing to change the date, time, location, or operator of its poker tournament shall request an amendment to its permit. Amendment requests shall be made in writing on a form prescribed by the department in advance of the proposed effective date.

J. A qualified organization may cancel its poker tournament due to inclement weather, disasters, or other circumstances outside the organization's control without an amendment to its permit.

K. Any qualified organization that ceases to conduct poker tournaments shall immediately notify the department in writing and provide the department a report as to the disposition of all unused charitable gaming supplies on a form prescribed by the department.

L. No qualified organization or its members or any person affiliated or associated with the qualified organization, their immediate family member, or person residing in their household shall directly or indirectly have any interest or ownership in an operator that is contracted by the qualified organization to administer its poker tournament.

M. Notwithstanding 11VAC15-50-140 B 16, no qualified organization or its members or any person affiliated or associated with the qualified organization, their immediate family member, or persons residing in their household shall directly or indirectly receive any remuneration or payments related to the administration of its poker tournament from the operator who is contracted by the qualified organization to administer its poker tournament.

N. No qualified organization or its members or any persons affiliated or associated with the qualified organization, their immediate family members, or persons residing in their household shall directly or indirectly receive any payment from the qualified organization's landlord, agents, employees, their immediate family members, or persons residing in their household unless such payment from the landlord is directly related to a written contract for the facility leased for use to hold a poker tournament as required by 11VAC15-50-90 A and such a payment is made by check from the landlord directly to the qualified organization's charitable gaming account.

O. No qualified organization, its members, any persons affiliated or associated with the qualified organization, their immediate family members, or persons residing in their household shall directly or indirectly receive any loan from a landlord, operator, or supplier of charitable gaming supplies, or the agents, employees, immediate family members, or persons residing in their household of the landlord, operator, or supplier of charitable gaming supplies.

P. No qualified organization, its members, any person affiliated or associated with the qualified organization, their immediate family, or persons residing in their household shall be employed, contracted, or otherwise compensated by an operator that is contracted by the qualified organization to administer its poker tournament.

11VAC15-50-40. Operator registration.

A. No person shall administer a poker tournament on behalf of a qualified organization without an operator registration. A person seeking to administer a poker tournament on behalf of a qualified organization shall apply to the department for an operator registration on a form prescribed by the department. The application fee for an operator registration is \$1,000.

B. The department shall conduct a background investigation prior to the issuance of a registration to any operator. The investigation may include the following:

1. Verification that the operator is authorized to conduct business in the Commonwealth of Virginia, which may include registration with the State Corporation Commission, the Department of Taxation, or the Virginia Employment Commission.

2. Verification of current compliance with Commonwealth of Virginia tax laws.

3. A search of criminal history records on the owner, partner, president or chief executive officer, treasurer or chief financial officer, and the operator's tournament manager. If the owner, partner, president or chief executive officer, treasurer or chief financial officer, or the operator's tournament manager are domiciled outside of the Commonwealth of Virginia or have resided in the Commonwealth of Virginia for fewer than five years, a criminal history search conducted by the appropriate authority in any state in which they have resided during the previous five years shall be provided by the applicant. Appropriate information and authorizations shall be provided to the department to verify this information.

C. An operator registration shall be valid for a period of one year from the date of issuance or for a period specified on the registration. The department may issue a registration for a period of less than one year.

D. The department may refuse to issue a registration or may suspend or revoke a registration if an operator, officer, director, employee, agent, or owner:

1. Is operating without a valid license, permit, certificate, registration, or other similar authority related to gambling in any state, territory, or possession of the United States; the District of Columbia; or any political subdivision thereof;

2. Uses or continues to use a product that has been recalled by the manufacturer;

3. Administers poker tournaments for unauthorized persons or entities, such as qualified organizations not permitted by the department pursuant to 11VAC15-50-30 or otherwise exempted from obtaining or possessing a permit pursuant to § 18.2-340.23 of the Code of Virginia; engages or participates in illegal gambling; or is not authorized to conduct business in the Commonwealth of Virginia;

4. Fails to notify the department within 20 days of the occurrence, knowledge, or receipt of the filing of any administrative or legal action relating to gambling or the administration of poker tournaments involving or concerning the operator, any officer, director, employee, agent, or owner during the term of the operator's registration;

5. Is involved directly or indirectly with another operator whose registration was denied, suspended, or revoked by the department;

6. Fails to provide the report required by subsection I of this section;

7. Has been found by the department to have violated any provision of the Charitable Gaming Statute or this chapter; or

8. Has been engaged in activities that would compromise the department's objective of maintaining the highest level of integrity in charitable gaming.

E. The registration application for an operator that has not previously held a registration shall include:

1. A copy of the articles of incorporation, bylaws, charter, constitution, or other appropriate organizing document;

2. A copy of written internal control policies and procedures that includes segregation of duties, cash security, and cash controls based on generally accepted standards;

3. A list of all qualified organizations on whose behalf the applicant intends to administer a poker tournament, the locations at which the applicant intends to administer a poker tournament; and any other information deemed necessary by the department;

4. A copy of each written contract with a qualified organization;

5. The identity of the operator's tournament managers, dealers, and other game workers. A copy of a current photo identification, such as a driver's license or other government issued identification, of the operator's tournament managers, dealers, and other game workers; and

6. A sample of the badge to be worn by the operator's poker tournament manager, charitable host representative, dealer, and other game workers during the administering of the qualified organization's poker tournament. A badge shall include the following:

a. A recent photo of the person;

b. The first name and last name of the person;

c. The name of the operator; and

d. The date the badge was issued to the person.

F. If any information on the registration application becomes out-dated or is found to be inaccurate, then the operator shall notify the department and provide the updated or corrected information within three business days of the change or the discovery of the inaccuracy.

G. Operators applying to renew a registration previously issued by the department shall submit articles of incorporation, bylaws, charter, constitution, or other organizing document or any other document or information specified in subsection E of this section only if there are any amendments or changes to these documents or information that are directly related to the administering of a poker tournament.

H. Operators shall ensure that a copy of a detailed invoice is provided to the qualified organization for each poker tournament it administers on behalf of the qualified organization. The invoice shall reflect the following:

1. Name, address, and the organization number of the qualified organization;
2. Date and location of the poker tournament; and
3. All information, needed to calculate the fee owed to the operator, including gross receipts, net receipts, and prize disbursement.

I. Each operator shall provide a report to the department by March 1 of each year for the fiscal year ending December 31 of the previous year for each qualified organization it contracted with to administer a poker tournament in the Commonwealth of Virginia. This report shall be provided to the department via a department-approved electronic medium. The report shall include the name, address, and organization number of each qualified organization and the following information for each poker tournament:

1. The total amount of gross receipts generated from each poker tournament;
2. The total amount of prizes disbursed to players for each poker tournament;
3. The total number of players at each poker tournament;
4. Total amount charged by the operator to the qualified organization for administering the poker tournament; and
5. Any other information deemed necessary by the department.

J. An operator that administers a poker tournament for a qualified organization exempt from obtaining or possessing a permit pursuant to § 18.2-340.23 of the Code of Virginia shall ensure the qualified organization is and remains exempted from obtaining or possessing such a permit prior to any poker tournament. The operator shall also obtain a written and signed statement from the president or chief executive officer and treasurer or chief financial officer, or another officer or director if the president or chief executive officer and treasurer or chief financial officer are filled by the same person, confirming that gross receipts are expected to be less than or equal to the amount set forth in § 18.2-340.23 of the Code of Virginia. Such statements shall be dated and kept on file for a minimum of three years from the close of a fiscal year.

K. The operator shall maintain training records related to poker tournaments and 11VAC15-50-50 C for all of its tournament managers, dealers, and other game workers. Such records shall be available for inspection by the department, its employees, or its agents at their request.

L. The operator shall disclose to the department whether any of its directors, officers, owners, partners, employees, independent contractors, agents, their immediate family, or persons residing in their household is affiliated or associated with any qualified organization that is authorized pursuant to § 18.2-340.23 and § 18.2-340.24 of the Code of Virginia to manage, operate, and conduct a poker tournament or to contract with an operator to administer its poker tournament.

M. An operator shall not prepare or submit a permit application or a financial report on behalf of a qualified organization.

11VAC15-50-50. Suspension, revocation, or denial of permit for organization.

A. Pursuant to § 18.2-340.20 of the Code of Virginia, the department may suspend, revoke, or deny the permit of any qualified organization to manage, operate, or conduct poker tournaments or to contract with an operator to administer the qualified organization's poker tournaments for cause including any of the following reasons:

1. The qualified organization is found to be in violation of or has failed to meet any of the requirements of the statutes or regulations governing the operation, management, and conduct of charitable gaming in the Commonwealth of Virginia.

2. The qualified organization is found to be not in good standing with its state or national organization.

3. The IRS revokes or suspends the qualified organization's tax-exempt status.

4. The qualified organization willfully and knowingly provides false information in its application for a permit to conduct charitable gaming.

5. The qualified organization is found to have a member involved in the management, operation, or conduct of its charitable gaming who has been convicted of any felony or any misdemeanor as follows:

a. For any person participating in the management or operation of any charitable gaming:

(1) Convicted of a felony; or

(2) Convicted of any misdemeanor involving fraud, theft, or financial crimes within the preceding five years.

b. For any person participating in the conduct of charitable gaming:

(1) Convicted of any felony within the preceding 10 years; or

(2) Convicted of any misdemeanor involving fraud, theft, or financial crimes within the preceding five years.

6. The qualified organization fails to report a violation as required by 11VAC15-50-170.

7. The qualified organization is found to have managed, operated, or conducted a poker tournament or contracted, whether written or verbal, with an operator or others that administered a poker tournament on its behalf without a permit issued to the qualified organization to do so unless the qualified organization did so in compliance with § 18.2-340.23 A of the Code of Virginia.

8. The qualified organization fails to comply with the disclosure requirement pursuant to 11VAC15-50-30 E 9.

9. The qualified organization, if it uses or intends to use an operator to administer its poker tournament, fails to submit or provide to the department a written contract that complies with 11VAC15-50-140; fails to submit or provide to the department a new or amended written contract with its operator within 20 days after the contract is signed by all parties

to the contract; or fails to submit or provide to the department a new or amended written contract with its operator that complies with 11VAC15-50-140.

10. The qualified organization, its members, any persons affiliated or associated with the qualified organization, their immediate family members, or persons residing in their household directly or indirectly received a loan from a landlord, operator, or supplier of charitable gaming supplies, its agents, its employees, their immediate family members, or persons residing in their household.

11. The operator fails to fulfill any of the conditions of the written contract with the qualified organization as identified under 11VAC15-50-140.

B. The failure to meet any of the requirements of § 18.2-340.24 of the Code of Virginia shall be cause for the denial of the permit, and no qualified organization shall manage, operate, and conduct any poker tournaments or contract with an operator to administer the qualified organization's poker tournaments until the requirements are met and a permit is obtained.

C. Except when an qualified organization fails to meet any of the requirements of § 18.2-340.24 of the Code of Virginia, in lieu of suspending, revoking, or denying a permit to manage, operate, and conduct poker tournaments or to contract with an operator to administer the qualified organization's poker tournaments, the department may afford a qualified organization an opportunity to enter into a compliance agreement specifying additional conditions or requirements as it may deem necessary to ensure a qualified organization's compliance with the statute and regulations governing the conduct of charitable gaming activities and may require that a qualified organization participates in such training as is directed or offered by the department.

D. If a permit is suspended, the department shall set the terms of the suspension, which shall include the length of the suspension and a requirement that, prior to reinstatement of the permit, the organization shall submit a remedial business plan to address the conditions that resulted in the suspension.

11VAC15-50-60. Operation and conduct of Texas Hold'em poker tournaments.

A. A Texas Hold'em poker tournament is a competition at which:

1. Players shall pay a fixed fee for entry into the competition and for a certain amount of poker chips for use in the competition;

2. Players may be allowed to pay an additional fee, during set preannounced times of the competition, to receive additional poker chips for use in the competition;

3. Players may be seated at one or more tables simultaneously playing Texas Hold'em poker games;

4. Players shall, upon running out of poker chips, be eliminated from the competition; and

5. A pre-set number of players shall be awarded prizes of value according to how long such players remain in the competition.

B. Any competition that does not meet the requirements established in subsection A of this section is not permissible. A qualified organization or operator shall ensure its Texas Hold'em poker tournament meets the requirements established in subsection A of this section.

C. Operations of poker tournaments.

1. Participation in poker tournaments.

a. Qualified organizations shall (i) only manage, operate, and conduct a poker tournament after a permit has been issued by the department unless the qualified organization is exempted from obtaining or possessing a permit pursuant to § 18.2-340.23 of the Code of Virginia; or (ii) obtain a permit pursuant to 11VAC15-50-30 and contract with an operator that is registered pursuant to 11VAC15-50-40 to administer its poker tournament.

b. An operator shall only administer a poker tournament for a qualified organization permitted by the department pursuant to 11VAC15-50-30, or otherwise exempted from obtaining or possessing a permit pursuant to § 18.2-340.23 of the Code of Virginia; and an operator shall only administer a poker tournament after it is registered pursuant to 11VAC15-50-40.

c. All persons participating as a player in a poker tournament shall be 18 years of age or older.

d. The qualified organization's game managers, volunteer game workers, volunteer dealers, charitable host representatives, their immediate family members, or persons residing in their household shall not participate in or otherwise play in any of the qualified organization's poker tournaments.

e. The operator's directors, officers, owners, partners, tournament managers, employees, independent contractors, agents, their immediate family members, or persons residing in their household shall not participate in or otherwise play in any poker tournaments administered by the operator.

f. The qualified organization is responsible for all actions performed by its game managers, volunteer game workers, volunteer dealers, and charitable host representatives; and if the qualified organization contracted with an operator to administer its poker tournament, then the qualified organization is responsible for the operator's actions during its poker tournament.

2. Operations of tournaments.

a. During a poker tournament, if the qualified organization is managing, operating, and conducting its own poker tournament, then a game manager must be physically present during the entire duration of the poker tournament. If an operator is administering the poker tournament, then the operator's tournament manager and charitable host representative must be physically present during the entire duration of the poker tournament.

b. During a poker tournament, the qualified organization or operator shall provide badges for each of its game manager, operator's tournament manager, charitable host representative, dealers, and other game workers that shall be worn in a manner in which the badges are visible to players and to the department, its employees, or its agents during the duration of the poker tournament. A game manager, operator's tournament manager, charitable host representative, dealers, and other game workers shall also possess a current photo identification, such as a driver's license or other government issued identification. The game manager, tournament manager, charitable host representative, dealers, and other game workers shall provide the badge, current photo identification, or both upon request by the department, its employees, or its agents to do so. These badges shall meet the criteria set forth under 11VAC15-50-30 and 11VAC15-50-40.

c. If the qualified organization is managing, operating, and conducting its own poker tournament, then a game manager shall complete and sign a poker tournament reconciliation form within 48 hours of the end of the poker tournament as required by 11VAC15-50-110. If an operator is administering the poker tournament, then the operator's tournament manager and charitable host representative shall complete and sign a poker tournament reconciliation form within 48 hours of the end of the poker tournament as required by 11VAC15-50-110.

d. All persons involved in managing, operating, conducting, or administering a poker tournament shall be 18 years or age or older.

e. During the poker tournament, a qualified organization or operator may award players participating in the poker tournament prizes of value, the value of which may be determined by the game manager or the operator's tournament manager, under the following conditions, including, but not limited to:

(1) A player, within a specific period of time as determined by the game manager or the operator's tournament manager, wins the highest ranked hand;

(2) A player sitting on the seat randomly determined by the game manager or operator's tournament manager, at a specific period of time as determined by the game manager or the operator's tournament manager;

(3) Every player sitting at a single table that is randomly determined by the game manager or operator's tournament manager, at a specific period of time as determined by the game manager or the operator's tournament manager;

(4) A player that loses a hand that is the highest losing ranking hand, within a specific period of time as determined by the game manager or the operator's tournament manager;

(5) The last player who remains in the poker tournament who participated in the last man standing bet;

(6) An amount of poker chips, as determined by the game manager or operator's tournament manager, that are placed into the pot at a randomly selected table by the game manager or the operator's tournament manager before the hand begins, before any players place any blinds; or

(7) Those players who pay an additional fee to receive additional poker chips at the set preannounced times for use in the poker tournament may be awarded prizes based on how long such player remains in the tournament, as determined by the game manager or the operator's tournament manager.

f. The game manager or the operator's tournament manager shall:

(1) Adhere to the definition of Texas Hold'em Poker Games as stated in § 18.2-340.16;

(2) Apply the ranking of hands and the rules of the poker tournament as governed by the official rules of the Poker Tournament Directors Association; and

(3) Apply the code of conduct and etiquette as governed by Robert's Rules of Poker.

g. For the purposes of maintaining integrity of the poker tournament, the dealer shall only be responsible for dealing playing cards and handling poker chips at the poker table during the poker tournament and not assigned any other duties or responsibilities not directly related to such activities.

h. If the charitable host representative is involved in any portion of the cash handling during a poker tournament administered by an operator, then the charitable host representative shall adhere to the operator's internal control policies and procedures that were submitted to the department by the operator pursuant to 11VAC15-50-40 E.

i. The poker tournament shall include a live dealer, physical playing cards, and physical poker chips.

3. A qualified organization shall display prominently its charitable gaming permit during the poker tournament, and if the qualified organization uses an operator to administer its poker tournament, then the operator shall display its operator registration.

4. A game manager, or the charitable host representative and operator's tournament manager if the qualified organization uses an operator to administer its poker tournament, shall jointly display prominently a poster advising the public of a phone number where complaints relating to the poker tournament may be made. Such posters shall be in a format prescribed by the department, as required by 11VAC15-50-170.

5. A game manager, or the charitable host representative and operator's tournament manager if the qualified organization uses an operator to administer its poker tournament, shall jointly display prominently a poster that bears a toll-free telephone number for "Gamblers Anonymous" or other organization that provides assistance to compulsive gamblers.

6. A game manager, or the charitable host representative and operator's tournament manager if the qualified organization uses an operator to administer its poker tournament, shall jointly display prominently any house rules, which shall govern the poker tournament beyond the official rules for poker tournaments established by the Poker Tournament Directors Association, and the code of conduct and etiquette as governed by Robert's Rules of Poker. Any house rules shall be consistent with the charitable gaming statutes, this chapter, the official rules for poker tournaments established by the Poker Tournament Directors Association, and the code of conduct and etiquette as governed by Robert's Rules of Poker.

7. A game manager, or the charitable host representative and operator's tournament manager if the qualified organization uses an operator to administer its poker tournament, shall jointly ensure any poker chips, playing cards, or mechanical poker equipment used to conduct the poker tournament are not counterfeit, tampered with or otherwise affect the integrity of the poker tournament prior to, during and after the poker tournament. Any poker chips found to be counterfeit, or playing cards or mechanical equipment found to be tampered with shall be removed immediately from the poker tournament. Such incidents shall be reported by the qualified organization or jointly by the qualified organization and operator to the department pursuant to 11VAC15-50-170.

8. A game manager, or the charitable host representative and operator's tournament manager if the qualified organization uses an operator to administer its poker tournament, shall jointly ensure all mechanical poker equipment is fully functional and maintains the integrity of the poker tournament prior to, during and after the poker tournament. Any mechanical poker equipment not meeting these particular standards shall be removed immediately from the poker tournament by the game manager, or if the qualified organization uses an operator to administer its poker tournament, then the charitable host representative and the operator's tournament manager.

9. Qualified organization shall not manage, operate, or conduct its poker tournament, or have its poker tournament administered by an operator in a facility or premises that conducts gambling activities, unless such activities are authorized by the § 18.2-340.16 et seq. of the Code of Virginia; 11VAC15-40, Charitable Gaming Regulations; this chapter; § 59.1-364 et seq. of the Code of Virginia; and § 58.1-4000 et seq. of the Code of Virginia.

10. Only qualified organizations, registered operators and permitted charitable gaming suppliers shall advertise a poker tournament. Any printed advertisement is permitted, provided the name of the qualified organization shall be in a type size equal to or larger than the name of the premises used for the poker tournament, name of the operator, or any word referring to the poker tournament.

11VAC15-50-70. Approval of mechanical card shuffler and dealer shoes, and other mechanical equipment.

A. The department shall set testing criteria for all mechanical card shuffler and dealer shoes and other mechanical equipment used during a poker tournament. A mechanical card shuffler and dealer shoe or other mechanical equipment used during a poker tournament shall not be sold, leased, or otherwise furnished to any person in the Commonwealth of Virginia for use during a poker tournament until an identical sample card shuffler and dealer shoes or equipment containing identical software has been certified by a testing facility that has been formally recognized by the department as a testing facility, which upholds the standards of integrity established by the department. The testing facility must certify that the mechanical card shuffler and dealer shoe, other mechanical equipment, associated hardware and associated software conform, at a minimum, to the requirements set forth in this chapter. Once the testing facility reports the test results to the department, the department will either approve or disapprove the mechanical card shuffler and dealer shoe or other mechanical equipment, and inform the manufacturer of the results. If any such system or equipment does not meet the department's criteria, it shall be recalled and shall not be distributed in the Commonwealth of Virginia. The cost of testing shall be borne by the manufacturer of such equipment.

B. Notwithstanding any other testing criteria established by the department, the mechanical card shuffler and dealer shoe shall be tested to the standards established by Gaming Laboratories International for card shufflers and dealer shoes.

11VAC15-50-80. Rules of play.

Qualified organizations and operators shall adhere to the official rules of the Poker Tournament Directors Association and the code of conduct and etiquette from Robert's Rules of Poker.

11VAC15-50-90. Requirements regarding renting premises, agreements, and landlord participation.

A. No qualified organization shall rent or use any leased premises to be used for poker tournaments unless all terms for rental or use are set forth in a written contract and signed by the parties thereto prior to the issuance of a permit to conduct charitable gaming.

B. Qualified organizations shall not make any payments to a landlord except by check drawn directly from the qualified organization's charitable gaming account and in accordance with the conditions set forth in the written contract in subsection A.

C. No landlord, its agents, its employees, their immediate family members, or persons residing in their household shall directly or indirectly make any loan to any qualified organization, operator, or supplier of charitable gaming supplies, its members, any persons affiliated or associated with the qualified organization, their immediate family members, or persons residing in their household.

D. No landlord, its agents, its employees, their immediate family members, or persons residing in their household shall directly or indirectly make any payment to any qualified organization, operator, or supplier of charitable gaming supplies, its members, any persons affiliated or associated with the qualified organization, their immediate family members, or persons residing in their household unless such payment from the landlord to the qualified organization is directly related to a written contract and the facility leased for use to hold a poker tournament as required

by subsection A and such a payment is made by check from the qualified organization's charitable gaming account directly to the landlord

E. No landlord, its agent, its employees, their immediate family members, or persons residing in their household shall, at a poker tournament operated, conducted, or administered on the landlord's premises:

1. Participate in the management, operation, conduct, or administration of any poker tournament;

2. Sell, lease, or otherwise provide any charitable gaming supplies including, but not limited to, playing cards, poker chips, or other game pieces;

3. Require as a condition of the written contract that a particular supplier of charitable gaming supplies is used by the qualified organization; or

4. Provide, advise, or direct the qualified organization or operator to use any particular person for the purposes of the management, operation, conduct or administration of a poker tournament, which is to be held in the landlord's facility.

F. No member of a qualified organization involved in the management, operation, or conduct of a poker tournament shall provide any services to a landlord or be remunerated in any manner by the landlord of the facility where a qualified organization is using to operate and conduct its poker tournament.

11VAC15-50-100. Bank accounts.

A. A qualified organization shall maintain a charitable gaming bank account that is separate from any other bank account and all gaming receipts shall be deposited into the charitable gaming bank account.

B. Disbursements for expenses by the qualified organization other than prizes and reimbursement of meal expenses shall be made by check directly from its charitable gaming account. However, if agreed upon by both the qualified organization and the operator, the expenses incurred by an operator administering a poker tournament may be disbursed from the qualified organization's charitable gaming account through an electronic fund transfer to the operator provided that such an arrangement is agreed upon by both the qualified organization and the operator. A written agreement specifying the terms of this arrangement shall be required prior to any electronic fund transfer occurring between the two parties.

C. All charitable gaming bank account records, including but not limited to monthly bank statements, canceled checks or facsimiles thereof, and reconciliations, shall be maintained for a minimum of three years following the close of a fiscal year.

D. All receipts from the poker tournament shall be deposited by the second business day following the tournament at which they were received. However, receipts received by an operator for administering a poker tournament for a qualified organization may be deposited through an electronic fund transfer into the qualified organization's charitable gaming account provided that such an arrangement is agreed upon by both the qualified organization and the operator. A written

agreement specifying the terms of this arrangement shall be required prior to any electronic fund transfer occurring between the two parties.

11VAC15-50-110. Recordkeeping.

A. In addition to the records required by § 18.2-340.30 D of the Code of Virginia, qualified organizations managing, operating, and conducting poker tournaments or contracting with an operator to administer poker tournaments shall maintain a system of records for a minimum of three years from the close of the fiscal year, for each poker tournament on forms prescribed by the department, or reasonable facsimiles of those forms approved by the department, that include:

1. Charitable gaming supplies purchased and used for poker tournaments;

2. If the qualified organization is managing, operating, and conducting its own poker tournament, then a game manager shall complete and sign a poker tournament reconciliation form within 48 hours of the end of the poker tournament. If an operator is administering the poker tournament, then the operator's tournament manager and charitable host representative shall complete and sign a poker tournament reconciliation form within 48 hours of the end of the poker tournament;

3. All discounts provided;

4. A reconciliation to account for cash received from workers who received payment from players for entry into the poker tournament;

5. An admissions control system that provides a cross-check on the number of players in attendance and sales. This may include a ticket control system, cash register, or any similar system;

6. Itemized record of all receipts and disbursements associated with a poker tournament, including written contracts with an operator, rent, advertisement, and security as well as use of proceeds disbursements. Copies of invoices and other documentation for all such disbursements shall also be maintained;

7. All other operating expenses, in which receipts from a poker tournament were used to pay such expenses. Copies of invoices and other documentation for all such other expenses shall also be maintained;

8. A record of the name and address of each winner who was awarded a prize during or after the conclusion of the poker tournament; and

9. For any prize or jackpot of a value that meets or exceeds the reporting requirements in the IRS's Publication 3079, the name and address of each individual to whom any such prize or jackpot is awarded and the amount of the award.

B. The qualified organization and their contracted operator shall each maintain independent records from one another on each poker tournament. The qualified organization shall not have their records managed, maintained or stored by an operator.

C. All unused charitable gaming supplies shall either be returned for refund to the supplier in unopened original packaging in resalable condition as determined by the supplier or destroyed following notification to the department on a form prescribed by the department. The qualified

organization shall maintain a receipt for all such charitable gaming supplies returned to the supplier or destroyed.

11VAC15-50-120. Financial reporting, penalties, inspections, and audits.

A. Each qualified organization shall file an annual report of receipts and disbursements by March 15 of each year on a form prescribed by the department. The annual report shall cover the activity for the fiscal year. The qualified organization may combine this report with its report for other forms of charitable gaming into a single report to satisfy this section and 11VAC15-40-90.

B. The annual report shall be accompanied by the audit and administration fee as established by the department for the fiscal year unless the fee has been remitted with quarterly reports or the qualified organization is exempt from payment of the fee pursuant to § 18.2-340.23 of the Code of Virginia.

C. A qualified organization desiring an extension to file its annual report for good cause shall request the extension in writing on a form prescribed by the department and shall pay the projected audit and administration fee, unless exempt from payment of the fee pursuant to § 18.2-340.23 of the Code of Virginia. The extension request and payment of projected fees shall be made in accordance with the provisions of § 18.2-340.30 of the Code of Virginia.

D. Unless exempted by § 18.2-340.23 of the Code of Virginia, qualified organizations realizing any gross gaming receipts in any calendar quarter shall file a quarterly report of receipts and disbursements on a form prescribed by the department as follows:

<u>Quarter Ending</u>	<u>Date Due</u>
<u>March 31</u>	<u>June 1</u>
<u>June 30</u>	<u>September 1</u>
<u>September 30</u>	<u>December 1</u>
<u>December 31</u>	<u>March 1</u>

Qualified organizations shall submit quarterly reports with the appropriate audit and administration fee unless the qualified organization is exempt from payment of the fee pursuant to § 18.2-340.23 of the Code of Virginia. The qualified organization may combine this report with other forms of charitable gaming into a single report to satisfy this section and 11VAC15-40-90. An annual financial report may substitute for a quarterly report if the qualified organization has no further charitable gaming income during the remainder of the reporting period and the annual report is filed by the due date for the applicable calendar quarter.

E. A qualified organization desiring an extension to file its quarterly report for good cause shall request the extension in writing on a form prescribed by the department and shall pay the projected audit and administration fee unless exempt from payment of the fee pursuant to § 18.2-340.23 of the Code of Virginia. The extension request and payment of projected fees shall be made in accordance with the provisions of § 18.2-340.30 of the Code of Virginia.

F. Qualified organizations failing to file required reports, request an extension, or make fee payments when due shall be charged a penalty of \$25 per day from the due date until such time as the required report is filed.

G. Qualified organizations failing to file a quarterly report or annual report on or before the due date as specified in subsection A and subsection D of this section, unless an extension was granted by the department in accordance with subsection C and subsection E of this section, shall have their permit automatically revoked by the department as required by § 18.2-340.30 of the Code of Virginia.

H. Any qualified organization in possession of funds derived from charitable gaming (including those who have ceased operations), regardless of when such funds may have been received or whether it has a valid permit from the department, shall file an annual financial report on a form prescribed by the department on or before March 15 of each year until such funds are depleted. If a qualified organization ceases the conduct of charitable gaming, it shall provide the department with the name of an individual who shall be responsible for filing financial reports. If no such information is provided, the president or the chief executive officer of an organization shall be responsible for filing reports until all charitable gaming proceeds are depleted.

I. If a qualified organization has been identified through inspection, audit, or other means as having deficiencies in complying with statutory or regulatory requirements or having ineffective internal controls, the department may impose restrictions or additional recordkeeping and financial reporting requirements.

J. Any records deemed necessary to complete an inspection, audit, or investigation may be collected by the department, its employees, or its agents from the premises of an organization or any location where charitable gaming is conducted or any location where the records are located or stored by the organization. The department shall provide a written receipt of such records at the time of collection.

11VAC15-50-130. Use of proceeds.

A. All payments by a qualified organization intended as use of proceeds must be made by check written from the qualified organization's charitable gaming account.

B. Use of proceeds payments may be made for scholarship funds or the future acquisition, construction, remodeling, or improvement of real property or the acquisition of other equipment or vehicles to be used for religious, charitable, educational, or community purposes. In addition, a qualified organization may obtain department approval to establish a special fund account or an irrevocable trust fund for special circumstances. Transfers to such an account or an irrevocable trust fund from the qualified organization's charitable gaming account may be included as a use of proceeds if the payment is authorized by the qualified organization's board of directors.

No payments made to such a special fund account shall be withdrawn for other than the specified purpose unless prior notification is made to the department.

C. Expenditures of charitable gaming funds for social or recreational activities or for events, activities, or programs that are open primarily to an organization's members and their families shall not qualify as use of proceeds unless substantial benefit to the community is demonstrated.

D. Payments made to or on behalf of indigent, sick, or deceased members or their immediate families shall be allowed as use of proceeds provided they are approved by the qualified organization's board of directors and the need is documented.

E. Payments made directly for the benefit of an individual member, member of his family, or person residing in his household shall not be allowed as a use of proceeds unless authorized by law or elsewhere in this chapter.

F. Use of proceeds payments by a qualified organization shall not be made for any activity that is not permitted by federal, state, or local laws or for any activity that attempts to influence or finance directly or indirectly political persons or committees or the election or reelection of any person who is or has been a candidate for public office.

G. Organizations shall maintain details of all use of proceeds disbursements for a minimum of three years from the close of the fiscal year and shall make this information available to the department upon request.

H. The department may disallow a use of proceeds payment to be counted against the minimum percentage referred to in 11VAC15-50-20 D. If any payment claimed as use of proceeds is subsequently disallowed, a qualified organization may be allowed additional time as specified by the department to meet minimum use of proceeds requirements.

I. The department may publish the amount of fees paid by a qualified organization to an operator for administering its poker tournaments.

J. The department may publish the amount of proceeds generated by the qualified organization's poker tournaments used for (i) lawful religious, charitable, community or educational purposes for which the organization is specifically chartered or (ii) those expenses relating to the acquisition, construction, maintenance or repair of any interest in real property involved in the operation of the organization and used for lawful religious, charitable, community or educational purposes; and any other financial information deemed necessary by the department.

11VAC15-50-140. Requirements regarding contracts.

A. If the qualified organization decides to use an operator to administer its poker tournament, then it shall enter into a written contract with the operator.

B. The written contract between the qualified organization and operator shall identify the conditions and cost for the operator to administer the poker tournaments for the qualified organization. This written contract shall:

1. Require the operator to provide assurances to the qualified organization and the department that its owner, partner, president or chief executive officer, treasurer or chief financial officer, and the operator's tournament manager, employees, independent contractors, or agents have never been convicted or pleaded nolo contendere to any felony or any misdemeanor as follows:

a. For any person serving as the operator's tournament manager for the qualified organization's poker tournament:

(1) Convicted of a felony; or

(2) Convicted of any misdemeanor involving fraud, theft, or financial crimes within the preceding five years.

b. For any person serving as a dealer or any other game worker for the qualified organization's poker tournament:

(1) Convicted of any felony within the preceding 10 years; or

(2) Convicted of any misdemeanor involving fraud, theft, or financial crimes within the preceding five years.

c. For any owner, partner, president or chief executive officer, and treasurer or chief financial officer of the operator:

(1) Convicted of or pleaded nolo contendere to a felony in any state or federal court or has been convicted of any offense which, if committed in the Commonwealth, would be a felony; or

(2) Convicted of or pleaded nolo contendere to a crime involving gambling.

2. Require the operator to report to the qualified organization and the department within 20 days if there is any action taken against any valid license, permit, certificate, registration, or other similar documents related to gambling held by the operator in any state, territory, a possession of the United States, the District of Columbia or any political subdivision thereof.

3. Require the operator to report to the qualified organization and the department within 20 days if it failed to file or has failed to file or has been delinquent in excess of one year in the filing of any tax returns or the payment of any taxes due the Commonwealth; or has failed to establish a registered office or registered agent in the Commonwealth if so required by § 13.1-634 or 13.1-763 of the Code of Virginia.

4. Require the operator to provide the qualified organization and the department with access to the operator's financial record for each poker tournament administered on its behalf for at least the past three fiscal years and if necessary, to provide the qualified organization with copies or the department with the originals of such records or any other records deemed necessary to complete an inspection, audit, or investigation without hindrance from the operator. The department shall provide a written receipt for the originals of such records at the time of collection.

5. Require the operator to provide the qualified organization with a copy of a detailed invoice for each poker tournament it administers on behalf of the qualified organization, which the invoice shall meet the requirements specified in subsection H of 11VAC15-50-40.

6. Require the operator to retain all bank account records, including but not limited to monthly bank statements, canceled checks or facsimiles thereof, and reconciliations, shall be maintained for a minimum of three years following the close of a fiscal year.

7. Require the operator to purchase its charitable gaming supplies from a permitted charitable gaming supplier duly permitted pursuant to § 18.2-340.34 of the Code of Virginia.

8. Require the operator's tournament manager, dealers and other game workers to wear badges that meets the requirements set forth in subsection E of 11VAC15-50-40 and for each of them to possess a current photo identification, such as a driver's license or other government issued identification while they administer the qualified organization's poker tournament. The operator's tournament manager, dealers and other game workers shall provide the badge, current photo identification, or both upon request by the department, its employees, or its agents.

9. Require the operator to display prominently its operator's registration during each poker tournament administered on the qualified organization's behalf.

10. Require the operator to display prominently any house rules, which shall govern the poker tournament beyond the official rules for poker tournaments established by the Poker Tournament Directors Association, and the code of conduct and etiquette as governed by Robert's Rules of Poker during each poker tournament administered on the qualified organization's behalf. Any house rules shall be consistent with the charitable gaming statutes, this chapter, the official rules for poker tournaments established by the Poker Tournament Directors Association, and the code of conduct and etiquette as governed by Robert's Rules of Poker.

11. Require the operator to display prominently a poster, which bears a toll-free telephone number for "Gamblers Anonymous" or other organization, which provides assistance to compulsive gamblers during each poker tournament administered on the qualified organization's behalf.

12. Require the operator to provide the qualified organization with a copy of written internal control policies and procedures, which will be used during each poker tournament administered on the qualified organization's behalf.

13. Require the operator to refrain from administering poker tournaments for unauthorized persons or entities, such as qualified organizations not duly permitted by the department pursuant to 11VAC15-50-30, unless it is exempted from obtaining or possessing a permit pursuant to § 18.2-340.23 of the Code of Virginia; engages or participates in illegal gambling; or is not authorized to conduct business in the Commonwealth of Virginia.

14. Require the operator to obtain a surety or surety bond payable to the qualified organization, if the operator fails to perform its contractual obligation. The amount of the surety or surety bond shall be agreed upon between both the qualified organization and the operator, and to cover any liability resulting from the administration of the qualified organization's poker tournaments. The written contract shall contain specific information, including, but not limited to the name and contact information on the provider of the surety or surety bond on how the qualified organization shall make a claim against the surety, surety bond or another form of guaranty. The operator shall inform the qualified organization on any changes related to this subsection.

15. Require the operator to comply with any restrictions or additional recordkeeping and financial reporting requirements imposed upon the qualified organization by the department due to deficiencies identified through inspection, audit, or other means.

16. Require no more than 50% of the gross receipts from the poker tournament shall go to the operator as payment to the operator for the expense of administering the qualified organization's poker tournament. Such payment may include a fixed fee, but such a fee shall not exceed 50% of the gross receipts from the poker tournament. Any fee, up to the allowable amount shall be specified within the written contract.

17. Require the operator to pay all expenses, other than prizes, to be made by check directly from its account.

18. Require the operator to prohibit its directors, officers, owners, partners, tournament managers, employees, independent contractors and agents from participating in or otherwise playing in any poker tournaments it administers for the qualified organization.

19. Require the operator to prohibit its directors, officers, owners, partners, tournament managers, employees, independent contractors, or agents from employing, contracting, or otherwise compensating any person affiliated or associated with a qualified organization, their immediate family, or persons residing in their household for which the operator is contracted to administer the qualified organization's poker tournament.

20. A provision relating to any negotiated expenses associated with the administration of the poker tournament. These expenses shall be specifically identified in the written contract with a specified amount. The total amount of expenses related to the administration of the poker tournament shall not exceed the allowable expense identified in subsection 16 of this section.

21. A provision prohibiting the operator from charging, assessing, levying, collecting or otherwise requesting the payment of any fees, charges, or any other assessments, against the qualified organization for administering its poker tournament except, for the fee allowed in subsection 16 of this section.

22. A provision specifying the duration of the written contract period, and the termination rights for the qualified organization and operator.

23. If agreed upon by both the qualified organization and the operator, the receipts received by an operator due to the operator's administering of a poker tournament for a qualified organization may be deposited through an electronic fund transfer into the qualified organization's charitable gaming account provided that such an arrangement is agreed upon by both the qualified organization and the operator. A written agreement specifying the terms of this arrangement shall be required prior to any electronic fund transfer occurring between the two parties.

24. If agreed upon by both the qualified organization and the operator, the expenses incurred by an operator administering a poker tournament may be disbursed from the qualified organization's charitable gaming account through an electronic fund transfer to the operator provided that such an arrangement is agreed upon by both the qualified organization and the operator. A written agreement specifying the terms of this

arrangement shall be required prior to any electronic fund transfer occurring between the two parties.

25. If the operator leases a facility for the purposes of administering the qualified organization's poker tournament, then the written contract shall prohibit the landlord from serving as an operator and meets the conditions set forth in 11VAC15-50-90.

C. Qualified organizations shall only contract with those operators who adhere to the provisions of Va. Code §18.2-315 et. seq and this chapter.

11VAC15-50-150. Suppliers of charitable gaming supplies.

For purposes of this chapter, a supplier shall be subject to the provisions of 11VAC15-40-120.

11VAC15-50-160. Procedural rules for informal fact-finding conferences and hearings.

A. Informal fact-finding conference; notification, appearance, and conduct.

1. Unless automatic revocation or immediate suspension is required by law, no permit issued to a qualified organization to manage, operate and conduct poker tournaments or registration issued to an operator to administer poker tournaments shall be denied, suspended, or revoked except after review and approval of such proposed denial, suspension, or revocation action by the board, and upon notice stating the basis for such proposed action and the time and place for an informal fact-finding conference as set forth in § 2.2-4019 of the Administrative Process Act unless waived by both the named party and the department.

2. If a basis exists for a refusal to renew, suspend, or revoke a permit or registration, the department shall notify by certified mail or by hand delivery to the interested persons at the address of record maintained by the department.

3. Notification shall include the basis for the proposed action and afford interested persons the opportunity to present written and oral information to the department that may have a bearing on the proposed action at an informal fact-finding conference. If there is no withdrawal, an informal fact-finding conference shall be scheduled at the earliest mutually agreeable date, but no later than 60 days from the date of the notification. Qualified organizations or operators who wish to waive their right to a conference shall notify the department at least 14 days before the scheduled conference.

4. If, after consideration of evidence presented during an informal fact-finding conference, a basis for action still exists, the interested persons shall be notified in writing within 90 days of the informal fact-finding conference via certified or hand-delivered mail of the decision and the right to a formal hearing. Parties to the conference may agree to extend the report deadline if more time is needed to consider relevant evidence.

B. Hearing; notification, appearance, and conduct.

1. If, after an informal fact-finding conference, a sufficient basis still exists to deny, suspend, or revoke a permit or registration, interested persons shall be notified by certified or hand-delivered mail of the proposed action and of the opportunity for a hearing on the proposed action. If a qualified organization or operator desires to request a hearing, it shall notify the department within 14 days of receipt of a report on the conference. Parties may

enter into a consent agreement to settle the issues at any time prior to, or subsequent to, an informal fact-finding conference.

2. Unless otherwise provided by law, if a party without good cause fails to attend or appear at a formal hearing conducted in accordance with § 2.2-4020, or at an informal fact-finding proceeding conducted pursuant to § 2.2-4019, the presiding officer may issue a default order in accordance with § 2.2-4020.2..

3. Oral and written arguments may be submitted to and limited by the hearing officer. Oral arguments shall be recorded in an appropriate manner.

C. Hearing location. Hearings before a hearing officer shall be held, insofar as practicable, in the county or city in which the qualified organization or operator is located. If the parties agree, hearing officers may conduct hearings at locations convenient to the greatest number of persons or by telephone conference, video conference, or similar technology, in order to expedite the hearing process.

D. Hearing decisions.

1. Recommendations of the hearing officer shall be a part of the record and shall include a written statement of the hearing officer's findings of fact and recommendations as well as the reasons or basis for the recommendations. Recommendations shall be based upon all the material issues of fact, law, or discretion presented on the record.

2. The department shall review the recommendation of the hearing officer and render a decision on the recommendation within 30 days of receipt. The decision shall cite the appropriate rule, relief, or denial thereof as to each issue.

E. Agency representation. The commissioner's designee may represent the department in an informal fact-finding conference or at a hearing.

11VAC15-50-170. Reporting violations.

A. Unless otherwise required by law, the identity of any individual who provides information to the department or its agents regarding alleged violations shall be held in strict confidence.

B. Any officer, director, or game manager of a qualified organization or any officer or director of an operator shall immediately report to the department any information pertaining to the suspected misappropriation or theft of funds or any other violation of charitable gaming statutes or this chapter, including, but not limited to counterfeit poker chips, tampered playing cards, or tampered mechanical poker equipment.

C. Failure to report the information required by subsection B of this section may result in the denial, suspension, or revocation of a permit or registration.

D. Any officer, director, or game manager of a qualified organization involved in the management, operation, or conduct of charitable gaming shall immediately notify the department upon being convicted of a felony or a crime involving fraud, theft, or financial crimes.

E. Any officer, director, partner, or owner of an operator shall immediately notify the department upon being convicted or of pleading nolo contendere to a felony or a crime involving gambling or an action against any valid license, permit, certificate, registration, or other similar documents

related to gambling held by the operator in any state, territory, a possession of the United States, the District of Columbia or any political subdivision thereof.

F. Failure to report information required by subsection D or E of this section by any officer, director, or game manager of a qualified organization or by any operator may result in the denial, suspension, or revocation of a permit or registration.

G. Any officer, director, or game manager of a qualified organization shall immediately report to the department any change the IRS makes in the tax status of the organization, or if the organization is a chapter of a national organization covered by a group tax exempt determination, the tax status of the national organization.

H. All qualified organizations permitted by the department, or operator registered by the department shall display prominently a poster advising the public of a phone number where complaints relating to poker tournaments may be made. Such posters shall be in a format prescribed by the department.