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RETURN RECEIPT REQUESTED

BAO # 2007-0405-0013

June 4, 2007

Mr. Jeffrey L. Minch
President, CEO
Littlefield Corporation
2501 North Lamar Blvd.
Austin, Texas 78705

Re: Distributor Licenses

Dear Mr. Minch:

This advisory opinion responds to your request received on April 5, 2007. You asked whether there is anything in the current rules pertaining to charitable bingo which would preclude any of the following scenarios from being executed, and, if so, for pertinent references.

Scenario One: Ten (10) licensed commercial lessors desire to obtain a Distributor's License in accordance with the rules of the Texas Lottery Commission Charitable Bingo Operating Division. They propose to form a Texas Corporation to hold the Distributor's License. Each of the ten (10) licensed commercial lessors will own 10% of the common stock of the corporation; and, each will have the same voting rights thereby exerting equal control on the business of the distributorship.

Scenario Two: Ten (10) individual shareholders of ten (10) different licensed commercial lessors (not the commercial lessor itself) desire to obtain a Distributor's License in accordance with the rules of the Texas Lottery Commission Bingo Operating Division. They propose to form a Texas Corporation to hold the Distributor's License. Each of the ten (10) shareholders will own 10% of the common stock of the corporation; and, each will have the same voting rights thereby exerting equal control on the business of the distributorship.

Scenario Three: Ten (10) individual employees of ten (10) different licensed commercial lessors desire to obtain a Distributor's License in accordance with the rules of the Texas Lottery Commission Charitable Bingo Operating Division. They propose to form a Texas Corporation to hold the Distributor's License. Each of the ten (10) shareholders will own 10% of the common stock of the corporation; and, each will have the same voting rights thereby exerting equal control on the business of the distributorship.

ANSWER:

In each of the scenarios, a Texas corporation would be the distributor license holder. The ten shareholders of the corporation would each own 10 percent of the common stock of the corporation and have equal control of the business.

An applicant for a distributor license must meet the eligibility requirements set out in Tex. Occ. Code Section 2001.207:

The following persons are not eligible for a distributor's license:

- (1) a person convicted of a felony, criminal fraud, a gambling or gambling-related offense, or a crime of moral turpitude if less than 10 years has elapsed since the termination of a sentence, parole, community supervision, or mandatory supervision served for the offense;
- (2) a person who is or has been a professional gambler or gambling promoter;
- (3) an elected or appointed public officer or a public employee;
- (4) an owner, officer, director, shareholder, agent, or employee of a licensed commercial lessor;
- (5) a person who conducts, promotes, or administers, or assists in conducting, promoting, or administering bingo for which a license is required by this chapter;
- (6) a manufacturer required to be licensed under this chapter;
- (7) a person who has had a license to manufacture, distribute, or supply bingo equipment or supplies revoked within the preceding year by another state;
- (8) an owner, officer, director, or shareholder of, or a person having an equitable or credit interest in, another manufacturer or distributor licensed or required to be licensed under this chapter; or
- (9) a person:
 - (A) in which a person described by Subdivision (1), (2), (3), (4), (5), (6), (7), or (8) or in which a person married or related in the first degree by consanguinity or affinity, as determined under Subchapter B, Chapter 573, Government Code, to one of those persons has greater than a 10 percent proprietary, equitable, or credit interest or in which one of those persons is active or employed; or

(B) in whose application a person described by Subdivision (1), (2), (3), (4), (5), (6), (7), or (8) is required to be named.

The standards set out in subsections 1 through 8 apply to the applicant itself, which is a corporation in the three scenarios at issue here. Under subsection 9, however, those standards may also apply to the shareholders of a corporate applicant. Subsection (9)(A) is specifically applicable to your question.

Under subsection (9)(B) the standards in subsections 1 through 8 apply to any person required to be named in an applicant's license application. A corporate applicant for a distributor's license must list the name of "each person owning at least 10 percent of a class of stock in the corporation. Occ. Code § 2001.208. The combined effect of those provisions is that the standards in section 2001.207(1) through (8) apply to a shareholder who owns an interest of 10 percent or more in a corporate applicant.

In the three scenarios you describe each corporation has ten ten-percent shareholders. Thus, in each of those scenarios the corporate applicant would be ineligible for a distributor's license if any one of the ten ten-percent shareholders was a person described in section 2001.207(1), (2), (3), (4), (5), (6), (7), or (8). *See generally* Attorney General Opinion No. GA-0186 (2004). Based on the facts provided in the three scenarios and the application of section 2001.207, the corporate applicants would be ineligible because the ten-percent shareholders are persons described in section 2001.207(4). Of course, each applicant would also be subject to the provisions of section 2001.207(9) as well.

This advisory opinion cannot be construed as a tax ruling or otherwise interpretive of the Internal Revenue Code. The information provided is completely limited to the context of the Bingo Enabling Act and the Charitable Bingo Administrative Rules.

This advisory opinion is based on the laws, rules and regulations in effect at the time of its issuance. All of the information provided herein is subject to change in law.

This opinion is purely advisory in nature and is limited to the particular questions at issue and to the facts presented in the request. Therefore, this opinion must not be relied upon as a previous determination regarding any conduct which is not substantially consistent with the opinions and facts stated in the request.

Yours truly,

Philip D. Sanderson, Director
Charitable Bingo Operations Division

cc: James A. Cox, Jr., Chairman
C. Tom Clowe, Jr., Commissioner

Anthony J. Sadberry, Executive Director
Kimberly L. Kiplin, General Counsel