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December 1, 2014

Ms. Susanne George
Research Analyst II
Division of Law Enforcement
Bureau of Gambling Control
P.O. Box 168024
Sacramento, CA 95816
Susanne.George@doj.ca.gov

Dear Ms. George:

I am writing to oppose the Proposed Amendment to Gaming Activity Authorization regulations dated October 31, 2014 on behalf of Club One Casino and its constituents. We respectfully ask that the proposed amendment be dismissed in its entirety based on the inherent economic inefficiency of mandated fees, the certain negative impact on card rooms and their communities and the premise behind the introduction of the proposed regulations.

First, economic history has shown that price controls imposed by governmental entities never work as intended. Here, the proposed regulations impose a collection fee on every player, resulting in a much higher cost per hand played. As demonstrated in the Economic Impact Report I sent to your office in May 2014, these fees punish consumers unevenly—they hurt smaller players more. Furthermore, since existing law allows card rooms to waive these fees and many card rooms like Club One Casino have done so, these proposed regulations will result in a serious competitive disadvantage for card rooms. Facing increased prices, players will opt to play at those locations without the extra fees (tribal casinos) redirecting revenue from taxpaying entities (card rooms) to non-taxpayers (tribal casinos). In short, the proposed regulations will hurt consumers, reduce activity at card rooms and result in a loss of taxable income for cities and the state.

In most jurisdictions, gaming regulation focuses on social, not economic issues. In some jurisdictions, regulators have established minimum standards on house risk or a minimum slot payout, but it is generally accepted that the primary purpose of gaming control is to preclude criminal elements from the industry, ensure game integrity and otherwise protect the public and make sure governing jurisdictions receives a fair share of taxes. **The**

proposed regulations by the Bureau accomplish none of these objectives and should be rejected as an imposition on the industry without any compensatory benefit.

Second, as I pointed out the Economic Impact Report referenced above, the proposed regulations will have a disastrous impact on card rooms like ours, including a dramatic reduction in revenue and resultant elimination of living wage jobs and loss of taxable income. Specifically, we expect that Club One Casino's revenue will decline at least 80%, resulting in the loss of at least 300 living wages jobs in downtown Fresno and almost \$1 million of general fund tax receipts for the City. In addition, local merchants will lose a reliable customer and many area non-profits will lose a significant benefactor. This painful effect will be replicated in dozens of communities across the state at a time local jurisdictions cannot afford to lose living wage jobs or general fund monies. **Without question, the proposed regulations will result in the loss of thousands of living wages jobs and millions of local general fund monies in multiple communities across California.**

Finally, as you know, similar regulations have been proposed as legislative amendments and failed to generate support in the legislature twice. Specifically, AB820 (Gomez) was advocated by a few Los Angeles area card rooms and tribal casinos when competitors began waiving fees in their market. On June 25, 2013, a hearing on AB820 was postponed in the Senate Governmental Committee when it became clear that the legislation had an overwhelming number of opponents and only a few supporters. Likewise, another hearing on the legislation was cancelled the following year on June 19, 2014 when it was again clear that the proposed legislation prompted stiff opposition to the anticipated destruction of jobs and tax revenue statewide.

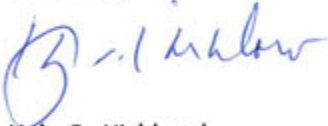
These regulations have now resurfaced as this proposed amendment to existing regulations under the pretext that discussions with members of the card room industry and Bureau management prompted a decision "that changes to the Bureau's regulation would be necessary to provide clarification and guidelines on collection rates." Further, the Bureau's notice suggests that these collection regulations are necessary to foster the acceptance of the player-dealer position by the general public. In fact, these regulations are a continued effort by the same Los Angeles-area card rooms and tribal casinos to limit competition. Imposing a collection fee on all players will not provide any "clarification on collection rates" nor will it result in increased acceptance of the player-dealer position by players.

California Penal Code Section 337j(f) allows for card rooms to waive collection fees to consumers without any specific conditions. Since late 2004, Club One Casino has done so and has seen its revenue, employment and tax payments increase as customers embraced safe, lower cost gaming. Furthermore, Club One Casino has followed the guidance outlined in the December 2007 letter from then Bureau Chief Robert Lytle of the Bureau of Gambling Control regarding the operation of games involving player/dealer activity. Now, as other card rooms embrace favorable pricing to consumers, a few closed-minded card rooms and tribal casinos have pressed their cause through these proposed regulations. **Special**

interest regulations such as these, advocated by the few to the serious detriment of the many, should be rejected in the interest of public policy.

In conclusion, the proposed regulations will hurt consumers and result in the destruction of small businesses, thousands of living wage jobs and millions of dollars in local tax receipts. The regulations will result in market distortions—history has shown price controls always do—and will disrupt local economies and leave non-profits without key supporters. Finally, the regulations will redistribute revenue from tax-paying entities (card rooms) toward non-taxpayers (tribal casinos) and provide no compensatory benefit to the State of California and local communities. As such, Club One Casino respectfully asks that these proposed regulations be dismissed in their entirety and any modifications to a card room's ability to waive collection fees be left to the California legislature.

Sincerely,



Kyle R. Kirkland
President/Owner

Cc: Kamala D. Harris, Attorney General, State of California
Larry J. Wallace, Director of the Division of Law Enforcement
Congressman Jim Costa, 16th District of California
Mayor Ashley Swearingin, Mayor, City of Fresno
Councilmember Oliver L. Baines III, Councilmember, District Three, City of Fresno
Assemblyman Henry T. Perea, Jr., 31st California Assembly District
Senator Andrew Vidak, 16th California Senate District