

ASSEMBLY SUBSTITUTE
(Proposed by Assemblyman Burzichelli)
FOR
ASSEMBLY, No. 2578 (1R)

STATE OF NEW JERSEY

Sponsored by Assemblymen BURZICHELLI, PRIETO, and RAMOS, JR.

AN ACT authorizing Internet gaming at Atlantic City casinos under certain circumstances and amending and supplementing the "Casino Control Act", P.L.1977, c.110 (C.5:12-1 et seq.), and repealing section 11 of P.L.2011, c.18.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. (New section) The Legislature finds and declares that:

- a. The 1976 amendment to the New Jersey Constitution that amended Article IV, Section VII, paragraph 2 thereof, and the Casino Control Act, P.L.1977, c.110 (C.5:12-1 et seq.), that authorized casino gaming in Atlantic City casinos clearly demonstrate, both through their text and their legislative history, that a fundamental goal of these enactments was to achieve the rehabilitation of Atlantic City as a tourist and resort destination; and
- b. As recognized in the July 2010 Report of the Governor's Advisory Commission on New Jersey Gaming, Sports, and Entertainment, and as confirmed in subsequent legislative hearings held in Trenton and throughout the State culminating in the enactment of significant bipartisan reform legislation in February of 2011 (P.L.2011, c.18 and P.L.2011, c.19), legalized casino gaming in New Jersey presently stands at a crossroads, facing critical regional and global challenges that jeopardize its important role in the State's economy; and
- c. The State and New Jersey's general public possess a vital interest in the success of tourism and casino gaming in Atlantic City, having established a limited exception to the general policy of the State concerning gaming for private gain under Article IV,

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Section VII, paragraph 2 of the New Jersey Constitution within Atlantic City, which by reason of its location, natural resources, and historical prominence and reputation as a noteworthy tourist destination, has been determined by the people of this State, the Legislature, and the Governor to be a unique and valuable asset that must be preserved, restored, and revitalized; and

d. The tourist, resort, and convention industry in Atlantic City constitutes a critical component of our State's economic infrastructure that, if properly regulated, developed, and fostered, is capable of providing a substantial contribution to the general health, welfare, and prosperity of the State and its residents; and

e. As recognized in the State Constitution and the Casino Control Act, as well as in P.L.2011, c.18 and P.L.2011, c.19, an important component of the State's historical and ongoing commitment to Atlantic City involves creating and maintaining a robust casino gaming industry that is capable of competing regionally, nationally, and internationally at the highest levels of quality while, at the same time, fully retaining strict State regulatory oversight to ensure the integrity of all casino gaming operations conducted in this State; and

f. Since the development of the Internet, millions of people have chosen to gamble online through illegal off-shore operators, and such gambling is conducted without oversight, regulation, enforcement, or consumer protections, all of which raise significant concerns for the protection of individuals and consumers in this State; and

g. In October 2006, the United States Congress passed the Unlawful Internet Gambling Enforcement Act, 31 U.S.C. 5361 et seq., which generally prohibits the use of banking instruments, including credit cards, checks, and fund transfers, for interstate Internet gambling, essentially prohibiting online gambling by United States citizens, but which includes exceptions that permit individual states to create a regulatory framework to enable intrastate Internet gambling, provided that the bets or wagers are made exclusively within a single state under certain circumstances; and

h. An effective State regulatory and licensing system for participating in online gaming would increase public trust and confidence in legalized gambling, inhibit wagering by underage or otherwise vulnerable individuals, ensure that any games offered through the Internet are fair and safe, end the practice of sending much-needed jobs and tax revenue overseas to illegal operators while creating jobs and economic development in Atlantic City, and ensure that only those of good character and fitness who meet strict criteria may participate in Internet gaming operations in New Jersey; and

i. Moreover, providing regulators and law enforcement with the

tools to restrict and stop the illegal Internet gambling market that takes place via the Internet in foreign jurisdictions and authorizing strict controls over how Atlantic City casinos may accept wagers placed over the Internet for games conducted in Atlantic City casinos will assist and enhance the rehabilitation and redevelopment of existing tourist and convention facilities in Atlantic City consistent with the original intent of the Casino Control Act and will further assist in marketing Atlantic City to customers that now have the convenience of gambling in jurisdictions closer to their homes through the legalization of gambling in states throughout the United States over the past three decades; and

j. Internet gaming, as defined and strictly limited in P.L. , c. (C.) (pending before the Legislature as this bill), is unlike pari-mutuel wagering and other forms of remote gambling and will take place entirely on the servers and computer equipment located in the casino based in Atlantic City. By contrast, in off-track pari-mutuel simulcast wagering, the customer places a wager at an off-track facility, the wager is accepted by the off-track facility, as evidenced by issuance of a ticket, and any amounts paid on a winning wager are paid out and received at the off-track facility. Any rights on the part of a customer in the event of a dishonored, misdirected or other frustrated pari-mutuel wager arise against the off-track facility where the wager is placed and received, not against the remote track at which the race is run; and

k. Internet gaming as authorized and limited under this act, on the other hand, requires that all hardware, software, and other equipment that is involved with Internet gaming will be located in casino facilities in Atlantic City. All that is needed by a customer is a computing or similar device of general application and a communications connection through a common carriage or similar medium. For example, in an online poker or other card game, the "table" is the server hosted by the operator in the casino premises in Atlantic City. The "cards" are played on that table in Atlantic City, and the wager is placed on and accepted at that table. No activity other than the transmission of information to and from the players along common carriage lines takes place outside of the casino premises; and

l. Pursuant to the 1976 amendment to the New Jersey State Constitution and the express authorization to the Legislature to determine the type of gambling games that may be conducted in casinos under regulation and control by the State, the Legislature hereby declares that in furtherance of the goals of the Casino Control Act and in recognition that the technologies necessary to support Internet gaming can be prescribed and implemented in a manner that ensures all such gambling activity occurs within casinos located in Atlantic City, it is appropriate that the Casino Control Act be amended and supplemented to authorize licensed

casino operators to conduct such games within the casino premises with all wagering to be conducted solely within the casinos.

2. (New section) Any authorized game or authorized gambling game, as defined in section 5 of P.L.1977, c.110 (C.5:12-5), that is authorized to be played in a casino may, with the approval of the division, be offered through Internet gaming.

3. Section 6 of P.L.1977, c.110 (C.5:12-6) is amended to read as follows:

6. "Casino" or "casino room" or "licensed casino" -- One or more locations or rooms in a casino hotel facility that have been approved by the division for the conduct of casino gaming in accordance with the provisions of this act, including any part of the facility where Internet gaming is conducted. "Casino" or "casino room" or "licensed casino" shall not include any casino simulcasting facility authorized pursuant to the "Casino Simulcasting Act," P.L.1992, c.19 (C.5:12-191 et seq.).

(cf: P.L.2011, c.19, s.6)

4. Section 12 of P.L.1977, c.110 (C.5:12-12) is amended to read as follows:

12. "Casino Service Industry Enterprise" -- Any vendor offering goods or services which directly relate to casino or gaming activity or Internet gaming activity, including gaming equipment and simulcast wagering equipment manufacturers, suppliers, repairers and independent testing laboratories, or any vendor providing to casino licensees or applicants goods and services ancillary to gaming activity, including, without limitation, junket enterprises and junket representatives, holders of casino hotel alcoholic beverage control licenses, lessors of casino property not required to hold a casino license pursuant to section 82 of P.L.1977, c.110 (C.5:12-82), [and] licensors of authorized games, and suppliers of Internet gaming software or systems, and vendors who manage, control or administer the Internet games or the bets or wagers associated with the games. Notwithstanding the foregoing, any form of enterprise engaged in the manufacture, sale, distribution, testing or repair of slot machines within New Jersey, other than antique slot machines as defined in N.J.S.2C:37-7, shall be considered a casino service industry enterprise for the purposes of this act regardless of the nature of its business relationship, if any, with casino applicants and licensees in this State.

For the purposes of this section, "casino applicant" includes any person required to hold a casino license pursuant to section 82 of P.L.1977, c.110 (C.5:12-82) who has applied to the division for a casino license or any approval required under P.L.1977, c.110 (C.5:12-1 et seq.).

(cf: P.L.2012, c.34, s.1)

5. (New section) "Internet gaming" means the placing of wagers with a casino licensee at a casino located in Atlantic City using a computer network of both federal and non-federal interoperable packet switched data networks through which the casino licensee may offer authorized games to individuals who have established a wagering account with the casino licensee and who are physically present in this State.

6. (New section) "Internet gaming gross revenue" means the total of all sums actually received by a casino licensee from Internet gaming operations, less only the total of all sums actually paid out as winnings to patrons and promotional Internet gaming credits; provided, however, that the cash equivalent value of any merchandise or thing of value included in a jackpot or payout shall not be included in the total of all sums paid out as winnings to players for purposes of determining Internet gaming gross revenue.

7. Section 3 of P.L.1987, c.353 (C.5:12-43.1) is amended to read as follows:

3. "Restricted Casino Areas"--The cashier's cage, the soft count room, the hard count room, the slot cage booths and runway areas, the interior of table game pits, the surveillance room and catwalk areas, the slot machine repair room, any room or area related to Internet gaming operations and any other area specifically designated by the division as restricted in a licensee's operation certificate.

(cf: P.L.2011, c.19, s.21)

8. Section 92 of P.L.1977, c.110 (C.5:12-92) is amended to read as follows:

92. Licensing of casino service industry enterprises. a. (1) Any business to be conducted with a casino applicant or licensee by a vendor offering goods or services which directly relate to casino or gaming activity or Internet gaming activity, including gaming equipment and simulcast wagering equipment manufacturers, suppliers, repairers, and independent testing laboratories, shall require licensure as a casino service industry enterprise in accordance with the provisions of this act prior to conducting any business whatsoever with a casino applicant or licensee, its employees or agents; provided, however, that upon a showing of good cause by a casino applicant or licensee, the director may permit an applicant for a casino service industry enterprise license to conduct business transactions with such casino applicant or licensee prior to the licensure of that casino service industry enterprise applicant under this subsection for such periods as the

division may establish by regulation. Companies providing services to casino licensees regarding Internet gaming shall, notwithstanding any other provision of P.L.1977, c.110 (C.5:12-1 et seq.), be responsible for the full cost of their licensure, including any investigative costs.

(2) In addition to the requirements of paragraph (1) of this subsection, any casino service industry enterprise intending to manufacture, sell, distribute, test or repair slot machines within New Jersey, other than antique slot machines as defined in N.J.S.2C:37-7, shall be licensed in accordance with the provisions of this act prior to engaging in any such activities; provided, however, that upon a showing of good cause by a casino applicant or licensee, the director may permit an applicant for a casino service industry enterprise license to conduct business transactions with the casino applicant or licensee prior to the licensure of that casino service industry enterprise applicant under this subsection for such periods as the division may establish by regulation; and provided further, however, that upon a showing of good cause by an applicant required to be licensed as a casino service industry enterprise pursuant to this paragraph, the director may permit the casino service industry enterprise applicant to initiate the manufacture of slot machines or engage in the sale, distribution, testing or repair of slot machines with any person other than a casino applicant or licensee, its employees or agents, prior to the licensure of that casino service industry enterprise applicant under this subsection.

(3) Vendors providing goods and services to casino licensees or applicants ancillary to gaming, including, without limitation, junket enterprises and junket representatives, and any person employed by a junket enterprise or junket representative in a managerial or supervisory position, non-casino applicants or licensees required to hold a casino hotel alcoholic beverage license pursuant to section 103 of P.L.1977, c.110 (C.5:12-103), lessors of casino property not required to hold a casino license pursuant to section 82 of P.L.1977, c.110 (C.5:12-82), and licensors of authorized games shall be required to be licensed as an ancillary casino service industry enterprise and shall comply with the standards set forth in paragraph (4) of subsection c. of this section.

(4) (a) Except as provided in subparagraph (b) of this paragraph, companies that provide the following services and such other services relating to Internet gaming as the director may determine shall not be required to obtain a casino service industry enterprise license unless otherwise determined by the director:

payment processing and related money-transmitting and services;
customer identity or age verification and geolocation services;
general telecommunications services that are not specifically
designed for Internet gaming; and

other goods or services that are not specifically designed for use with Internet gaming, provided that the companies providing such goods or services are not paid a percentage of gaming revenue or of money gambled on Internet games or online poker commission fees by the casino licensee, not including fees to financial institutions and payment providers for facilitating a deposit by a customer.

(b) Companies providing Internet gaming software, vendors who manage, control or administer the Internet games or the bets or wagers associated with the games, and providers of customer lists comprised of persons identified or selected, in whole or in part, because they placed bets or wagers on Internet gaming shall be required to obtain a casino service industry enterprise license and shall not be regarded as within the scope of subparagraph (a) of this paragraph.

b. Each casino service industry enterprise required to be licensed pursuant to paragraph (1) of subsection a. of this section, as well as its owners; management and supervisory personnel; and employees if such employees have responsibility for services to a casino applicant or licensee, must qualify under the standards, except residency, established for qualification of a casino key employee under this act.

c. (1) Any vendor that offers goods or services to a casino applicant or licensee that is not included in subsection a. of this section including, but not limited to casino site contractors and subcontractors, shopkeepers located within the approved hotels, gaming schools that possess slot machines for the purpose of instruction, and any non-supervisory employee of a junket enterprise licensed under paragraph (3) of subsection a. of this section, shall be required to register with the division in accordance with the regulations promulgated under this act, P.L.1977, c.110 (C.5:12-1 et seq.).

(2) Notwithstanding the provisions of paragraph (1) of this subsection, the director may, consistent with the public interest and the policies of this act, direct that individual vendors registered pursuant to paragraph (1) of this subsection be required to apply for either a casino service industry enterprise license pursuant to paragraph (1) of subsection a. of this section, or an ancillary casino service industry enterprise license pursuant to paragraph (3) of subsection a. of this section, as directed by the division, including, without limitation, in-State and out-of-State sending tracks as defined in section 2 of the "Casino Simulcasting Act," P.L.1992, c.19 (C.5:12-192); shopkeepers located within the approved hotels; and gaming schools that possess slot machines for the purpose of instruction. The director may also order that any enterprise licensed as or required to be licensed as an ancillary casino service industry enterprise pursuant to paragraph (3) of subsection a. of this section be required to apply for a casino service industry enterprise license

pursuant to paragraph (1) of subsection a. of this section. The director may also, in his discretion, order that an independent software contractor not otherwise required to be registered be either registered as a vendor pursuant to subsection c. of this section or be licensed pursuant to either paragraph (1) or (3) of subsection a. of this section.

(3) (Deleted by amendment, P.L.2011, c.19)

(4) Each ancillary casino service industry enterprise required to be licensed pursuant to paragraph (3) of subsection a. of this section, as well as its owners, management and supervisory personnel, and employees if such employees have responsibility for services to a casino applicant or licensee, shall establish their good character, honesty and integrity by clear and convincing evidence and shall provide such financial information as may be required by the division. Any enterprise required to be licensed as an ancillary casino service industry enterprise pursuant to this section shall be permitted to transact business with a casino licensee upon filing of the appropriate vendor registration form and application for such licensure.

d. Any applicant, licensee or qualifier of a casino service industry enterprise license or of an ancillary casino service industry enterprise license under subsection a. of this section, and any vendor registrant under subsection c. of this section shall be disqualified in accordance with the criteria contained in section 86 of this act, except that no such ancillary casino service industry enterprise license under paragraph (3) of subsection a. of this section or vendor registration under subsection c. of this section shall be denied or revoked if such vendor registrant can affirmatively demonstrate rehabilitation as provided in subsection d. of section 91 of P.L.1977, c.110 (C.5:12-91).

e. No casino service industry enterprise license or ancillary casino service industry enterprise license shall be issued pursuant to subsection a. of this section to any person unless that person shall provide proof of valid business registration with the Division of Revenue in the Department of the Treasury.

f. (Deleted by amendment, P.L.2011, c.19)

g. For the purposes of this section, each applicant shall submit to the division the name, address, fingerprints and a written consent for a criminal history record background check to be performed, for each person required to qualify as part of the application. The division is hereby authorized to exchange fingerprint data with and receive criminal history record information from the State Bureau of Identification in the Division of State Police and the Federal Bureau of Investigation consistent with applicable State and federal laws, rules and regulations. The applicant shall bear the cost for the criminal history record background check, including all costs of administering and processing the check. The Division of State

Police shall promptly notify the division in the event a current or prospective qualifier, who was the subject of a criminal history record background check pursuant to this section, is arrested for a crime or offense in this State after the date the background check was performed.

h. (1) Subsequent to the licensure of any entity pursuant to subsection a. of this section, including any finding of qualification as may be required as a condition of licensure, or the registration of any vendor pursuant to subsection c. of this section, the director may revoke, suspend, limit, or otherwise restrict the license, registration or qualification status upon a finding that the licensee, registrant or qualifier is disqualified on the basis of the criteria set forth in section 86 of P.L.1977, c.110 (C.5:12-86).

(2) A hearing prior to the suspension of any license, registration or qualification issued pursuant to this section shall be a limited proceeding at which the division shall have the affirmative obligation to demonstrate that there is a reasonable possibility that the licensee, registrant or qualifier is disqualified on the basis of the criteria set forth in section 86 of P.L.1977, c.110 (C.5:12-86).

(cf: P.L.2012, c.34, s.6)

9. Section 100 of P.L.1977, c.110 (C.5:12-100) is amended to read as follows:

100. a. This act shall not be construed to permit any gaming except the conduct of authorized games in a casino room or through Internet gaming in accordance with this act and the regulations promulgated hereunder and in a simulcasting facility to the extent provided by the "Casino Simulcasting Act," P.L.1992, c.19 (C.5:12-191 et al.). Notwithstanding the foregoing, if the division approves the game of keno as an authorized game pursuant to section 5 of P.L.1977, c.110 (C.5:12-5), as amended, keno tickets may be sold or redeemed in accordance with division regulations.

b. Gaming equipment shall not be possessed, maintained or exhibited by any person on the premises of a casino hotel except in a casino room, in the simulcasting facility, or in restricted casino areas used for the inspection, repair or storage of such equipment and specifically designated for that purpose by the casino licensee with the approval of the division. Gaming equipment which supports the conduct of gaming in a casino or simulcasting facility or through Internet gaming but does not permit or require patron access, such as computers, or gaming software or other gaming equipment used to conduct Internet gaming may be possessed and maintained by a casino licensee or a qualified holding or intermediary company of a casino licensee in restricted areas specifically approved by the division. No gaming equipment shall be possessed, maintained, exhibited, brought into or removed from a casino room or simulcasting facility by any person unless such

equipment is necessary to the conduct of an authorized game, has permanently affixed, imprinted, impressed or engraved thereon an identification number or symbol authorized by the division, is under the exclusive control of a casino licensee or casino licensee's employees, or of any individually qualified employee of a holding company or casino licensee and is brought into or removed from the casino room or simulcasting facility following 24-hour prior notice given to an authorized agent of the division.

Notwithstanding any other provision of this section, computer equipment used by the slot system operator of a multi-casino progressive slot system to link and communicate with the slot machines of two or more casino licensees for the purpose of calculating and displaying the amount of a progressive jackpot, monitoring the operation of the system, and any other purpose that the division deems necessary and appropriate to the operation or maintenance of the multi-casino progressive slot machine system may, with the prior approval of the division, be possessed, maintained and operated by the slot system operator either in a restricted area on the premises of a casino hotel or in a secure facility inaccessible to the public and specifically designed for that purpose off the premises of a casino hotel but within the territorial limits of Atlantic County, New Jersey.

Notwithstanding the foregoing, a person may, with the prior approval of the division and under such terms and conditions as may be required by the division, possess, maintain or exhibit gaming equipment in any other area of the casino hotel, provided that such equipment is used for nongaming purposes.

Notwithstanding any other provision of this act to the contrary, the division may, by regulation, authorize the linking of slot machines of one or more casino licensees and slot machines located in casinos licensed by another state of the United States. Wagering and account information for a multi-state slot system shall be transmitted by the operator of such multi-state slot system to either a restricted area on the premises of a casino hotel or to a secure facility inaccessible to the public and specifically designed for that purpose off the premises of a casino hotel but within the territorial limits of Atlantic County, New Jersey, and from there to slot machines of New Jersey casino licensees, provided all locations are approved by the division.

Notwithstanding any other provision of this act to the contrary, the division may authorize electronic versions of authorized games to be played within an approved hotel facility on mobile gaming devices to be approved by the division, provided the player has established an account with the casino licensee, the wager is placed by and the winnings are paid to the patron in person within the approved hotel facility, the mobile gaming device is inoperable outside the approved hotel facility, and the division authorizes the

device for mobile gaming; provided that the division may establish any additional or more stringent licensing and other regulatory requirements necessary for the proper implementation and conduct of mobile gaming as authorized herein. For the purposes of this provision, the approved hotel facility shall include any area located within the property boundaries of the casino hotel facility, including the swimming pool area and an outdoor recreation area, where mobile gaming devices may be used by patrons in accordance with this provision, but excluding parking garages or parking areas of a casino hotel facility, provided that the division shall ascertain and ensure, pursuant to rules and regulations issued by it to implement mobile gaming pursuant to this provision, that mobile gaming shall not extend outside of the property boundaries of the casino hotel facility.

c. Each casino hotel shall contain a count room and such other secure facilities as may be required by the division for the counting and storage of cash, coins, tokens, checks, plaques, gaming vouchers, coupons, and other devices or items of value used in wagering and approved by the division that are received in the conduct of gaming and for the inspection, counting and storage of dice, cards, chips and other representatives of value. The division shall promulgate regulations for the security of drop boxes and other devices in which the foregoing items are deposited at the gaming tables or in slot machines, and all areas wherein such boxes and devices are kept while in use, which regulations may include certain locking devices. Said drop boxes and other devices shall not be brought into or removed from a casino room or simulcasting facility, or locked or unlocked, except at such times, in such places, and according to such procedures as the division may require.

d. All chips used in gaming shall be of such size and uniform color by denomination as the division shall require by regulation.

e. All gaming shall be conducted according to rules promulgated by the division. All wagers and pay-offs of winning wagers shall be made according to rules promulgated by the division, which shall establish such limitations as may be necessary to assure the vitality of casino operations and fair odds to patrons. Each slot machine shall have a minimum payout of 83%.

f. Each casino licensee shall make available in printed form to any patron upon request the complete text of the rules of the division regarding games and the conduct of gaming, pay-offs of winning wagers, an approximation of the odds of winning for each wager, and such other advice to the player as the division shall require. Each casino licensee shall prominently post within a casino room and simulcasting facility, as appropriate, according to regulations of the division such information about gaming rules, pay-offs of winning wagers, the odds of winning for each wager, and such other advice to the player as the division shall require.

g. Each gaming table shall be equipped with a sign indicating the permissible minimum and maximum wagers pertaining thereto. Each game offered through Internet gaming shall display online the permissible minimum and maximum wagers pertaining thereto. It shall be unlawful for a casino licensee to require any wager to be greater than the stated minimum or less than the stated maximum; provided, however, that any wager actually made by a patron and not rejected by a casino licensee prior to the commencement of play shall be treated as a valid wager.

h. (1) Except as herein provided, no slot machine shall be used to conduct gaming unless it is identical in all electrical, mechanical and other aspects to a model thereof which has been specifically tested and licensed for use by the division. The division shall also test any other gaming device, gaming equipment, gaming-related device, hardware and software by which authorized gambling games are offered through the Internet, or gross-revenue related device, such as a slot management system, electronic transfer credit system or gaming voucher system as it deems appropriate. In its discretion and for the purpose of expediting the approval process, the division may utilize the services of a private testing laboratory that has obtained a plenary license as a casino service industry enterprise pursuant to subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92) to perform the testing, and may also utilize applicable data from any such private testing laboratory or from a governmental agency of a state other than New Jersey authorized to regulate slot machines and other gaming devices, gaming equipment, gaming-related devices and gross-revenue related devices used in casino gaming, if the private testing laboratory or governmental agency uses a testing methodology substantially similar to the methodology utilized by the division. The division, in its discretion, may rely upon the data provided by the private testing laboratory or governmental agency and adopt the conclusions of such private testing laboratory or governmental agency regarding any submitted device.

(2) Except as otherwise provided in paragraph (5) of subsection h. of this section, the division shall, within 60 days of its receipt of a complete application for the testing of a slot machine or other gaming equipment model, approve or reject the slot machine or other gaming equipment model. In so doing, the division shall specify whether and to what extent any data from a private testing laboratory or governmental agency of a state other than New Jersey was used in reaching its conclusions and recommendation. If the division is unable to complete the testing of a slot machine or other gaming equipment model within this 60-day period, the division may conditionally approve the slot machine or other gaming equipment model for test use by a casino licensee provided that the division represents that the use of the slot machine or other gaming

equipment model will not have a direct and materially adverse impact on the integrity of gaming or the control of gross revenue. The division shall give priority to the testing of slot machines or other gaming equipment which a casino licensee has certified it will use in its casino in this State.

(3) The division shall, by regulation, establish such technical standards for licensure of slot machines, including mechanical and electrical reliability, security against tampering, the comprehensibility of wagering, and noise and light levels, as it may deem necessary to protect the player from fraud or deception and to insure the integrity of gaming. The denominations of such machines shall be set by the licensee; the licensee shall simultaneously notify the division of the settings.

(4) The division shall, by regulation, determine the permissible number and density of slot machines in a licensed casino so as to:

- (a) promote optimum security for casino operations;
- (b) avoid deception or frequent distraction to players at gaming tables;
- (c) promote the comfort of patrons;
- (d) create and maintain a gracious playing environment in the casino; and
- (e) encourage and preserve competition in casino operations by assuring that a variety of gaming opportunities is offered to the public.

Any such regulation promulgated by the division which determines the permissible number and density of slot machines in a licensed casino shall provide that all casino floor space and all space within a casino licensee's casino simulcasting facility shall be included in any calculation of the permissible number and density of slot machines in a licensed casino.

(5) Any new gaming equipment or simulcast wagering equipment that is submitted for testing to the division or to an independent testing laboratory licensed pursuant to subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92) prior to or simultaneously with submission of such new equipment for testing in a jurisdiction other than New Jersey, may, consistent with regulations promulgated by the division, be deployed by a casino licensee on the casino floor 14 days after submission of such equipment for testing. If the casino or casino service industry enterprise licensee has not received approval for the equipment 14 days after submission for testing, any interested casino licensee may, consistent with division regulations, deploy the equipment on a field test basis, unless otherwise directed by the director.

(6) All equipment used by a licensee to conduct Internet gaming shall be located, with the prior approval of the division, in a restricted area on the premises of the casino hotel within the territorial limits of Atlantic City, New Jersey. Backup and other

equipment not used to conduct Internet gaming may, with the approval of the division, be located outside the territorial limits of Atlantic City. All Internet wagers shall be deemed to be placed when received in Atlantic City by the licensee. Any intermediate routing of electronic data in connection with a wager shall not affect the fact that the wager is placed in Atlantic City

No software, computer or other gaming equipment shall be used to conduct Internet gaming unless it has been specifically tested by the division. The division may, in its discretion, and for the purpose of expediting the approval process, refer testing to any testing laboratory with a plenary license as a casino service industry enterprise pursuant to subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92). The division shall give priority to the testing of software, computers or other gaming equipment which a casino licensee has certified it will use to conduct Internet gaming in this State. The division shall, by regulation, establish such technical standards for approval of software, computers and other gaming equipment used to conduct Internet gaming, including mechanical, electrical or program reliability, security against tampering, the comprehensibility of wagering, and noise and light levels, as it may deem necessary to protect the player from fraud or deception and to insure the integrity of gaming. When appropriate, the licensee shall set the denominations of Internet games and shall simultaneously notify the commission of the settings.

No software, computer or other gaming equipment shall be used to conduct Internet gaming unless it is able to verify that a player placing a wager is physically present in this State. The division shall confirm on a continuous basis that the equipment used by every licensee to conduct Internet gaming is, in fact, verifying every player's physical presence in this State each time a player logs onto a new playing session.

i. (Deleted by amendment, P.L.1991, c.182).
j. (Deleted by amendment, P.L.1991, c.182).
k. It shall be unlawful for any person to exchange or redeem chips for anything whatsoever, except for currency, negotiable personal checks, negotiable counter checks, other chips, coupons, slot vouchers or complimentary vouchers distributed by the casino licensee, or, if authorized by regulation of the division, a valid charge to a credit or debit card account. A casino licensee shall, upon the request of any person, redeem that licensee's gaming chips surrendered by that person in any amount over \$100 with a check drawn upon the licensee's account at any banking institution in this State and made payable to that person.

l. It shall be unlawful for any casino licensee or its agents or employees to employ, contract with, or use any shill or barker to induce any person to enter a casino or simulcasting facility or play at any game or for any purpose whatsoever.

m. It shall be unlawful for a dealer in any authorized game in which cards are dealt to deal cards by hand or other than from a device specifically designed for that purpose, unless otherwise permitted by the rules of the division.

n. (1) It shall be unlawful for any casino key employee licensee to wager in any casino or simulcasting facility in this State.

(2) It shall be unlawful for any other employee of a casino licensee who, in the judgment of the division, is directly involved with the conduct of gaming operations, including but not limited to dealers, floor persons, box persons, security and surveillance employees, to wager in any casino or simulcasting facility in the casino hotel in which the employee is employed or in any other casino or simulcasting facility in this State which is owned or operated by an affiliated licensee.

(3) The prohibition against wagering set forth in paragraphs (1) and (2) of this subsection shall continue for a period of 30 days commencing upon the date that the employee either leaves employment with a casino licensee or is terminated from employment with a casino licensee.

o. (1) It shall be unlawful for any casino key employee or boxman, floorman, or any other casino employee who shall serve in a supervisory position to solicit or accept, and for any other casino employee to solicit, any tip or gratuity from any player or patron at the casino hotel or simulcasting facility where he is employed.

(2) A dealer may accept tips or gratuities from a patron at the table at which such dealer is conducting play, subject to the provisions of this subsection. All such tips or gratuities shall be immediately deposited in a lockbox reserved for that purpose, unless the tip or gratuity is authorized by a patron utilizing an automated wagering system approved by the division. All tips or gratuities shall be accounted for, and placed in a pool for distribution pro rata among the dealers, with the distribution based upon the number of hours each dealer has worked, except that the division may, by regulation, permit a separate pool to be established for dealers in the game of poker, or may permit tips or gratuities to be retained by individual dealers in the game of poker.

(3) Notwithstanding the provisions of paragraph (1) of this subsection, a casino licensee may require that a percentage of the prize pool offered to participants pursuant to an authorized poker tournament be withheld for distribution to the tournament dealers as tips or gratuities as the division by regulation may approve.

p. Any slot system operator that offers an annuity jackpot shall secure the payment of such jackpot by establishing an annuity jackpot guarantee in accordance with the requirements of P.L.1977, c.110 (C.5:12-1 et seq.), and the rules of the division.

(cf: P.L.2012, c.34, s.7)

10. Section 104 of P.L.1977, c.110 (C.5:12-104) is amended to read as follows:

104. a. Unless otherwise provided in this subsection, no agreement shall be lawful which provides for the payment, however defined, of any direct or indirect interest, percentage or share of: any money or property gambled at a casino or simulcasting facility; any money or property derived from casino gaming activity or wagering at a simulcasting facility; or any revenues, profits or earnings of a casino or simulcasting facility. Notwithstanding the foregoing:

(1) Agreements which provide only for the payment of a fixed sum which is in no way affected by the amount of any such money, property, revenues, profits or earnings shall not be subject to the provisions of this subsection; and receipts, rentals or charges for real property, personal property or services shall not lose their character as payments of a fixed sum because of contract, lease, or license provisions for adjustments in charges, rentals or fees on account of changes in taxes or assessments, cost-of-living index escalations, expansion or improvement of facilities, or changes in services supplied.

(2) Agreements between a casino licensee and a junket enterprise or junket representative licensed, qualified or registered in accordance with the provisions of P.L.1977, c.110 (C.5:12-1 et seq.) and the regulations of the division which provide for the compensation of the junket enterprise or junket representative by the casino licensee based upon the actual casino gaming or simulcast wagering activities of a patron procured or referred by the junket enterprise or junket representative shall be lawful if filed with the division prior to the conduct of any junket that is governed by the agreement.

(3) Agreements between a casino licensee and its employees which provide for casino employee or casino key employee profit sharing shall be lawful if the agreement is in writing and filed with the division prior to its effective date. Such agreements may be reviewed by the division under any relevant provision of P.L.1977, c.110 (C.5:12-1 et seq.).

(4) Agreements to lease an approved casino hotel or the land thereunder and agreements for the complete management of all casino gaming operations in a casino hotel shall not be subject to the provisions of this subsection but shall rather be subject to the provisions of subsections b. and c. of section 82 of this act.

(5) Agreements which provide for percentage charges between the casino licensee and a holding company or intermediary company of the casino licensee shall be in writing and filed with the division but shall not be subject to the provisions of this subsection.

(6) Agreements relating to simulcast racing and wagering between a casino licensee and an in-State or out-of-State sending

track licensed or exempt from licensure in accordance with section 92 of P.L.1977, c.110 (C.5:12-92) shall be in writing, be filed with the division, and be lawful and effective only if expressly approved as to their terms by the division and the New Jersey Racing Commission, except that any such agreements which provide for a percentage of the parimutuel pool wagered at a simulcasting facility to be paid to the sending track shall not be subject to the provisions of this subsection.

(7) Agreements relating to simulcast racing and wagering between a casino licensee and a casino service industry enterprise licensed pursuant to the provisions of subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92) as a hub facility, as defined in joint regulations of the Division of Gaming Enforcement and the New Jersey Racing Commission, shall be in writing, be filed with the commission, and be lawful and effective only if expressly approved as to their terms by the commission and the New Jersey Racing Commission, except that any such agreements which provide for a percentage of the casino licensee's share of the parimutuel pool wagered at a simulcasting facility to be paid to the hub facility shall not be subject to the provisions of this subsection.

(8) Agreements relating to simulcast racing and wagering between a casino licensee and a casino service industry enterprise licensed pursuant to the provisions of subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92) to conduct casino simulcasting in a simulcasting facility shall be in writing, be filed with the commission, and be lawful and effective only if expressly approved as to their terms by the commission, except that any such agreements which provide for a percentage of the casino licensee's share of the parimutuel pool wagered at a simulcasting facility to be paid to the casino service industry enterprise shall not be subject to the provisions of this subsection.

(9) Written agreements relating to the operation of multi-casino or multi-state progressive slot machine systems between one or more casino licensees and a casino service industry enterprise licensed pursuant to the provisions of subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92), or an eligible applicant for such license, which provide for an interest, percentage or share of the casino licensee's revenues, profits or earnings from the operation of such multi-casino or multi-state progressive slot machines to be paid to the casino service industry enterprise licensee or applicant shall not be subject to the provisions of this subsection if the agreements are filed with and approved by the division.

(10) A written agreement between a casino licensee and a casino service industry enterprise licensed pursuant to subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92), or an eligible applicant for such license, relating to the construction, renovation or operation of qualifying sleeping units, as defined in section 27 of

P.L.1977, c.110 (C.5:12-27), or of non-gaming amenities, as defined by the division, within the limits of the city of Atlantic City, regardless of whether such qualifying sleeping units or non-gaming amenities are connected to a casino hotel facility, which provides for an interest, percentage or share of the casino licensee's revenues, profits or earnings, not to exceed 5% of the casino licensee's revenues, to be paid to the casino service industry enterprise licensee or applicant in return for the construction, renovation or operation of such qualifying sleeping units or non-gaming amenities shall not be subject to the provisions of this subsection provided that: (i) the agreement requires a capital investment, at least 10% of which shall be made by the casino service industry enterprise licensee or applicant over the term of the agreement, of not less than \$30 million, which minimum amount shall be adjusted periodically by the division for inflation; (ii) the division finds that the total amount of casino revenues, profits or earnings that can be paid to the casino service industry enterprise licensee or applicant pursuant to this agreement is commercially reasonable under the circumstances; and (iii) the agreement is filed with and approved by the division.

(11) A written agreement between a casino licensee holding an Internet gaming permit and a casino service industry enterprise licensed pursuant to subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92), or an eligible applicant for such a license, in connection with the conduct of Internet gaming under P.L. , c. (C.) (pending before the Legislature as this bill), which provides for a percentage of the casino licensee's Internet gaming gross revenue to be paid to the casino service industry enterprise licensee shall not be subject to the provisions of this subsection, provided that the agreement shall be in writing, filed with the division, and shall be lawful and effective only if the terms thereof are expressly approved by the division.

b. Each casino applicant or licensee shall maintain, in accordance with the rules of the division, a record of each written or unwritten agreement regarding the realty, construction, maintenance, or business of a proposed or existing casino hotel or related facility. The foregoing obligation shall apply regardless of whether the casino applicant or licensee is a party to the agreement. Any such agreement may be reviewed by the division on the basis of the reasonableness of its terms, including the terms of compensation, and of the qualifications of the owners, officers, employees, and directors of any enterprise involved in the agreement, which qualifications shall be reviewed according to the standards enumerated in section 86 of P.L.1977, c.110 (C.5:12-86). If the division disapproves such an agreement or the owners, officers, employees, or directors of any enterprise involved therein, the division may require its termination.

Every agreement required to be maintained, and every related agreement the performance of which is dependent upon the performance of any such agreement, shall be deemed to include a provision to the effect that, if the commission shall require termination of an agreement pursuant to its authority under P.L.1977, c.110 (C.5:12-1 et seq.), such termination shall occur without liability on the part of the casino applicant or licensee or any qualified party to the agreement or any related agreement. Failure expressly to include such a provision in the agreement shall not constitute a defense in any action brought to terminate the agreement. If the agreement is not maintained or presented to the commission in accordance with division regulations, or the disapproved agreement is not terminated, the division may pursue any remedy or combination of remedies provided in this act.

For the purposes of this subsection, "casino applicant" includes any person required to hold a casino license pursuant to section 82 of P.L.1977, c.110 (C.5:12-82) who has applied to the division for a casino license or any approval required under P.L.1977, c.110 (C.5:12-1 et seq.).

c. Nothing in this act shall be deemed to permit the transfer of any license, or any interest in any license, or any certificate of compliance or any commitment or reservation.

(cf: P.L.2012, c.34, s.10)

11. Section 109 of P.L.1977, c.110 (C.5:12-109) is amended to read as follows:

109. Notwithstanding any provisions of this article, the director may issue an emergency order for the suspension, limitation or conditioning of any operation certificate or any license, other than a casino license, or any registration, or any permit to conduct Internet gaming, or may issue an emergency order requiring the licensed casino to keep an individual from the premises of such licensed casino or from using or maintaining an Internet gaming account, or not to pay such individual any remuneration for services or any profits, income or accruals on his investment in such casino, in the following manner:

a. An emergency order shall be issued only when the director finds that:

(1) There has been charged a violation of any of the criminal laws of this State by a licensee or registrant, or

(2) Such action is necessary to prevent a violation of any such provision, or

(3) Such action is necessary immediately for the preservation of the public peace, health, safety, morals, good order and general welfare or to preserve the public policies declared by this act.

b. An emergency order shall set forth the grounds upon which it is issued, including the statement of facts constituting the alleged

emergency necessitating such action.

c. The emergency order shall be effective immediately upon issuance and service upon the licensee, registrant, or resident agent of the licensee. The emergency order may suspend, limit, condition or take other action in relation to the approval of one or more individuals who were required to be approved in any operation, without necessarily affecting any other individuals or the licensed casino establishment. The emergency order shall remain effective until further order of the director.

d. Within 5 days after issuance of an emergency order, the division shall cause a complaint to be filed and served upon the person or entity involved in accordance with the provisions of this act.

e. Thereafter, the person or entity against whom the emergency order has been issued and served shall show cause before the director why the emergency order should not remain in effect in accordance with the provisions of this act and the regulations promulgated hereunder.

(cf: P.L.2011, c.19, s.77)

12. Section 1 of P.L.1999, c.352 (C.5:12-129.1) is amended to read as follows:

1. The holder of any license issued under P.L.1977, c.110 (C.5:12-1 et seq.), or any person acting on behalf thereof, shall file a report of any suspicious transaction with the Director of the Division of Gaming Enforcement. For the purposes of P.L.1999, c.352 (C.5:12-129.1 et al.), "suspicious transaction" means the acceptance of cash [or], the redeeming of chips or markers or other cash equivalents, or a payment to establish credits in an Internet gaming account involving or aggregating \$5,000 if the licensee or person knows or suspects that the transaction:

a. involves funds derived from illegal activities or is intended or conducted in order to conceal or disguise funds or assets derived from illegal activities;

b. is part of a plan to violate or evade any law or regulation or to avoid any transaction reporting requirement under the law or regulations of this State or the United States, including a plan to structure a series of transactions to avoid any transaction reporting requirement under the laws or regulations of this State or the United States; or

c. has no business or other apparent lawful purpose or is not the sort of transaction in which a person would normally be expected to engage and the licensee or person knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

(cf: P.L.1999, c.352, s.1)

13. (New section) There is hereby imposed an annual tax on Internet gaming gross revenues in the amount of 10% of such gross revenues which shall be paid into the Casino Revenue Fund. The 8% tax on casino gross revenues shall not apply to Internet gaming gross revenues. The investment alternative tax established by section 3 of P.L.1984, c.218 (C.5:12-144.1) shall apply to Internet gaming gross revenues, except that the investment alternative tax on these revenues shall be 5% and the investment alternative shall be 2.5%, with the proceeds thereof used as provided in that section.

14. (New section) The Division of Gaming Enforcement may establish an Office of Internet Gaming to which it may delegate authority for the administration of Internet gaming conducted by casino licensees. The division shall be responsible for recommending regulations concerning Internet gaming for consideration and possible adoption by the commission. Nothing contained in this section shall be construed as affecting the authority of the Division of Gaming Enforcement with respect to all casino gaming activities, including Internet gaming. The division shall adopt regulations for the implementation and conduct of Internet gaming that are consistent with regulations governing casino gambling generally.

15. (New section) Internet gaming in this State shall be subject to the provisions of, and preempted and superseded by, any applicable federal law.

Internet gaming in this State shall be deemed to take place where a casino's server is located in Atlantic City regardless of the player's physical location within this State.

16. (New section) a. No Internet gaming shall be opened to the public, and no gaming, except for test purposes, may be conducted therein, until a casino licensee with a valid operation certificate, or an Internet gaming affiliate thereof that is licensed pursuant to paragraph (5) of subsection b. of section 82 of P.L.1977, c.110 (C.5:12-82), receives from the division a permit to conduct Internet gaming. Such permit, valid for one year, shall be issued by the division upon a finding that the Internet gaming complies in all respects with the requirements of this act, P.L. , c. (pending before the Legislature as this bill) and regulations promulgated hereunder, that the casino licensee has implemented necessary management controls and security precautions for the efficient operation of Internet gaming, that casino personnel having duties relating to Internet gaming are licensed for the performance of their respective responsibilities, and that the licensee is prepared in all respects to receive and entertain the public. For each licensed

casino, no more than one permit shall be issued to conduct Internet gaming therein.

b. The permit shall include an itemized list by category and number of the authorized games offered through Internet gaming.

c. A casino licensee shall, in accordance with regulations promulgated by the division, file any changes in the number of authorized games featured through Internet gaming with the division.

d. It shall be an express condition of the continued operation of Internet gaming that a casino licensee shall maintain all books, records, and documents pertaining to the licensee's Internet gaming operations in a manner and location within this State approved by the division. All such books, records and documents shall be immediately available for inspection during all hours of operation in accordance with the rules of the division and shall be maintained for such period of time as the division shall require.

e. Subject to the power of the division to deny, revoke, or suspend permits, any Internet gaming permit in force shall be renewed by the commission for one year upon proper application for renewal, completion of a review of Internet gaming operations for compliance with this act, a review of all required controls and payment of permit fees and taxes as required by law and the regulations of the division. Upon renewal of an Internet gaming permit the division shall issue an appropriate renewal certificate or validating device or sticker which shall be attached to the Internet gaming permit.

f. Notwithstanding subsections a. and e. of this section, an Internet gaming permit shall remain in force only if the owner or operator of the licensed casino where Internet gaming is to be conducted also holds a valid operation certificate for such casino.

17. (New section) a. The entire Internet gaming operation, including facilities, equipment and personnel who are directly engaged in the conduct of Internet gaming activity, shall be located within a restricted area on the premises of the casino hotel within the territorial limits of Atlantic City, New Jersey. Backup and other equipment not used to conduct Internet gaming may, with the approval of the division, be located outside of the territorial limits of Atlantic City.

b. Facilities used to conduct and support Internet gaming shall:

(1) be arranged in a manner promoting optimum security for Internet gaming;

(2) include a closed circuit visual monitoring system according to specifications approved by the division, with access on the licensed premises to the system or its signal provided to the commission or the division;

(3) not be designed in any way that might interfere with the

ability of the division to supervise Internet gaming operations; and
(4) comply in all respects with regulations of the division pertaining thereto.

18. (New section) a. Notwithstanding section 99 of P.L.1977, c.110 (C.5:12-99), each casino licensee who holds or has applied for a permit to conduct Internet gaming shall submit to the division a description of its system of internal procedures and administrative and accounting controls for Internet gaming, including provisions that provide for real time monitoring of all games, and a description of any changes thereof. Such submission shall be made at least 30 days before such operations are to commence or at least 30 days before any change in those procedures or controls is to take effect, unless otherwise directed by the division. Notwithstanding the foregoing, the internal controls described in paragraph (3) of this subsection may be implemented by a casino licensee upon the filing of such internal controls with the division. Each internal procedure or control submission shall contain both narrative and diagrammatic representations of the internal control system to be utilized with regard to Internet gaming, including, but not limited to:

- (1) accounting controls, including the standardization of forms and definition of terms to be utilized in the wagering operations;
- (2) procedures, forms, and, where appropriate, formulas covering the calculation of hold percentages; revenue drop; expense and overhead schedules; complimentary services; and cash equivalent transactions;
- (3) job descriptions and the system of personnel and chain-of-command, establishing a diversity of responsibility among employees engaged in Internet gaming operations and identifying primary and secondary supervisory positions for areas of responsibility; salary structure; and personnel practices;
- (4) procedures for the establishment of wagering accounts, including a procedure for authenticating the age of the applicant for a wagering account;
- (5) procedures for the termination of a wagering account by the account holder and the return of any remaining funds in the wagering account to the account holder;
- (6) procedures for the termination of a dormant account;
- (7) procedures for the logging in and authentication of a wagering account holder in order to enable the holder to commence Internet gaming, and the logging off of the holder of the wagering account when the account holder has finished gaming, including a procedure to automatically log off the holder after a specified period of inactivity;
- (8) procedures for the crediting and debiting of wagering accounts;
- (9) procedures for the cashing of checks to establish credit in a

wagering account; the receipt and security of cash to establish credit in a wagering account, whether such cash is received by wire transfer, advance on a credit card or debit card or by other electronic means approved by the division; and receipt of other electronic negotiable instruments approved by the division to establish credit in a wagering account;

(10) procedures for the withdrawal of funds from a wagering account by the account holder;

(11) the redemption of chips, tokens or other cash equivalents used in gaming and the pay-off of jackpots;

(12) the recording of transactions pertaining to Internet gaming;

(13) procedures for the security of information and funds in a wagering account;

(14) procedures for the transfer of funds from wagering accounts to the counting process;

(15) procedures and security for the counting and recordation of revenue;

(16) procedures for the security of Internet gaming facilities within a restricted area on the premises of the casino hotel within the territorial limits of Atlantic City, New Jersey;

(17) procedures and security standards for the handling and storage of software, computers and other electronic equipment used to conduct Internet gaming;

(18) procedures and security standards to protect software, computers and other gaming equipment used to conduct Internet gaming from tampering by casino employees or any other person, from a location inside or outside of the casino hotel facility;

(19) procedures for responding to tampering with software, computers and other gaming equipment used to conduct Internet gaming or any gaming-related equipment or hardware used in support of gaming, including partial or complete suspension of Internet gaming operations or the suspension of any or all wagering accounts when warranted;

(20) procedures to verify a player's physical presence in this State each time a player logs onto a new playing session; and

(21) procedures to assist problem and compulsive gamblers.

b. Each casino licensee shall also submit a description of its system of internal procedures and administrative and accounting controls for non-gaming operations regarding the website on which Internet gaming is accessed and a description of any changes thereto no later than five days after those operations commence or after any change in those procedures or controls takes effect.

c. The division shall review each submission required by subsection a. and b. hereof, and shall determine whether it conforms to the requirements of this act, P.L. , c. (C.) (pending before the Legislature as this bill), and to the regulations promulgated thereunder and whether the system submitted provides adequate and

effective controls for Internet gaming operations of the particular casino hotel submitting it. If the division finds any insufficiencies, it shall specify the insufficiencies in writing to the casino licensee, who shall make appropriate alterations. When the division determines a submission to be adequate in all respects, it shall notify the casino licensee. Except as otherwise provided in subsection a. of this section, no casino licensee shall commence or alter Internet gaming operations unless and until such system of procedures and controls is approved by the division.

d. It shall be lawful for a casino licensee to provide marketing information by means of the Internet to players engaged in Internet gaming and to offer those players incentives to visit the licensee's casino in Atlantic City.

19. (New section) a. An Internet gaming account shall be in the name of a natural person and may not be in the name of any beneficiary, custodian, joint trust, corporation, partnership or other organization or entity.

b. An account may be established by a person submitting an application form approved by the division along with proof of age, which may be accomplished electronically. The division shall specify by regulation what types of proof are sufficient to authenticate age and residency. The application form shall include the address of the principal residence of the prospective account holder, an electronic mail address of the prospective account holder and a statement that a false statement made in regard to an application may subject the applicant to prosecution.

c. As part of the application process, the casino licensee shall require the prospective account holder to create a password to access the gaming account, or shall establish some other mechanism approved by the division to authenticate the player as the holder of a wagering account and allow the holder access to the Internet gaming account.

d. The prospective account holder shall submit the completed application to the casino licensee. The licensee may accept or reject an application after receipt and review of the application and proof of age for compliance with this act, P.L. , c. (C.) (pending before the Legislature as this bill).

e. Any prospective account holder who provides false or misleading information on the application is subject to rejection of the application or cancellation of the account by the casino licensee.

f. The licensee shall have the right to suspend or close any wagering account at its discretion.

g. Any person on the list established by section 71 of P.L.1977, c.110 (C.5:12-71) of persons who are to be excluded or ejected from any licensed casino shall not be entitled to maintain a wagering account.

h. Any of the following persons shall not be permitted to maintain a wagering account:

- (1) the Governor or Lieutenant Governor;
- (2) any State officer or employee or special State officer or employee;
- (3) any member of the Judiciary;
- (4) any member of the Legislature;
- (5) any officer of Atlantic City; or
- (6) any casino employee, casino key employee or principal employee of a casino licensee.

i. The address provided by the applicant in the application shall be deemed the proper address for the purposes of mailing checks, account withdrawals, notices and other materials.

j. A wagering account shall not be assignable or otherwise transferable.

k. The casino licensee may at any time declare all or any part of Internet gaming to be closed for wagering.

20. (New section) a. Credits to an Internet gaming account shall not be made except as provided by this subsection.

(1) The wagering account holder's deposits to the wagering account shall be submitted by the account holder to the casino licensee and shall be in the form of one of the following:

- (a) cash given to the casino licensee;
- (b) check, money order, negotiable order of withdrawal, or wire or electronic transfer, payable and remitted to the casino licensee;
- (c) charges made to an account holder's debit or credit card upon the account holder's direct and personal instruction, which instruction may be given by telephone communication or other electronic means to the casino licensee by the account holder if the use of the card has been approved by the casino licensee; or
- (d) any other method approved by the division.

(2) When an account holder wins an account wager on a game, the casino licensee shall pay to the holder Internet chips or tokens or other cash equivalents in the appropriate amount pursuant to the rules of that game for that particular type of wager. When the account holder logs off or cashes out the Internet chips, tokens or other cash equivalents, the casino licensee shall credit the holder's wagering account in the amount of Internet chips, tokens or other cash equivalents cashed in.

(3) The casino licensee shall have the right to credit a wagering account as part of a promotion scheme.

(4) The casino licensee shall have the right to refuse, for any valid reason, all or part of any wager or deposit to the account.

(5) Funds deposited in the account shall not bear interest to the account holder.

b. Debits to an Internet gaming account shall not be made

except as provided by this subsection.

(1) When an account holder logs onto a wagering account and exchanges account funds for Internet chips, tokens or other cash equivalents, the licensee shall debit the holder's account in the amount of funds exchanged. Upon receipt by a casino licensee of an account wager or an account purchase order, the casino licensee shall debit the account holder's Internet chips, tokens or other cash equivalents in the amount of the wager or purchase.

(2) A casino licensee may authorize a withdrawal from a wagering account when the account holder submits to the casino licensee, either in writing or electronically:

- (a) proper identification;
- (b) the correct authentication information for access to the account; and
- (c) a properly completed and executed withdrawal on a form approved by the division.

Upon receipt of a properly completed and executed withdrawal form, and if there are sufficient funds in the account to cover the withdrawal, the licensee shall send, within three business days of receipt, a check payable in the amount requested to the holder at the address specified in the application for the wagering account or shall transmit payment to the account holder electronically as approved by the division by regulation.

21. (New section) A casino licensee may accept Internet gaming account wagers only as follows:

a. The account wager shall be placed directly with the casino licensee by the holder of the wagering account and the casino licensee has verified the account holder's physical presence in this State.

b. The account holder placing the account wager shall provide the casino licensee with the correct authentication information for access to the wagering account.

c. A casino licensee may not accept an account wager in an amount in excess of funds on deposit in the wagering account of the holder placing the wager. Funds on deposit include amounts credited under this act, P.L. c. (C.) (pending before the Legislature as this bill), and in the account at the time the wager is placed.

22. (New section) All amounts remaining in Internet gaming accounts inactive or dormant for such period and under such conditions as established by regulation by the division shall be paid 50% to the casino licensee and 50% to the casino control fund. Before closing a wagering account pursuant to this section, the casino licensee shall attempt to contact the account holder by mail, phone and computer.

23. (New section) a. The casino licensee shall establish a log in procedure for a holder of a wagering account to access Internet gaming. Part of the log in procedure shall be the provision by the account holder of the appropriate authentication information for access to the wagering account. The casino licensee shall not allow an account holder to participate in gaming before logging in and providing the proper authentication information to access the holder's wagering account.

b. Upon log in, the holder of a wagering account shall have the option to exchange any amount of funds in the wagering account to Internet chips, tokens or other cash equivalents, to be used for Internet casino gaming.

c. Upon logging off, the current amount of the holders' Internet chips, tokens or other cash equivalents shall be credited to the holder's wagering account.

24. (New section) The casino licensee shall provide to a holder of a wagering account who is logged in to his or her wagering account access to a display of all of the following information:

a. the current amount of money in the holder's account, including the current amount of the holder's Internet chips, tokens or other cash equivalents;

b. the amount of money the account holder has won or lost on Internet gaming since the account was established;

c. the amount of money the account holder has won or lost on during the current gaming session, when a gaming session begins at log on and ends at log off;

d. a detailed accounting of all other Internet gaming sessions, when a session begins at log on and ends at log off, including time and date of log on and log off and the amount of money won or lost on gaming and the amount of money spent from the account on merchandise or services; and

e. the complete text of the rules of the division regarding games and the conduct of Internet gaming, pay-offs of winning wagers, an approximation of the odds of winning for each wager, and such other advice and information to the account holder as the division shall require.

25. (New section) In order to assist those persons who may have a gambling problem, a casino licensee shall:

a. cause the words "If you or someone you know has a gambling problem and wants help, call 1-800 GAMBLER," or some comparable language approved by the division, which language shall include the words "gambling problem" and "call 1-800 GAMBLER," to be displayed prominently at log on and log off times to any person visiting or logged onto Internet gaming; and

b. provide a mechanism by which a holder of a wagering account may establish the following controls on wagering activity through the wagering account:

(1) a limit on the amount of money deposited within a specified period of time and the length of time the holder will be unable to participate in gaming if the holder reaches the established deposit limit; and

(2) a temporary suspension of gaming through the account for any number of hours or days.

The casino licensee shall not send gaming-related electronic mail to an account holder while gaming through his or her wagering account is suspended, if the suspension is for at least 72 hours. The casino licensee shall provide a mechanism by which an account holder may change these controls, except that while gaming through the wagering account is suspended, the account holder may not change gaming controls until the suspension expires, but the holder shall continue to have access to the account and shall be permitted to withdraw funds from the account upon proper application therefor.

26. (New section) a. Except as provided in this section, no casino licensee or any person licensed under P.L.1977, c.110 (C.5:12-1 et seq.) and no person acting on behalf of, or under any arrangement with, a casino licensee or other person licensed under P.L.1977, c.110, shall:

(1) cash any check, make any loan, or otherwise provide credit to any person for the purpose of crediting an Internet gaming account; or

(2) release or discharge any debt, either in whole or in part, or make any loan which represents any losses incurred by any account holder in gaming activity through Internet gaming, without maintaining a written record thereof in accordance with the rules of the division.

b. Notwithstanding section 101 of P.L.1977, c.110 (C.5:12-101), no casino licensee or any person licensed under P.L.1977, c.110 (C.5:12-1 et seq.) and no person acting on behalf of, or under any arrangement with, a casino licensee or other person licensed under P.L.1977, c.110, may accept a check, other than a recognized traveler's check or other cash equivalent from any person for the purpose of crediting an Internet gaming account unless:

(1) the check is made payable to the casino licensee;

(2) the check is dated, but not postdated;

(3) the check is transmitted to the casino licensee and received by the licensee in a manner approved by the division and is exchanged for credits on the Internet gaming account established by the drawer of the check; and

(4) the regulations concerning check cashing procedures are observed by the casino licensee and its employees and agents.

27. (New section) Any person who offers games into play or displays such games through Internet gaming without approval of the division to do so is guilty of a crime of the fourth degree and notwithstanding the provisions of N.J.S.2C:43-3, shall be subject to a fine of not more than \$25,000 and in the case of a person other than a natural person, to a fine of not more than \$100,000 and any other appropriate disposition authorized by subsection b. of N.J.S.2C:43-2.

28. (New section) a. Notwithstanding section 46 of P.L.1991, c.182 (C.5:12-113.1), any person who knowingly tampers with software, computers or other equipment used to conduct Internet gaming to alter the odds or the payout of a game or disables the game from operating according to the rules of the game as promulgated by the division is guilty of a crime of the third degree and notwithstanding the provisions of N.J.S.2C:43-3, shall be subject to a fine of not more than \$50,000 and in the case of a person other than a natural person, to a fine of not more than \$200,000 and any other appropriate disposition authorized by subsection b. of N.J.S.2C:43-2.

b. In addition to the penalties provided in subsection a., an employee of the casino licensee who violates this section shall have his or her license revoked and shall be subject to such further penalty as the division deems appropriate.

c. In addition to the penalties provided in subsection a., a casino licensee that violates this section shall have its permit to conduct Internet gaming revoked and shall be subject to such further penalty as the division deems appropriate.

29. (New section) a. Any person who knowingly offers or allows to be offered any Internet game that has been tampered with in a way that affects the odds or the payout of a game or disables the game from operating according to the rules of the game as promulgated by the division is guilty of a crime of the third degree and notwithstanding the provisions of N.J.S.2C:43-3, shall be subject to a fine of not more than \$50,000 and in the case of a person other than a natural person, to a fine of not more than \$200,000 and any other appropriate disposition authorized by subsection b. of N.J.S.2C:43-2.

b. In addition to the penalties provided in subsection a., an employee of the casino licensee who knowingly violates this section shall have his or her license suspended for a period not less than 30 days.

c. In addition to the penalties provided in subsection a., a casino licensee that violates this section shall have its permit to conduct Internet gaming suspended for a period not less than 30 days.

30. (New section) a. No person under the age of 21 shall be permitted to maintain an Internet gaming account. Any casino licensee or employee of a casino licensee who allows a person under the age of 21 to maintain a wagering account is guilty of a crime of the fourth degree and subject to the penalties therefor; except that the establishment of all of the following facts by a licensee or employee allowing any such underage person to maintain an account shall constitute a defense to any prosecution therefor:

(1) that the underage person falsely represented during the application process for an Internet gaming account that he or she was at least 21 years of age; and

(2) that the establishment of the Internet gaming account was made in good faith, relying upon such representation, and in the reasonable belief that the underage person was actually 21 years of age or older.

b. In addition to the penalties provided in subsection a. of this section, an employee of the casino licensee who violates the provisions of this section more than once shall have his or her license revoked.

c. In addition to the penalties provided in subsection a. of this section, a casino licensee that violates the provisions of this section more than once shall have its permit to conduct Internet gaming revoked.

31. (New section) a. The division shall, by regulation, establish annual fees for the issuance or renewal of Internet gaming permits. The issuance fee shall be based upon the cost of investigation and consideration of the license application and shall be not less than \$200,000. The renewal fee shall be based upon the cost of maintaining enforcement, control and regulation of Internet wagering operations and shall be not less than \$150,000.

b. The Attorney General shall certify to the division actual and prospective costs of the investigative and enforcement functions of the division, which costs shall be the basis, together with the operating expenses of the division, for the establishment of annual permit issuance and renewal fees.

c. A nonrefundable deposit of at least \$100,000 shall be required to be posted with each application for an Internet gaming permit and shall be applied to the initial permit fee if the application is approved.

d. In addition to the permit issuance and renewal fees, a casino licensee with an Internet gaming permit shall pay annually to the division \$150,000 to be deposited into the State General Fund for appropriation by the Legislature to the Department of Human Services, \$85,000 of which shall be allocated to the Council on Compulsive Gambling of New Jersey and \$65,000 of which shall be used for compulsive gambling treatment programs in the State.

32. (New section) No organization or commercial enterprise, other than a casino located in Atlantic City or its Internet gaming affiliate that has been issued a permit to conduct Internet gaming and has located all of its equipment used to conduct Internet gaming, including computers, servers, monitoring rooms, and hubs, in Atlantic City, shall make its premises available for placing wagers at casinos using the Internet or advertise that its premises may be used for such purpose. An organization or commercial enterprise that is determined by the division to have violated the provisions of this section shall be subject to a penalty of \$1,000 per player per day for making its premises available for placing wagers at casinos using the Internet and of \$10,000 per violation for advertising that its premises may be used for such purpose.

33. (New section) Notwithstanding any other provision of P.L. , c. (C.) (pending before the Legislature as this bill), wagers may be accepted thereunder from persons who are not physically present in this State if the Division of Gaming Enforcement in the Department of Law and Public Safety determines that such wagering is not inconsistent with federal law or the law of the jurisdiction, including any foreign nation, in which any such person is located, or such wagering is conducted pursuant to an interstate compact to which this State is a party that is not inconsistent with federal law.

34. Section 11 of P.L.2011, c.18 (C.5:12-225) is repealed.

35. Section 1 of P.L.2005, c.357 (C.5:12-76.1) is amended to read as follows:

1. a. The Director of the Division of Gaming Enforcement, in consultation with the Casino Control Commission, shall establish an Internet gambling public awareness campaign in order to promote awareness among the general public of issues relating to Internet gambling.

b. The public awareness campaign shall include the development and implementation of public awareness and outreach efforts to inform the public about Internet gambling, including, but not limited to, the following subjects:

(1) the legal status of Internet gambling in New Jersey;

(2) the fact that Internet gambling is unregulated regulated by New Jersey, and that the fairness and integrity of Internet gambling cannot be guaranteed by the State when conducted illegally outside of the State's regulatory framework;

(3) the risks of being defrauded of potentially large amounts of money when gambling on the Internet illegally;

(4) the risks of identity theft when using personal identification or financial information to gamble on the Internet illegally;

(5) special risks for underage and problem gamblers when gambling on the Internet; and

(6) access to services for problem gamblers, including contact information for the Council on Compulsive Gambling.

c. The director shall coordinate the efforts of the division with any activities being undertaken by other State agencies to provide information to the public about Internet gambling.

d. The director, within the limits of funds available for this purpose, shall seek to utilize both electronic and print media, and may prepare and disseminate such written information as the director deems necessary to accomplish the purposes of this act.

e. The division shall make available electronically on its website in both English and Spanish information about Internet gambling as described in subsection b. of this section.

f. The director may accept, for the purposes of the public awareness campaign, any special grant of funds, services, or property from the federal government or any of its agencies, or from any foundation, organization or other entity.

g. The director shall report to the Governor and the Legislature, no later than 18 months after the effective date of this act, on the activities and accomplishments of the public awareness campaign.²

(cf: P.L.2005, c.357, s.1)

36. Section 9 of P.L.2011, c.18 (C.5:12-223) is amended to read as follows:

9. [a. Notwithstanding any law, rule, or regulation to the contrary, the Division of Gaming Enforcement in the Department of Law and Public Safety shall in each of the first three State fiscal years commencing in the State fiscal year in which P.L.2011, c.18 (C.5:12-218 et al.) is enacted, determine the amount of cost savings effected by the reduction in fees paid by casino licensees pursuant to revisions to law concerning regulation of the casino industry, and provide that an amount, as determined by the New Jersey Racing Commission in the Department of Law and Public Safety pursuant to this subsection shall be paid annually by casino licensees to the authority, and such payment shall be made in each of the first three State fiscal years commencing in the State fiscal year in which P.L.2011, c.18 (C.5:12-218 et al.) is enacted. The New Jersey Racing Commission shall determine an amount to be allocated from

the amounts collected by the Division of Gaming Enforcement pursuant to this section, in an amount not exceeding \$15,000,000 in the first State fiscal year; \$10,000,000 in the second State fiscal year; and \$5,000,000 in the third State fiscal year. The moneys collected pursuant to this subsection shall be allocated to the authority, and allocated by the authority to the New Jersey Racing Commission to the support of the horse racing industry in this State through the augmentation of purses. The amount of any funds authorized in this section to be collected and allocated in support of horse racing through the augmentation of purses shall be established by the New Jersey Racing Commission at a regular meeting of the commission held during the fiscal year in which any such payment is authorized, which amount shall be reflected in the meeting minutes delivered by the executive director to the Governor with respect to the meeting at which such action is taken in the manner provided under section 31 of P.L.2001, c.199 (C.5:5-22.1).

b. If the amount paid to the authority pursuant to subsection a. of this section in the first three State fiscal years described herein is insufficient to allocate the amount required for the augmentation of purses in any one of those three State fiscal years, the authority shall, from any appropriate revenue source or account, allocate the amount necessary to cover the difference between the amounts to be allocated to the horse racing industry in this State through the augmentation of purses in the first three State fiscal years and the amount paid to the authority pursuant to subsection a. of this section and shall be reimbursed from the amount collected by the Division of Gaming Enforcement pursuant to subsection a. of this section in the subsequent State fiscal year.

c.] a. If [one year after the effective date of P.L.2011, c.18 (C.5:12-218 et al.)] the not-for-profit corporation [does not exist as provided in section 7 of P.L.2011, c.18 (C.5:12-221), or] is unable to perform its obligations under an agreement with the authority, or Convention Center Division, or if the agreement is terminated, as provided under that section, and is not renewed, the authority shall assess a fee payable by each casino licensee for the State fiscal year, for a period of five State fiscal years. The fee assessed under this subsection shall be in proportion to the casino licensee's gross revenues generated in the fiscal year preceding the assessment. The total fees assessed collectively upon all casino licensees shall be no less than \$30,000,000 for each State fiscal year for which the fees are assessed.

[d.] b. Such fees shall be used exclusively to facilitate the development of the tourism district, enhance the cleanliness and safety of the tourism district, and fund the marketing efforts of the authority or of the Convention Center Division, as the case may be, concerning tourism in the district.

(cf: P. L.2011, c.18, s.9)

37. Section 82 of P.L.1977, c.110 (C.5:12-82) is amended to read as follows:

82. a. No casino shall operate unless all necessary licenses and approvals therefor have been obtained in accordance with law.

b. Only the following persons shall be eligible to hold a casino license; and, unless otherwise determined by the commission with the concurrence of the Attorney General which may not be unreasonably withheld in accordance with subsection c. of this section, each of the following persons shall be required to hold a casino license prior to the operation of a casino in the casino hotel with respect to which the casino license has been applied for:

(1) Any person who either owns an approved casino hotel or owns or has a contract to purchase or construct a casino hotel which in the judgment of the commission can become an approved casino hotel within 30 months or within such additional time period as the commission may, upon a showing of good cause therefor, establish;

(2) Any person who, whether as lessor or lessee, either leases an approved casino hotel or leases or has an agreement to lease a casino hotel which in the judgment of the commission can become an approved casino hotel within 30 months or within such additional time period as the commission may, upon a showing of good cause therefor, establish;

(3) Any person who has a written agreement with a casino licensee or with an eligible applicant for a casino license for the complete management of a casino and, if applicable, any authorized games in a casino simulcasting facility; [and]

(4) Any other person who has control over either an approved casino hotel or the land thereunder or the operation of a casino; and

(5) Any person who is an Internet gaming affiliate of an owner or operator of a licensed casino, and such person is to own or operate an Internet gaming system for such licensed casino .

c. Prior to the operation of a casino and, if applicable, a casino simulcasting facility, every agreement to lease an approved casino hotel or the land thereunder and every agreement for the management of the casino and, if applicable, any authorized games in a casino simulcasting facility, shall be in writing and filed with the commission and the division. No such agreement shall be effective unless expressly approved by the commission. The commission may require that any such agreement include within its terms any provision reasonably necessary to best accomplish the policies of this act. Consistent with the policies of this act:

(1) The commission, with the concurrence of the Attorney General which may not be unreasonably withheld, may determine that any person who does not have the ability to exercise any significant control over either the approved casino hotel or the operation of the casino contained therein shall not be eligible to

hold or required to hold a casino license;

(2) The commission, with the concurrence of the Attorney General which may not be unreasonably withheld, may determine that any owner, lessor or lessee of an approved casino hotel or the land thereunder who does not own or lease a significant portion of an approved casino hotel shall not be eligible to hold or required to hold a casino license;

(3) The commission shall require that any person or persons eligible to apply for a casino license organize itself or themselves into such form or forms of business association as the commission shall deem necessary or desirable in the circumstances to carry out the policies of this act;

(4) The commission may issue separate casino licenses to any persons eligible to apply therefor;

(5) As to agreements to lease an approved casino hotel or the land thereunder, unless it expressly and by formal vote for good cause determines otherwise, the commission shall require that each party thereto hold either a casino license or casino service industry enterprise license and that such an agreement shall include within its terms a buy-out provision conferring upon the casino licensee-lessee who controls the operation of the approved casino hotel the absolute right to purchase for an expressly set forth fixed sum the entire interest of the lessor or any person associated with the lessor in the approved casino hotel or the land thereunder in the event that said lessor or said person associated with the lessor is found by the commission or director, as the case may be, to be unsuitable to be associated with a casino enterprise;

(6) The commission shall not permit an agreement for the leasing of an approved casino hotel or the land thereunder to provide for the payment of an interest, percentage or share of money gambled at the casino or derived from casino gaming activity or of revenues or profits of the casino unless the party receiving payment of such interest, percentage or share is a party to the approved lease agreement; unless each party to the lease agreement holds either a casino license or casino service industry enterprise license, and includes within its terms a buy-out provision conforming to that described in paragraph (5) above;

(7) As to agreements for the management of a casino and, if applicable, the authorized games in a casino simulcasting facility, the commission shall require that each party thereto hold a casino license or a casino service industry enterprise license pursuant to subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92), that the party thereto who is to manage the casino gaming operations own at least 10% of all outstanding equity securities of any casino licensee or of any eligible applicant for a casino license if the said licensee or applicant is a corporation and the ownership of an equivalent interest in any casino licensee or in any eligible applicant for a

casino license if same is not a corporation, and that such an agreement be for the complete management of all casino space in the casino hotel and, if applicable, all authorized games in a casino simulcasting facility, provide for the sole and unrestricted power to direct the casino gaming operations of the casino hotel which is the subject of the agreement, and be for such a durational term as to assure reasonable continuity, stability and independence in the management of the casino gaming operations, provided that the provisions of this paragraph shall not apply to a slot system agreement between a group of casino licensees and a casino service industry enterprise licensed pursuant to subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92), or an eligible applicant for such license, and that, with regard to such agreements, the casino service industry enterprise licensee or applicant may operate and administer the multi-casino progressive slot machine system, including, but not limited to, the operation of a monitor room or the payment of progressive, including annuity, jackpots, or both, and further provided that the obligation to pay a progressive jackpot or establish an annuity jackpot guarantee shall be the sole responsibility of the casino licensee or casino service industry enterprise licensee or applicant designated in the slot system agreement and that no other party shall be jointly or severally liable for the payment or funding of such jackpots or guarantees unless such liability is specifically established in the slot system agreement;

(8) The commission may permit an agreement for the management of a casino and, if applicable, the authorized games in a casino simulcasting facility to provide for the payment to the managing party of an interest, percentage or share of money gambled at all authorized games or derived from casino gaming activity or of revenues or profits of casino gaming operations;

(9) Notwithstanding any other provision of P.L.1977, c.110 (C.5:12-1 et seq.) to the contrary, the commission may permit an agreement between a casino licensee and a casino service industry enterprise licensed pursuant to the provisions of subsection a. of section 92 of P.L.1977, c.110 (C.5:12-92) for the conduct of casino simulcasting in a simulcasting facility or for the operation of a multi-casino progressive slot machine system, to provide for the payment to the casino service industry enterprise of an interest, percentage or share of the money derived from the casino licensee's share of proceeds from simulcast wagering activity or the operation of a multi-casino progressive slot machine system; and

(10) As to agreements to lease an approved casino hotel or the land thereunder, agreements to jointly own an approved casino hotel or the land thereunder and agreements for the management of casino gaming operations or for the conduct of casino simulcasting in a simulcasting facility, the commission shall require that each

party thereto, except for a banking or other chartered or licensed lending institution or any subsidiary thereof, or any chartered or licensed life insurance company or property and casualty insurance company, or the State of New Jersey or any political subdivision thereof or any agency or instrumentality of the State or any political subdivision thereof, shall be jointly and severally liable for all acts, omissions and violations of this act by any party thereto regardless of actual knowledge of such act, omission or violation and notwithstanding any provision in such agreement to the contrary. Notwithstanding the foregoing, nothing in this paragraph shall require a casino licensee to be jointly and severally liable for any acts, omissions or violations of this act, P.L.1977, c.110 (C.5:12-1 et seq.), committed by any casino service industry enterprise licensee or applicant performing as a slot system operator pursuant to a slot system agreement.

d. No corporation shall be eligible to apply for a casino license unless:

(1) The corporation shall be incorporated in the State of New Jersey, although such corporation may be a wholly or partially owned subsidiary of a corporation which is organized pursuant to the laws of another state of the United States or of a foreign country;

(2) The corporation shall maintain an office of the corporation in the casino hotel licensed or to be licensed;

(3) The corporation shall comply with all the requirements of the laws of the State of New Jersey pertaining to corporations;

(4) The corporation shall maintain a ledger in the principal office of the corporation in New Jersey which shall at all times reflect the current ownership of every class of security issued by the corporation and shall be available for inspection by the commission or the division and authorized agents of the commission and the division at all reasonable times without notice;

(5) The corporation shall maintain all operating accounts required by the commission in a bank in New Jersey, except that a casino licensee may establish deposit-only accounts in any jurisdiction in order to obtain payment of any check described in section 101 of P.L.1977, c.110 (C.5:12-101);

(6) The corporation shall include among the purposes stated in its certificate of incorporation the conduct of casino gaming and provide that the certificate of incorporation includes all provisions required by this act;

(7) The corporation, if it is not a publicly traded corporation, shall file with the division and the commission such adopted corporate charter provisions as may be necessary to establish the right of the commission pursuant to subsection a. of section 105 of P.L.1977, c.110 (C.5:12-105) to disapprove transfers of securities, shares, and other interests in the applicant corporation; and, if it is a

publicly traded corporation, provide in its corporate charter that any securities of such corporation are held subject to the condition that if a holder thereof is found to be disqualified pursuant to the provisions of this act, such holder shall dispose of his interest in the corporation; provided, however, that, notwithstanding the provisions of N.J.S.14A:7-12 and N.J.S.12A:8-101 et seq., nothing herein shall be deemed to require that any security of such corporation bear any legend to this effect;

(8) The corporation, if it is not a publicly traded corporation, shall establish to the satisfaction of the division that appropriate charter provisions create the absolute right of such non-publicly traded corporations and companies to repurchase at the market price or the purchase price, whichever is the lesser, any security, share or other interest in the corporation in the event that the commission disapproves a transfer in accordance with the provisions of this act;

(9) Any publicly traded holding, intermediary, or subsidiary company of the corporation, whether the corporation is publicly traded or not, shall contain in its corporate charter the same provisions required under paragraph (7) for a publicly traded corporation to be eligible to apply for a casino license; and

(10) Any non-publicly traded holding, intermediary or subsidiary company of the corporation, whether the corporation is publicly traded or not, shall establish to the satisfaction of the commission that its charter provisions are the same as those required under paragraphs (7) and (8) for a non-publicly traded corporation to be eligible to apply for a casino license.

The provisions of this subsection shall apply with the same force and effect with regard to casino license applicants and casino licensees which have a legal existence that is other than corporate to the extent which is appropriate.

e. No person shall be issued or be the holder of a casino license if the issuance or the holding results in undue economic concentration in Atlantic City casino operations by that person. For the purpose of this subsection, "undue economic concentration" means that a person would have such actual or potential domination of the casino gaming market in Atlantic City as to substantially impede or suppress competition among casino licensees or adversely impact the economic stability of the casino industry in Atlantic City. In determining whether the issuance or holding of a casino license by a person will result in undue economic concentration, the commission shall consider the following criteria:

(1) The percentage share of the market presently controlled by the person in each of the following categories:

The total number of licensed casinos in this State;

Total casino and casino simulcasting facility square footage;

Number of guest rooms;

Number of slot machines;

Number of table games;

Net revenue;

Table game win;

Slot machine win;

Table game drop;

Slot machine drop; and

Number of persons employed by the casino hotel;

(2) The estimated increase in the market shares in the categories in (1) above if the person is issued or permitted to hold the casino license;

(3) The relative position of other persons who hold casino licenses, as evidenced by the market shares of each such person in the categories in (1) above;

(4) The current and projected financial condition of the casino industry;

(5) Current market conditions, including level of competition, consumer demand, market concentration, any consolidation trends in the industry and any other relevant characteristics of the market;

(6) Whether the licensed casinos held or to be held by the person have separate organizational structures or other independent obligations;

(7) The potential impact of licensure on the projected future growth and development of the casino industry and Atlantic City;

(8) The barriers to entry into the casino industry, including the licensure requirements of this act, P.L.1977, c.110 (C.5:12-1 et seq.), and whether the issuance or holding of a casino license by the person will operate as a barrier to new companies and individuals desiring to enter the market;

(9) Whether the issuance or holding of the license by the person will adversely impact on consumer interests, or whether such issuance or holding is likely to result in enhancing the quality and customer appeal of products and services offered by casino licensees in order to maintain or increase their respective market shares;

(10) Whether a restriction on the issuance or holding of an additional license by the person is necessary in order to encourage and preserve competition and to prevent undue economic concentration in casino operations; and

(11) Any other evidence deemed relevant by the commission.

The commission shall, after conducting public hearings thereon, promulgate rules and regulations in accordance with the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.) defining any additional criteria the commission will use in determining what constitutes undue economic concentration.

For the purpose of this subsection a person shall be considered the holder of a casino license if such license is issued to such person or if such license is held by any holding, intermediary or subsidiary

company thereof, or by any person required to be qualified in conjunction with such casino license.

(cf: P.L.2012, c.34, s.5)

38. (New section) As used in P.L.1977, c.110 (C.5:12-1 et seq.), as amended and supplemented, "Internet gaming affiliate" means a business entity licensed under that act that owns or operates an Internet gaming system on the behalf of a licensed casino.

39. Section 1 of P.L.2008, c.12 (C.5:12-38a) is amended to read as follows:

1. "Promotional gaming credit" - A slot machine credit or other item approved by the division that is issued by a licensee to a patron for the purpose of enabling the placement of a wager at a slot machine in the licensee's casino or through the licensee's Internet gaming system. No such credit shall be reported as a promotional gaming credit unless the casino licensee can establish that the credit was issued by the casino licensee and received from a patron as a wager at a slot machine in the licensee's casino or Internet gaming system.

(cf: P.L.2011, c.19, s.19)

40. (New section) a. In the case of an application for licensure submitted by a prospective Internet gaming affiliate that is headquartered outside of the United States or that does significant business outside of the United States, as determined by the Division of Gaming Enforcement, the division shall consult with officials of the United States Department of Justice prior to making a recommendation to the Casino Control Commission regarding licensure of the applicant.

b. As part of their respective investigatory, licensing and oversight powers, the Division of Gaming Enforcement and Casino Control Commission shall review each Internet gaming affiliate applicant's past history and its asset utilization in the context of past and current Federal and State law and, following such review, may impose limitations and conditions upon the granting of the license or the utilization of its assets, or both, with respect to New Jersey operations.

41. (New section) The Division of Gaming Enforcement shall select the date upon which the provisions of P.L. , c. (C.) (pending before the Legislature as this bill) shall become operative which shall not be less than three months, nor more than nine months, after the date of enactment, except that upon application by the division, the Casino Control Commission may allow the division, for good cause, to extend the operative date beyond nine months. The division shall provide all casino licensees and

applicants with 45 days notice of the operative date. Notwithstanding this delayed operative date, the division and the commission may take such anticipatory administrative action in advance as may be necessary for the implementation of P.L. , c. (C.) (pending before the Legislature as this bill).

42. This act shall take effect immediately but remain inoperative until the date selected by the Division of Gaming Enforcement pursuant to section 41 of P.L. , c. (C.) (pending before the Legislature as this bill).

STATEMENT

This Senate substitute authorizes Internet gaming at Atlantic City casinos to enable persons in New Jersey to place wagers on casino games via the Internet and provides for the regulation thereof. Under the substitute bill, any game that is authorized to be played in a casino could, with the approval of the Division of Gaming Enforcement, be offered through Internet gaming. The substitute bill provides for the licensure of Internet gaming affiliates who operate Internet gaming systems on behalf of licensed casinos and addresses the licensing as casino service industry enterprises of certain businesses providing goods or services in connection with Internet gaming. All Internet gaming would be deemed to take place in Atlantic City and all equipment used in Internet gaming would be required to be located in Atlantic City, except that backup equipment and certain other equipment could be located elsewhere. In addition, the substitute bill prescribes the permit fees and tax rates applicable to Internet gaming, provides for contributions to compulsive gambling programs, regulates the process for the placing of Internet wagers, provides penalties for violations, and provides that promotional gaming credits will include wagers placed through an Internet gaming system.

Authorizes Internet gaming at Atlantic City casinos under certain circumstances.