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STATE OF CALIFORNIA DEPARTMENT OF JUSTICE
BUREAU OF GAMBLING CONTROL

PUBLIC HEARING
IN RE: GAMING ACTIVITY AUTHORIZATION REGULATION
SACRAMENTO, CALIFORNIA
TUESDAY, MAY 6, 2014

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REPORTER: PATRICIA GRAY-CONRAD, CSR NO. 12633

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SACRAMENTO, CALIFORNIA
TUESDAY, MAY 6, 2014

Transcript of proceedings taken on behalf of the
State of California, California Bureau of Gambling
Control, at 1625 North Market Boulevard, Public Hearing
Room, Sacramento, California, commencing on Tuesday, May
6, 2014, at 1:03 p.m., before Patricia Gray-Conrad,
Certified Shorthand Reporter Number 12633.

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1 APPEARANCES:

2

3 For the State of California:

4 DEPARTMENT OF JUSTICE
5 BY: WAYNE J. QUINT, JR., BUREAU CHIEF
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7 For the State of California:

8 DEPARTMENT OF JUSTICE
9 BY: SUSANNE GEORGE, RESEARCH ANALYST II
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11 Also Present:

12
13 Stacey Luna-Baxter
14 Yolanda Morrow
Amanda Schoppman
15 Mysty Trejo

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I N D E X

- SPEAKERS:
- Hague Papaian
 - Jarhet Blonien
 - Frank Calamia
 - Mitchell Goldstein
 - Bryan Lungren
 - Kermant Schayltz
 - Kyle Kirkland
 - Keith Sharp
 - Jane Zerbi
 - Higue Kelegian

E X H I B I T S

(None offered)

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1 SACRAMENTO, CALIFORNIA, TUESDAY, MAY 6, 2014;

2 1:03 P.M.

3 - - -

4 CHIEF QUINT: Good afternoon. My name is Wayne
5 Quint, Jr. I am the Chief of the Bureau of Gambling
6 Control. And on behalf of Attorney General Kamala D.
7 Harris, our Director of the Division of Law Enforcement,
8 I want to thank you all for a showing up for what I
9 think is an important regulation round table discussion.

10 I know you're all very special guests of ours,
11 but I do want to recognize them. I consider them our
12 colleagues from the California Gambling Control
13 Commission. In the very, very back row, Tina Littleton,
14 Executive Director. I see Jim Allen, who is the manager
15 of Regulations.

16 Is Anne Par here? Deputy Director Anne Par,
17 Jason Pope. And if I'm missing anyone else from the
18 California Gambling Control Commission, I apologize. I
19 want to thank you publicly for the assistance you give
20 us, particularly as it pertains to these regulatory
21 round table hearings.

22 This will be the first round table that we
23 have and I just want to go over some of the game rules
24 that we're going to have on this. Sorry about that. I
25 appreciate your patience. I hope this isn't indicative

1 of how this afternoon is going to go. The Gambling
2 Control Act assigns the Department of Justice the
3 responsibility of improving the play of any controlled
4 game in gaming establishments within California,
5 including placing restrictions and limitations on how a
6 controlled game may be played.

7 The act also mandates the adoptions of
8 regulations which provide for the approval of game rules
9 by the Bureau, to ensure fairness to the public and
10 confines with state laws. The purpose and rationale for
11 the proposed regulations are; the Bureau has not made
12 any significance changes to its regulations since they
13 were enacted in the late 1990s with the implementation
14 of the Gambling Control Act.

15 Since then, the Bureau's processes and the
16 industry has evolved necessitating changes to the
17 Bureau's regulations. Penal Code Section 337(j) (f)
18 provides that the gambling establishment may waive
19 collection of a fee or a portion of the fee in any hand
20 or round of play after the hand or round has begun
21 pursuant to the published rules of the game and the
22 notice provided to the public.

23 The purpose and the focus of the regulatory
24 change is for licensee to identify in a submission to
25 the Bureau for controlled game approval, the parameters

1 for waiving the collection fee pursuant to Penal Code
2 Section 337(j)(f). Today's round table is designed for
3 the Bureau to receive information from all stake holders
4 in the California gambling industry on how to implement
5 these provisions of statute.

6 Today's round table is not about present game
7 approval process or overall changes needed to the
8 existing regulations. The discussion respectively will
9 be limited on how a regulation can be written for the
10 licensee to identify submission to the Bureau for
11 controlled game approval, the parameters for waiving the
12 collection fee pursuant to Penal Code Section 337(j)(f).

13 This is really not that new of an issue for
14 us. This topic, for your information, has been totally
15 bedded all the way out to the Attorney General herself.
16 The ultimate goal of the regulation change is to provide
17 clarity to the existing statutory provisions for
18 licensees and direction on how to incorporate this in
19 game rules with the statutory framework in mind.

20 With that, I will turn things over to the
21 moderator for today's round table discussion.

22 MS. GEORGE: Thank you. Hopefully this works. My
23 court reporter says that it might be likely because of
24 cell phones. My name is Susanne George. I am the
25 Regulations Coordinator. There's a delay, too. Sorry.

1 Pardon this delay. Is this better?

2 All right. Well, part of my other duty is
3 improvisation. So as you can tell, we're having a
4 little bit of problem with our mikes. So when our
5 friends from DCA come and help us with the hand-held
6 mikes, we'll be able to have those available to pass
7 around.

8 I'll start again. My name is Susanne George.
9 I am the Regulations Coordinator for the Bureau. And
10 with me today from the Bureau, we have Stacey
11 Luna-Baxer. She is the Assistant Bureau Chief of
12 Licensing. Nate Davalli, Assistant Bureau Chief from
13 Compliance and Enforcement. Yolanda Morrow, Manager II,
14 over Third Parties and Games. Mysty Trejo, Manager of
15 the Games Unit. Kevin Colby, he's the new Special Agent
16 in charge of El Dorado, California.

17 And you may not have met him, but here's your
18 opportunity. And Aaron Wong, Special Agent Supervisor
19 with Compliance and Enforcement Section North and Lloyd
20 Carter. He is the manager over the Audits Unit and Tony
21 York is also a manager in our Audits Unit.

22 Many of you know Shane Redmond, Special Agent
23 Supervisor Redman. He's going around trying to get our
24 mikes taken care of. It's a little after 1:00 on
25 Tuesday, May 6th. We are here today at the California

1 Department of Consumer Affairs, 1625 North Market, in
2 Sacramento, California, in the public hearing room.

3 The regulations we are concerned with today
4 would modify Section 2071, Title 11, Division 3, Chapter
5 1, Article 7 of the California Code of Regulations.
6 Notice of this round table discussion was previously
7 published as well as distributed by e-mail to the
8 Bureau's rule making list, as well as our very trusted
9 parties.

10 Just for a few housekeeping items, if you're
11 not familiar with this room or this building, the
12 restrooms -- the men's restroom is right outside the
13 front door. The lady's restrooms are on the other side
14 of the guards station. There's also a cafe on the other
15 side of the guard station. I don't know how late they
16 stay open. I'm sorry I didn't check to see.

17 Also, as you entered the room, you should have
18 seen an attendance sheet at the back table for you. If
19 you could please be so kind as to sign in whether you're
20 planning on speaking or not. This is so that the Bureau
21 will have a record of attendance for this round table.

22 So if you would please sign in at the
23 attendance sheet if you have not. And also, if you
24 could please provide your complete address, your name
25 will be added to the Bureau's rule making list if you're

1 not already on that list. This will enable the Bureau
2 to notify you of any changes to this proposal or any new
3 material relied upon in proposing these regulations.

4 Again, such notices will be sent to everyone
5 who submits written comments today, including written
6 comments that you've submitted to us in the past. Those
7 will also be sent to everyone who provides comments
8 today as well as anyone who asks to be added to the rule
9 making list.

10 While no one will be excluded from
11 participation in these proceedings for not identifying
12 themselves on the sign-in sheet, the names and addresses
13 on the attendance sheet will be used again, to provide
14 notice of future activities.

15 Secondly, if you wish to present comments, it
16 would be an excellent help for our court reporter --
17 she's over here in the corner -- if you could please, at
18 this time, bring her a business card so that she has a
19 full spelling of your name. So if anybody intends to
20 speak, if you wouldn't mind doing that, that would be
21 great.

22 Secondly, most of you have participated in
23 public workshops before. So standard operating
24 procedure would be when the mike comes to you, and you
25 hopefully it's working, if you could please identify

1 yourself and to please spell your name again so that the
2 court reporter can make note of who is making the
3 comments.

4 Another note, the entire round table
5 discussion will be recorded. So those items aside,
6 again as Chief Quint indicated, this is an opportunity
7 for folks to bring their comments to Bureau as to how we
8 can implement Penal Code Section 337(j)(f) with regards
9 to criteria for waiving the collection fee.

10 And for that, I'll open it up for discussion.
11 Shane, the mikes are over there and hopefully it's
12 better. If worse comes to worse, if the mikes aren't
13 working, I may actually have to have you come up to one
14 of the microphones on the floor. So my apologies until
15 we get this technical glitch worked out.

16 CHIEF QUINT: Test, test. Does it sound better
17 now?

18 MS. GEORGE: Okay. With that, we'll open up for
19 discussion if anybody would like to break the ice.

20 CHIEF QUINT: Well, have a great afternoon and
21 we'll see you at the next meeting. Let's go. We want
22 to hear from you so let's have -- Mr. Papaian, why don't
23 you start this off?

24 MR. PAPAIAN: Me? Somebody else?

25 CHIEF QUINT: Yes, sir.

1 MR. PAPAIAN: Oh, sorry. I'll make it real simple,
2 although I know I'll probably end up speaking later.

3 MS. GEORGE: I'm terribly sorry. For the court
4 reporter, please state your name.

5 MR. PAPAIAN: Excuse me. My name is Hague Papaian,
6 P-a-p-a-i-a-n, and I'm with the Commerce Casino in Los
7 Angeles. Very simple. As all of us in this room know,
8 we have two entities of gaming in California. We have
9 tribal and we have card rooms. Card rooms traditionally
10 have always taken a collection.

11 I know some of you people aren't going to
12 agree with me but never the less, that's the way it's
13 always been. The people in the state of California
14 voted to give the tribes their exclusivity on these
15 game.

16 Now, there isn't that much of a difference in
17 a lot of the games but the key is the collection. So I
18 think you all know where I stand. We need to take a
19 collection. On that note, I'll let the rest of you get
20 into the brew ha-ha.

21 CHIEF QUINT: And if I can just follow up? Thank
22 you for those comments. We really want to focus on the
23 impact of the Penal Code and what we're going to say on
24 the regulatory. Your opinions are always valued. I
25 don't know for this public forum that those are

1 necessary but again, let's try to focus on what we're
2 considering. We want information from all stakeholders.

3 But again, the purpose of this meeting is not
4 for a brew haus. It is really for the Bureau of
5 Gambling Control to gather as much information from all
6 stakeholders. So if you could, keep your remarks to
7 that. We know some of you may be for, may be against.
8 But if you want to tell us your opinion, that's what
9 we're here to get today. Thank you.

10 MR. BLONIEN: Jarhet Blonien, B, as in boy,
11 l-o-n-i-e-n. Good afternoon. Thank you Chief Quint for
12 putting this hearing on today. As many as you might
13 know, Penal Code 337(j)(f) was put into the Penal Code
14 in 1997 by SB8, part of the Gambling Control Act.

15 Within that, it defined that every person
16 would have a fee in the game, so there was more ability
17 for a club to waive the fee in the original 337(j)(f).
18 Subsequently in 1998, there was a court case some of us
19 may recall in Santa Clara County against Bay 101,
20 contending that their method of collection was violative
21 of the percentage prohibition which isn't found in Penal
22 Code 330.

23 In that year, two laws were enacted to amend
24 Penal Code 337(j)(f) to protect the manner that card
25 rooms collect fees. The Court of Appeal in that case

1 relied entirely on these two pieces of legislation which
2 were enacted in 1998. This legislation protected the
3 way that card rooms collect fees by collecting a flat
4 fee per wager.

5 After that amendment, around 2003, Penal Code
6 337(j) was again amended. At this time, the Division of
7 Gambling Control and the Attorney General's office was
8 taking the position that card rooms were not able to
9 waive the fee. Thus, they enacted a statute to allow
10 card rooms, in fact, to waive the fee for their
11 customers.

12 As you can see in today's version of Penal
13 Code Section 337(j)(f), it clearly states that the card
14 rooms can waive the fee and that zero does not count as
15 one of the five tiers of collection. Furthermore, this
16 legislation is used on all forms of controlled gaming in
17 both poker and California games.

18 It's common in poker for one person to pay the
19 fee for everyone at the table and the same thing occurs
20 at the California games. One person pays the fee for
21 the entire table. So I would have to agree with Mr.
22 Papaian that every card room charges a fee. I'm not
23 aware of any card room that waives a fee for every
24 player at the table.

25 CHIEF QUINT: Thank you, Mr. Blonien.

1 MR. CALAMIA: My name is Frank Calamia. That's
2 C-a-l-a-m-i-a, and I represent the Marina Club in
3 Monterey County, California. First off, I'd simply like
4 to say that I think the focus should be on what's most
5 beneficial to the gaming public as well as the
6 competitive nature of the card rooms with respect to the
7 tribal casinos.

8 We're all very familiar with the fact that the
9 Bureau of Gambling Control has pretty much given us
10 blessing for the tribes to move off the reservations and
11 come into non-reservation properties and build casinos
12 that's compete directly with the local card rooms.

13 And in some cases, the card rooms have been
14 placed out of business because they simply can't compete
15 with the tribes. Tribal casinos don't charge their
16 customers a collection fee. At the Marina Club, which I
17 can speak to, we've seen a marked improvement in our
18 gaming revenue from the California games since we
19 dropped the collection fee per player.

20 We have seen the benefits here locally. We
21 have seen where we've had other card rooms and friends
22 lose their businesses because they weren't able to
23 compete. It's been said that this particular code lends
24 itself to charging all the players a fee while my
25 collection rate has been approved by the Bureau of

1 Gambling Control.

2 So one person's interpretation I pretty much
3 don't agree with. It is very important I think for the
4 continued competitive nature of these card rooms, which
5 are, by the way, in existence long before California
6 became a republic, to have the flexibility and the
7 latitude to decide whether or not taking a collection
8 fee is in the best interest of the viability of that
9 card room given the competitive situations that they
10 face.

11 So my recommendation would be, if you're going
12 to write provisions for this, make a provision so that
13 the card rooms can submit to the Bureau their
14 justification for waiving the fee or making other
15 arrangements for the fee. In our particular case, our
16 third party banking group pays a small fee in the form
17 of a monthly service fee to be able to come into the
18 card room and participate in the California games.

19 I just want to go on the record and let you
20 know that it is very important to the smaller card
21 rooms. Obviously if a tribal casino opened up across
22 the street from the Commerce Club, I think perhaps maybe
23 the ownership group of the Commerce Group might feel a
24 little bit differently about their collection fee. By
25 the way, I love your club, sir.

1 MR. PAPAIAAN: Thank you.

2 CHIEF QUINT: Thank you, Mr. Calamia.

3 MR. GOLDSTEIN: Hello, my name is Mitch Goldstein.
4 I'm a third-party provider. I actually provide services
5 for the Marina Club. Do you need me to spell my name?

6 THE COURT REPORTER: Please, sir.

7 MR. GOLDSTEIN: Mitchell, M-i-t-c-h-e-l-l,
8 Goldstein, G-o-l-d-s-t-e-i-n. A little bit of history
9 about me is I worked in a executive capacity for tribal
10 gaming for over ten years. So I'm familiar with
11 compacts and I also understand the motivation of the
12 tribes to try and make us pay collection.

13 They lost some of their gaming revenue during
14 the 2007 crunch and they enjoy slot revenue; for
15 example, Thunder Valley revenue are probably at
16 \$400 million every year, about 40 million dollars in
17 table games.

18 This change will put all of the Northern
19 California Pao games out of business. I'm a third
20 party. I'll be put out of business. The tribes will
21 probably make an extra five million dollars. That's
22 where this all comes down to. And it's really driven by
23 the executives at these casinos and the tribal members.

24 So the executives realize the impact of what
25 card rooms were doing to them and took notice and said,

1 well, we're gonna go after the card rooms and try to put
2 a stop to them. And I had a conversation with the vice
3 president of gaming at Thunder Valley and that's exactly
4 what they told me.

5 So I want you to understand the impact that if
6 this law changes, you've destroyed a huge industry and
7 all of the families that support it. And really the
8 third-party providers are the ones that pay these
9 collections. And that the card rooms will be down to
10 just poker rooms.

11 Because as Frank had mentioned, he had one
12 Black Jack game that barely could go when he had player
13 collection. And when he removed the player collection,
14 he now has four games that have activity and that
15 happened in his whole region. He has competitors, three
16 of them. All of them removed the player collection and
17 they excelled.

18 So I would really like to here about the
19 tribal members themselves, not just representatives of
20 the tribal members and understand is this what they
21 really want? And as far as the big three, and I think
22 that's the Commerce, the Vice and Hawaiian Gardens, they
23 don't understand the impact of this short-term decision.

24 They will have a tribal casino in their
25 backyard one day. They will go out of business as a

1 result of it, at least on the Pao games. They might
2 still have poker. So that's really everything I have in
3 a package. I have a compact of a tribal compact here
4 and I have a copy of one. And in it, they are a
5 sovereign nation.

6 They have no interest in this except financial
7 gain. They're a sovereign nation. They're not part of
8 our regulations and we're not at the table at their
9 tribal compacts. So it's a little bit unnerving being
10 that our industry is being approached in this way. So
11 that's all I have to say for now.

12 CHIEF QUINT: Thank you, Mr. Goldstein. And just
13 saw couple points of order if I may. Let me assure
14 everyone in this room today, this issue, in no way,
15 shape or form is being driven by the tribes. Trust me.

16 I became the Chief on October 1st, 2012.
17 Immediately I looked at this issue. Many of you will
18 recall on May 23, 2013, I invited numerous card rooms
19 down to 4949 Broadway where we talked about this issue.
20 So you're entitled to your opinion, but let me assure
21 you, not being driven by tribes.

22 Also, we're gathering information, not
23 opinions here. And I personally don't want to hear
24 tribe this is making this much money. We are gathered
25 here to today to really look and gather as much

1 information as possible, as I stated, on the Penal Code
2 337(j)(f). So I love the healthy dialogue.

3 I don't want -- I want all of us to leave this
4 round table today knowing that you were given the
5 opportunity to provide the Bureau of Gambling Control
6 with information. I don't want to be rude when you're
7 speaking but if I see this going on that wait until this
8 happens, I'm going to respectfully interrupt you to try
9 to bring you back to the fact of what we're here for
10 today so I thank you in advance for your cooperation on
11 that. Do we have another speaker?

12 MR. LUNGREN: Chief Quint, other members of the
13 Bureau, Bryan Lungren, L-u-n-g-r-e-n, on behalf of the
14 Community of California Card Rooms, which operates about
15 45 card rooms out of the state. It was stated earlier,
16 and I hope I'm correct on this, the regulations
17 regarding this act have not been addressed since the
18 late 1990s.

19 And I submit that because they have not been
20 addressed since then. It does not necessitate a change.
21 Since 2003, all card rooms have enjoyed the option, and
22 I emphasize the term option, to waive a player's fee.
23 So I actually submit two criteria.

24 One is, is any business being significantly
25 harmed by the current statute? And then two, if the

1 waiver is terminated in some fashion, I do submit that
2 many, many card rooms and small businesses will be
3 significantly harmed. Thank you for your time.

4 CHIEF QUINT: Thank you, Mr. Lungren.

5 MR. SCHAYLTZ: Kermant Schayltz, K-e-r-m-a-n, last
6 name Schayltz, S-c-h-a-y-l-t-z. I'm representing Lucky
7 Derby Casino, Citrus Heights, Sacramento County. Thank
8 you very much, Chief Quint and the rest of the Bureau
9 staff for putting this round table on.

10 To follow up on the Chief's statement that
11 this isn't being driven by the tribes, I would like to
12 know what is driving this? Is it the outpouring of
13 concern by the public or is it the competition that we
14 face in the marketplace.

15 We have a codified law that is part of a free
16 market, a very open-ended market for the small clubs in
17 the areas of tribal casinos. So if I could just get an
18 answer to that, what is driving this?

19 CHIEF QUINT: I'm not going to answer that. I
20 think I said in my opening remarks, when I took over in
21 October and reviewed this, I firmly believe one of the
22 distinguishable differences between California card
23 rooms and tribal casinos is players providing a
24 collection fee.

25 I am been looking at that. I think I shared

1 that with you current on May 23rd. I know I did. Those
2 higher than me at the Bureau, my initial recommendation
3 was to send a letter and advise the industry that we
4 were going to make changes and they wanted transparency
5 and for everyone to give the Bureau to give their
6 opinion and that's where we are today, some 15 months
7 later.

8 MR. BLONIEN: Jarhet Blonien, B-l-o-n-i-e-n. The
9 difference between a tribal game and a card room game is
10 that it attracted -- a card room has a rotating bank
11 where the player/dealer position rotates among all the
12 participants; therefore, each California table has two
13 positions; the player and the player/dealer.

14 I believe every card room in California
15 charges a collection for the player/dealer. However,
16 when you see no collection, that doesn't mean that
17 nobody is paying a collection. It just means that the
18 players aren't paying a collection. Their fee is zero
19 and the player/dealer pays the fee.

20 Everyone at the table has the opportunity to
21 be the player/dealer; therefore, everyone has the
22 opportunity to bank the game. You try to go to a tribal
23 casino and bank the game and they're going to tell you
24 to get out of there because you cannot bank a game at a
25 tribal casino.

1 MR. KIRKLAND: Kyle Kirkland, Club 1 Casino in
2 Fresno. Is this too loud? I would echo what Mr.
3 Blonien said. The difference -- and it's so difficult
4 to talk on these things without having an opinion -- but
5 it seems to me that the distinction in a card room
6 versus a tribe is the ability in the card room for the
7 customer to serve as the player/dealer where that
8 fundamentally doesn't happen in a tribal casino.

9 I don't know of one where that happens and I
10 don't know of a commercial casino in any other
11 jurisdiction that allows that. But in a card room in
12 California, you're allowed to do that. So that is a
13 very fundamental distinction between the two.

14 When you look at collection, if you track
15 through the math of it, you're really talking about the
16 pricing to the customer. And when you price -- when you
17 add collection to each customer, you're basically
18 putting a penalty on them on their wager. And you can
19 track through the math and see how that works.

20 So you're really talking about the pricing to
21 the customer as opposed to a fundamental difference in
22 the game. And as a card room that has offered the
23 player/dealer collection games since 2003 and seen the
24 benefit of that for your customers, what happens and
25 what we've seen in our data is that the collection

1 punishes the smaller better.

2 A 50¢ collection on a \$5 bet equates to a
3 ten-percent deduction off the top. So that's pricing to
4 the customer. And so in a market like Fresno, where
5 it's relatively 30 percent of our population lives below
6 the poverty line and we don't have the same wealth that
7 we have in other markets, we've made a decision to price
8 our product there.

9 And it's really no different if we priced Bud
10 Light at 2.50 and perhaps they can get \$8 in a bigger
11 market. We can't do that. So the distinction seems to
12 be that there are card rooms that offer the customer the
13 ability to be the dealer, but the collection issue comes
14 down to pricing.

15 And I would submit that when you start
16 dictating pricing to the small customer, really the
17 smaller customer is the one that's getting punished
18 here. I apologize that I didn't spell my name,
19 K-i-r-k-l-a-n-d.

20 CHIEF QUINT: Thank you, Mr. Kirkland.

21 MR. GOLDSTEIN: I just want to add. It's not an
22 opinion. When I was at the Capital Committee Group 125,
23 Joe Dillion, the Senior Adviser for Tribal Negotiations
24 of the Office of the Governor, told us that the tribes
25 wrote letters to the state complaining that we don't

1 charge player collection and that's what triggered the
2 reaction to try to force the casinos to charge
3 individual player collection. What would you have to
4 say about that information?

5 THE COURT REPORTER: Who were you, sir?

6 MR. GOLDSTEIN: Mitchell Goldstein. Do you want me
7 to spell it again?

8 THE COURT REPORTER: No, sir.

9 MR. GOLDSTEIN: Thank you.

10 CHIEF QUINT: That is accurate.

11 MR. GOLDSTEIN: In October of 2012, we received
12 several letters from several tribes. And if you think
13 the zero collection rate was the singular issue, it was
14 not. There were absolutely numerous issues where
15 tribes believed the card rooms were conducting illegal
16 games. So this issue here was one of many issues
17 documented, not only in October but thereon in 2013 as
18 well.

19 MR. KIRKLAND: Chief Quint, I'd just like to add to
20 my prior comment. In your interest in collection data,
21 our collecting data --

22 MS. GEORGE: Excuse me, Mr. Kirkland. Please
23 identify yourself.

24 MR. KIRKLAND: Oh, I'm sorry. Kyle Kirkland, Club
25 One Casino.

1 MS. GEORGE: Thank you.

2 MR. KIRKLAND: When we look at collecting your data
3 as an organization, a table for us with a player/dealer
4 collection game might generate say \$100 an hour where it
5 might generate three times that much if we opt for a
6 collection from the customers.

7 We make a decision, as an operator, that
8 that's -- we can survive on that. And we look and say,
9 well, we're offering a better deal to our customers. It
10 makes it more of a social game instead of something that
11 punishes them economically and we're okay with that.

12 We don't begrudge someone else charging more
13 if they've been in the market. It's no different than
14 if I went to a high-end hotel in New York and they can
15 get \$8 for a beer that I can get \$2 for. I don't
16 begrudge them in that market.

17 But in certain markets in California, we need
18 to be very conscious of the price to the customer. So
19 in collecting data, we've looked at a lot of the pricing
20 and how we price the product. I'd be happy to share
21 that with you in your data collection process.

22 CHIEF QUINT: Thank you.

23 MR. SHARP: Keith Sharp, S-h-a-r-p, on behalf of
24 Hawaiian Gardens Casino. I also want to thank Chief
25 Quint for holding this round table today. I appreciate

1 your work and the work of all the Bureaus members in
2 putting this together and allowing us to provide
3 information.

4 To your point of wanting to gather information
5 at this hearing, that being the purpose of the hearing
6 to seek parameters around the issue of the waiver of fee
7 collection, I think it's important that we look back at
8 how this language came into this Penal Code section.

9 Mr. Blonien alluded to it but I think it's
10 important to look deeper into it to understand its
11 genesis. Back in the early 2000s, a number of clubs
12 were waiving collections in a couple of instances where
13 in poker-style games where the whole cards were
14 delivered and everyone folded before the flop.

15 So there were no rounds of betting. No
16 further cards dealt so called no-flop, no-drop
17 circumstance. There's also a waiver going on in the
18 California-style games where the player/dealer position
19 was not able to cover all the wagers on the table.

20 So I would be a player. I'd have a wager out.
21 I'd get no action on my wager. The club would not
22 collect a fee from me in that particular instance. The
23 then Division of Gambling Control had issue with that.
24 And so what was done was the clubs went in. The
25 industry went in and through AB278, which was sponsored

1 by Assembly Member Bermudez at the time, introduced the
2 fee collection waiver language into the statute.

3 I think it's very instructive if you look at
4 the legislative history underlying that insertion. And
5 I'll quote to you from the Senate Committee of
6 Governmental Organization Staff Analysis of 8278 which
7 reads in relevant part as follows:

8 The bill also will clarify the law relating to
9 the collection of fees in card clubs by allowing the
10 club to waive specified fees. A "player-friendly"
11 change benefiting those players do not receive action on
12 their wager or where a hand folds and there is no
13 betting.

14 Currently, clubs give players a "free play"
15 token when these instances have occurred. The Attorney
16 General has advised the clubs that this change will
17 clarify this section of law relating to these
18 circumstances.

19 So I think, as I said, very instructive
20 language there in terms of the intent of this language
21 as it applies to two particular situations in card
22 rooms. Thank you.

23 CHIEF QUINT: Thank you, Mr. Sharp. Questions?
24 Comments?

25 MS. ZERBI: Good morning. Jane Zerbi, Z-e-r-b-i

1 attorney. I'll start out by just saying out of respect
2 for Chief Quint scope of the meeting but I'll just leave
3 it at we find some of Mr. Goldstein's comments
4 objectionable as well as inaccurate and that we
5 appreciate the opportunity to be here today and make
6 comment.

7 Some of the questions raised today may be
8 better out of my care. I'm an attorney and I represent
9 the Pala Band of Mission Indians in the Auburn Indian
10 community. So some of the questions raised about the
11 differences in tribal gaming and card room gaming, I
12 feel compelled to address just very briefly.

13 And that is that in tribal gaming, because of
14 the California Constitution allows tribes to do bank to
15 percentage cards games. They're the only entity in the
16 state that's authorized to do so via pro the compact
17 with the Governor and under federal law.

18 And so the collection fee, as we've always
19 understood it and I think some of industry has described
20 it this morning, has been a hallmark of California card
21 room gaming unauthorized under state law where a card
22 room makes their own money but charging the patrons that
23 come in to play.

24 People that noted around the table, that
25 doesn't happen at a tribal casino are correct, but it's

1 a banked or percentaged game. But when you start to see
2 in card rooms no fee being charged to the patron, the
3 question arises and has arisen how are the card rooms
4 then making their money?

5 So it seems a hallmark and obvious point of
6 the gaming is that patrons come in and pay to play the
7 game. The card rooms collect that and they don't
8 otherwise participate and make money in the game. So
9 when we've heard from Mr. Sharp some of the legislative
10 history of 337(j)(f).

11 And I think maybe a plain meaning of the word
12 comment on that would be that the use of the term waiver
13 implies there is a general rule and a waiver is the
14 waiver of that rule. So we have raised the issue of
15 what's happening if collection fees aren't charged. We
16 think that's an important element of the differences in
17 gaming.

18 CHIEF QUINT: Thank you, Ms. Zerbi.

19 MR. BLONIEN: To clarify some of the things that
20 were said --

21 MS. GEORGE: Please identify yourself.

22 MR. BLONIEN: Jarhet, J-a-r-h-e-t, Blonien,
23 B-l-o-n-i-e-n. To go one step further from Mr. Sharp,
24 the amendment by AB278 by Bermudez in 2003, was also
25 enacted that one individual may pay the fee for the

1 entire table.

2 This is why the collection of zero is in the
3 statute. That's why it doesn't count as one of the five
4 tiers. And to answer Ms. Zerbi's question, how are
5 these casinos making their money if they're not charging
6 a collection, as we've stated before every card room is
7 charged a collection.

8 Whether they're charging one person at the
9 table a collection or they're charging ten people at the
10 table a collection, they're making money either way.
11 The fact that Commerce and Hawaiian can charge everyone
12 at the table, it's great for them. They're able to make
13 a lot of money that way.

14 The fact that Mr. Shade's here right next to
15 me, can't charge every player at the table, shouldn't be
16 an issue. He's making one-fifth the amount of money but
17 if he did charge everyone at the table, he would be
18 making zero because nobody would play especially when
19 they could drive 15 minutes to Thunder Valley and play
20 zero. So everyone is charging a collection. They're
21 just charging one person a collection. And 337(j)
22 (f) allows one person to pay that collection.

23 MR. CALAMIA: Frank Calamia, C-a-l-a-m-i-a. I wish
24 there was more participation by the card rooms in the
25 room. I'm a little bit disappointed that there seems to

1 be just a few of us standing up to address this issue.

2 I'm very troubled. The tribes are sovereign
3 nations. Why are we here today? I'm a California card
4 room. We've existed long before California became a
5 republic. Why are we being asked to justify how we
6 perform our functions to show difference, in this case,
7 to the tribes, a sovereign nation?

8 I resent even having to be here. Your task,
9 sir, to regulate the call upon your card rooms, not to
10 compare us to a sovereign nation. That's all I have to
11 say.

12 MR. LUNGREN: Chief Quint, Bryan Lungren,
13 L-u-n-g-r-e-n, on behalf of Communities of California
14 Card Rooms. I think the purpose of today's round table,
15 at least which was stated prior, is to collect data. It
16 seems to be perhaps two sides or two groups, two
17 opinions in this room and outside this room that there
18 are those businesses where card rooms are comfortable
19 with a mandated collection fee and then it rolls over to
20 businesses and card rooms who are not currently mandated
21 with the idea of a collection fee.

22 The Communities of California Card rooms can
23 offer numerous data and other information today,
24 tomorrow, next week, next month, how a mandatory
25 collection for a player will significantly harm their

1 businesses.

2 So for those who are on the other side of this
3 equation, can they offer any data to show today,
4 tomorrow, or next month, that their businesses would be
5 significantly harmed? Thank you.

6 MS. GEORGE: Mr. Lungren, if that is information
7 that you have currently available, the Bureau would
8 welcome to receive that.

9 Again, one of the reasons why this meeting was
10 called so that not only could we exchange the concerns
11 and the comments that many of you have with regards to
12 how 337(j)(f) currently written and how the Bureau's
13 regulation is currently written, but also to receive
14 information as to the financial impacts that some of you
15 are saying your card rooms will experience if the
16 regulation is changed.

17 We don't have a crystal ball. So we do rely
18 on the card room community to be able to provide that
19 information to us. So I will mention this at the end of
20 our proceedings but, if do you have comments that you
21 would like to submit to the Bureau and you have them in
22 writing today, please feel free to give them to myself
23 or to Shane Redmond or Lisa Thomas. She's at the
24 sign-in table. Or you can also mail that information to
25 the Bureau of Gambling Control. If you need any mailing

1 address, I can provide that at the end of these
2 proceedings.

3 MR. KIRKLAND: Kyle Kirkland, K-i-r-k-l-a-n-d. I
4 would just add what Bryan said that we collect an awful
5 lot of data that we have looked at. We've seen what our
6 operation will be when we took a collection from all
7 customers and we've seen the progression today.

8 And I think we can make a very accurate
9 assessment of what it would do to our revenue, our
10 employment base, the fees that we pay to the City of
11 Fresno into the General Fund and the general impact on
12 the community surrounding us. So if you would like to
13 that data, we'd be happy to submit it.

14 MS. GEORGE: Thank you.

15 MR. KELEGIAN: Good afternoon. My name is Higue
16 Kelegian, K-e-l-e-g-i-a-n, with Crystal Casino. I
17 wanted to impress the concerns of this round table
18 discussion today. I'm sure that everyone has all the
19 opinions on both sides.

20 The concern that I have is, I wanted to expand
21 upon the comments from Mr. Schayltz and Mr. Lungren on
22 why are we addressing the change of this regulation? I
23 am confident that most of the clubs that are doing the
24 player/dealer collection only are satisfied with the
25 current language of the regulation.

1 So I guess our concern is today, why are we
2 addressing these changes and what's prompting them?
3 We're more than happy to provide from the City of
4 Compton the changes we have made, not just from no
5 collection but how that's impacted the overall
6 performance of our club and how it's affected the
7 community.

8 Our community in the City of Compton has been
9 able to reopen centers, reenact programs, because we
10 have become more profitable. That has helped the city
11 perform better. If you are looking for that type of
12 data, we can provide that for you.

13 Again, I know we're not here to give opinions.
14 Everyone knows the opinion of all the card rooms. But
15 we can provide you a lot of data of how this type of
16 pricing has helped our casino amongst all the other
17 casinos in the state.

18 But again, if the Bureau can provide us with
19 what type of changes they're looking for in the
20 regulation, we might be able to provide some better
21 comment. Thank you for the time.

22 MS. GEORGE: Hi, this is Susanne George. To
23 Mr. Calamia, to provide you a little bit of just
24 feedback, one of the requirements for the Administrative
25 Procedures Acts is to involve the stakeholders in the

1 regulated community, those who are being regulated by
2 the administrative law that the Agency is putting
3 together, that we engage in these types of discussion
4 before drafts are even made.

5 So while it's frustrating as it probably is to
6 not just all the participants and counties, but also to
7 Bureau staff, we're not at a place where we have a
8 draft. We do need to receive the input, not just the
9 comments and the concerns but what are the suggestions
10 that the regulated community would like to see in
11 relation to how to implement 337(j)(f)?

12 So when you're providing the information back
13 to the Bureau, whether it's here or in written comments
14 later, please do provide any suggestive language that
15 you think might be helpful for the Bureau to consider as
16 we're going to the next step of drafting the next
17 regulation.

18 I wish I could provide you a timeline as to
19 when that potentially would be. As you know with other
20 regulatory activities going on in other areas, the
21 Bureau is a little bit pinched for time because there's
22 only so many hours in a day that we can work.

23 But we do appreciate your timeliness
24 submission of comments and look forward to seeing what
25 else you have to provide for us.

1 MR. GOLDSTEIN: Mitchell Goldstein, Gold Gaming
2 Consultants third party provider. I just want the
3 Bureau, the people that are going to make this
4 decision -- and I don't understand the logistics as well
5 as the attorneys in the room and the respected group
6 that's up in the front of the room -- but you will put
7 us out of business.

8 I have 70 employees who are taxpayers. I
9 don't understand who that's going to benefit. I'm just
10 a small player in this. There's a lot bigger players
11 that's gonna be put out of business. Probably the card
12 rooms I provide services will loss 75 percent of their
13 revenue and all the taxes that they pay.

14 The tribes, although you say they don't
15 matter, they seem to matter. They don't pay States
16 Income Tax. They don't pay Federal Income Tax. They
17 don't even respect the same minimum wage.

18 CHIEF QUINT: I'm going to have to cut you off,
19 Mr. Goldstein. We've heard your opinion. Thank you.

20 MR. GOLDSTEIN: It not an opinion. I'll turn the
21 mike over to someone else. It's not an opinion. It's
22 actually facts.

23 CHIEF QUINT: Thank you.

24 MS. GEORGE: Mr. Goldstein, this is Susanne George
25 with the Bureau. The Bureau is sensitive to the

1 concerns that you're expressing. Please keep in mind
2 that while we hear the words that you're expressing, we
3 will also need to receive from you other information.

4 You have expressed some very passionate
5 remarks today and any other substantive information that
6 you can provide to us, we do look forward to receiving.
7 We're not just unaware of the concerns that you're
8 addressing. But please feel free to provide other
9 documentation to us as well.

10 MR. GOLDSTEIN: I will. Thank you.

11 MS. GEORGE: Thank you.

12 MR. LUNGREN: Chief and Susanne and staff members,
13 Bryan Lungren on behalf of the Communities of California
14 Card Rooms. I actually just have a question on the
15 logistics of this.

16 If in fact the Bureau were to adopt new
17 regulations or alter or adjust current regulations,
18 wouldn't it also have to be codified in statute, current
19 statute would have to be changed as well? And if so,
20 would the Bureau/DOJ actually sponsor them to do so?

21 CHIEF QUINT: I'm going to hand the first part of
22 your question onto Bill Williams. Bill?

23 MR. WILLIAMS: Bill Williams. I'm in Indian Gaming
24 and also, a section of the Attorney Generals office. As
25 far as whether there would be a need for a statutory

1 change, that is an issue I think that would have to be
2 addressed further into the process.

3 However, the Bureau does have significant
4 regulatory authority to do what it believes is in the
5 best interests of the public, the gambling public,
6 relative to the laws that are currently on the books.

7 And so again, I'm not going to make a
8 statement as to whether the statute has to be amended or
9 whether they can just do this straight forward through
10 the regulatory process.

11 CHIEF QUINT: Thank you, Bill. Thank you,
12 Mr. Lungren.

13 MS. GEORGE: I just want to throw a suggestion out.
14 We were going to wait for about 15 minutes and then take
15 a break, but if you folks wanted to maybe take a
16 15-minute break and come back or we can just continue on
17 until about 2:30 or so to take a break then. Which
18 would the group prefer? We know what Shane wants.

19 CHIEF QUINT: We'll continue. Go ahead,
20 Mr. Kirkland.

21 MR. KIRKLAND: Kyle Kirkland. Following on what
22 Mr. Williams said if the Bureau is charged with
23 protecting the general public and the gaming public, I
24 think that we shouldn't forget that in forcing
25 collection on every player is punitive to that, the

1 general gaming public.

2 It forces higher prices upon them. It
3 effectively changes the value of their ability to wager.
4 While we've talked about it, it's going to put folks out
5 of business and un-employ folks, it's really punishing
6 on the general customer.

7 If you're a \$100 better, a \$1 collection isn't
8 as painful. But if you're a five and a \$10 better, as
9 we see in the Fresno market, the collection rate is very
10 punishing upon them. And we can say what we want, but
11 the price to that customer matters.

12 There's a reason why we do better when we
13 improve the pricing to the customer because it's a
14 better experience. It's more enjoyable. There's less
15 likelihood that they're going to get themselves in
16 trouble.

17 It's more social experience. So we shouldn't
18 forget that we're talking about is forcing an additional
19 price increase on the general gaming public.

20 CHIEF QUINT: Any other input from our stakeholders
21 out there? Well, I want to thank all of you for taking
22 time out of your schedules. We are, as Susanne
23 eloquently stated, and I think most of you know it, I
24 have an open door at the Bureau.

25 I know many of you have expressed your

1 feelings on this issue, both pro and con, and I respect
2 that. I appreciate the fact that you came out here to
3 give us information. Please, if you want to go back and
4 send us information in written format, we'd welcome
5 that.

6 We will keep you apprised of what the next
7 step in this process will be. I thank you again for
8 coming out and I bid you a good afternoon. Thank you.

9 MS. GEORGE: One last thing before everybody leaves
10 is just to make sure you do have our mailing address.
11 If you do wish to submit written comments to the Bureau
12 of Gambling Control, please send that to the Department
13 of Justice, Bureau of Gambling Control, P.O. Box 168024,
14 in Sacramento, California, 95816, attention regulations.

15 If you can, also send a copy to Lisa Thomas at
16 lisa.thomas@doj.ca.gov or to any of the other Bureau
17 representatives who might be able to accept that and
18 pass that on.

19 Thank you so much for attending. It is
20 approximately 2:06 and this is the end of our round
21 table. Thank you.

22 (Whereupon the proceedings concluded at 2:06 p.m.)

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REPORTER'S CERTIFICATE

I, PATRICIA GRAY-CONRAD, CSR No. 12633, Certified
Shorthand Reporter, certify;

That the foregoing proceedings were taken before me
at the time and place therein set forth; at which time,
the witness was placed under oath by me;

That the testimony of the witness, the questions
propounded, and all objections and statements made at
the time of the examination were recorded
stenographically by me and were thereafter transcribed;

That the foregoing is a true and correct transcript
of my shorthand notes so taken.

I further certify that I am not a relative or
employee of any attorney of the parties, nor financially
interested in the action.

I declare under penalty of perjury, under the laws
of California, that the foregoing is true and correct.

Dated this 13th day of May 2014.

PATRICIA GRAY-CONRAD, CSR NO. 12633

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