



CALIFORNIA GAMBLING CONTROL COMMISSION
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MINUTES OF COMMISSION MEETING
AUGUST 22, 2001

OPEN SESSION

Commissioner Hensley called the meeting of August 22, 2001 to order at 9:35 a.m.
Commissioners present: John E. Hensley, J.K. Sasaki, Arlo Smith and Michael C. Palmer.
Staff present: Gary Qualset, Deputy Director, Licensing and Compliance Division
Peter Melnicoe, Chief Counsel.

The Pledge of Allegiance was recited.

Commissioner Sasaki moved to approve the August 8, 2001 Commission Meeting Minutes.
Commissioner Smith seconded the motion, which was adopted unanimously.

Item 1. Cardroom Temporary License Approval Process: Consideration of Staff Report on Approval Process for Cardroom Temporary Licenses

Deputy Director Qualset presented this item. He indicated that due to time constraints with licensing, staff is requesting the ability to issue temporary licenses for cardroom establishments to enable the continuation of business until a final determination can be made. Commissioner Palmer asked that staff consider the cardroom's financial situation when evaluating renewal and Commissioner Smith asked that the size of the operation also be considered. Qualset indicated that staff would consider these factors when evaluating temporary licenses. Public comment was then asked for.

- Rod Blonien - indicated his clients are concerned with the amount of time it takes to get licensed. He is in favor of temporary licenses and provided a couple of examples of where this issuance of temporary permits would be a good idea; specifically when purchasing an establishment or due to health related reasons. He indicated that for new licenses, those interested in buying or inheriting, the use of a temporary license is appropriate. For renewals, he indicated the same laws should apply to all.

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- Lewis W. Ardouin of McHenry's Men & Women's Club - indicated he had problems with the Department of Justice and has received a provisional license. Costs and restrictions are prohibiting. He has been waiting for 37 months to get his license. He is in favor of temporary licenses.
- John Sustaita, Gaming Consultant - asked how the use of temporary licenses would impact new applicants. It was clarified that the use of temporary licenses would apply to those who are already licensed. Commissioner Hensley indicated the Commission is bound by statute and staff would make recommendations. The Commission will be working with the Division to streamline the application process.

Commissioner Smith moved to adopt staff's recommendation to issue temporary licenses. Commissioner Sasaki seconded the motion, which passed unanimously.

Item 2. Cardroom Approval of Work Permit Applications:

- a. Empire Sportsmen's Association:
Baza, Sankhira
- b. Jok-Erz Wild Casino:
Elwood, Wayne

Deputy Director Qualset stated that both Items 2a and b were considered together. Both the Division of Gambling Control and Commission staff recommended approval of the work permits. Commissioner Hensley moved to approve both Items 2a and b. Commissioner Smith seconded the motion, which was adopted unanimously.

- c. The Busted Flush:
Bernal, Rudolph

Deputy Director Qualset requested a continuance on this item. The Division of Gambling Control recommends denial. The item was inadvertently placed on the agenda. Commission staff wish to further consider this item as well as how the Commission should deal with denials of work permit requests, including ensuring the applicants receive proper notification. It was indicated that the Division had notified the applicant. Commissioner Smith asked that the denial process include proper notification.

Item 3. Cardroom Approval of Sale:

- a. Mortimer's Cardroom: Partnership interest from Christine Sanchez to Ok Heui Hanna.

Deputy Director Qualset indicated that this cardroom had been inherited by the owner's widow, who has no interest in owning the cardroom and is requesting permission to sell. As a result, the owner is requesting her license application be withdrawn without prejudice in Item 4. Both Division of Gambling Control and Commission staff recommend approval of the request. Commissioner Hensley moved to adopt the requested cardroom sale. Commissioner Sasaki seconded the motion, which was adopted unanimously.

Item 4. Cardroom Request to Withdraw State Gambling License Application Without Prejudice:

- a. Mortimer's Cardroom:
Sanchez, Christine

Deputy Director Qualset indicated both Division of Gambling Control and Commission staff recommend approval of Item 4. Commissioner Smith moved to approve the request to withdraw the gambling license application listed in Item 4 without prejudice. Commissioner Sasaki seconded the motion, which was adopted unanimously.

Item 5. Cardroom Approval of State Gambling License Renewal:

- a. Garlic City Club: GCC Holdings, Inc.
- b. Los Gatitos Café: Marciano Padilla, Sole Proprietor.
- c. Mortimer's Cardroom: Edward Williamson & Ok Heui Hanna, General Partnership.
- d. River City Casino: Sonia Tucker, Sole Proprietor.
- e. Rooney's Cardroom: Walter Yee, Sole Proprietor.
- f. The Players Club: Monica Donohoo, Sole Proprietor.
- g. St. Charles Place: James Roos, Sole Proprietor.

Deputy Director Qualset indicated Items 5a, b, and e would be considered in the first motion. For each of these items, both the Division of Gambling Control and Commission staff recommended approval. Commission staff will ask for some continued review by the Division for Item b. Commissioner Hensley moved to adopt Items 5a, b, and e with the directive that staff follow-up on Item 5b with the Division. Commissioner Smith seconded the motion, which was adopted unanimously.

Item 5c was considered next. Deputy Director Qualset indicated both the Division of Gambling Control and Commission staff recommended approval. This is a new application rather than a renewal application, and it is related to items 3 and 4 that were considered previously on the agenda. Qualset noted \$833.33 in fees is still due and payable before August 31, 2001, the expiration date of the current license. Staff will not issue the license unless the fees are obtained before the expiration date. He also noted there are some background fees that will be refunded by the Division of Gambling Control through a separate process. Commissioner Smith moved to approve Item 5c and follow staff's recommendation of withholding the license until all fees are paid. All fees must be paid by August 31, 2001. Commissioner Sasaki seconded the motion, which was adopted unanimously.

Deputy Director Qualset introduced Item 5g, which is a new license and not a renewal as listed. He indicated both the Division of Gambling Control and Commission staff recommended approval. This individual also has a background refund due them by the Division. Commissioner Hensley moved Item 5g be approved. Commissioner Smith seconded the motion, which was adopted unanimously.

Deputy Director Qualset indicated that the Division of Gambling Control recommends approval of Item 5d with restrictions. The restrictions are a continuation of those already in place and are related to activities concerning patron's use of the house telephone, no credit extension to

patrons to participate in a card game, and a register is to be kept of all checks given for chips. These restrictions had been put in place by the County of Sacramento and were also concurred with by the Division. Commission staff also recommended approval of Item 5d with restrictions. Commissioner Palmer moved to approve Item 5d with restriction and Division of Gambling Control follow-up. Commissioner Smith seconded the motion, which was adopted unanimously.

Deputy Director Qualset presented Item 5f. He indicated the Division of Gambling Control recommends approval with no limitations. Commission staff recommend approval of a temporary license for 90 days and request that additional information and clarification be received from the Division concerning pending legal action and their financial situation. The temporary license will begin September 1, 2001 and not impact the normal 12-month time frame of the permanent license. Commissioner Sasaki moved to adopt Item 5f as a temporary license for 90 days and that the Division of Gambling Control obtain additional clarifying information. Commissioner Palmer seconded the motion, which was adopted unanimously.

Item 6. Cardroom Temporary Approval of State Gambling License:

- a. Livermore Saloon: Sidney Ahn, Sole Proprietor.

Deputy Director Qualset indicated because this individual had filed their application for renewal of their license 30 days before the expiration date, the Division of Gambling Control has not had sufficient time to complete their investigation. According to the Gambling Control Act, the State must act on all renewal applications prior to expiration. Therefore, Commission staff recommended approval of a temporary license for 60 days to avoid adversely impacting this gaming establishment. This time frame should be sufficient to allow the Division to complete their review. The 60-day temporary license will also be considered as part of the 12-month license period. Commissioner Smith moved to adopt staff's recommendation of a 60-day temporary license. Commissioner Sasaki seconded the motion, which was adopted unanimously.

Item 7. Invitation for Public Comment on the Issuance of Temporary Work Permits per the Gambling Control Act, Business & Professions Code §19800, et seq.

Deputy Director Qualset indicated he would invite public comment concerning this issue in order to prepare a recommendation to the Commission.

- Rod Blonien—asked that his comments from the earlier item concerning temporary licenses be incorporated under this item as well. He believes it is a good idea. The timelines are improving, but this option would help.
- Commissioner Smith asked if there should be a different process for key employees (license process) versus other gambling establishment employees (permit process).
- Rod Blonien agreed there should be separate processes.
- Michael Sabatier of Sonoma Joes—concurred with everything already said. He indicated he is in direct competition with other large clubs that are licensed within the city, which takes two days to process. It takes him about two months to obtain a permit. Time delays place them in a non-competitive position.

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- Commissioner Hensley recommended staff work with the Division of Gambling Control to streamline the process.

Deputy Director Qualset indicated it is the Attorney General's opinion that the Commission would need to prepare regulations to pursue criteria for temporary licenses, which staff could then grant through the administrative process. Staff will work on criteria and draft emergency regulations to pursue the granting of temporary work permits.

PUBLIC COMMENT

- Deputy Director Qualset indicated an August 15, 2001 letter went out to notice the tribes of the distribution of the Revenue Sharing Trust Fund and to ensure the Commission has correct addresses for mailing. He further indicated the checks would be mailed via priority mail with signature confirmation by August 31, 2001.
- Rod Blonien indicated partial payment of license fees has been allowed in the past and the Attorney General's Office has allowed this practice in the past. He also requested staff report copies prior to Commission meetings in order to be better prepared.
- Lewis Ardouin requested the Commission supply him with a letter indicating why there has been a delay in issuing his permits and that it is the Commission's and the Department of Justice's fault that he still does not have the permits. In October 2000, he submitted 19 applications and still has not heard on 8 of them. He cannot operate without the permits. He has a hearing before the city concerning his operation and wants a letter explaining why to the Sheriff and Board of Supervisors of Stanislaus County. Commissioner Hensley indicated the Commission can make an inquiry of the Division on the status but cannot direct the Division to take action.
- John Sustatia asked about the current status of the Advisory Committee. Commissioner Hensley indicated the Commission is working on this issue and anticipates having more complete information available within the next 30-45 days. Mr. Sustatia asked when the Commission would be having meetings at their field office sites. Commissioner Hensley clarified that there are no field offices.
- Commissioner Smith asked if a key employee is already licensed by the State, why couldn't they transfer to another club? What is the need for another investigation? Perhaps the Commission can come up with some ways to transfer the license without having to go through the entire process.
- Rod Blonien indicated that in Nevada, key employees who move between clubs are required to notice the Division so they can review the request. Perhaps the Commission and Division can also use this concept.

CONSENT CALENDAR ITEMS

- None

CLOSED SESSION

Commissioner Hensley announced that the Commission would be going into closed session and would reconvene at approximately 30 minutes. At 11:25 a.m., the Commission adjourned to

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closed session after Commission Counsel stated that discussions concerning litigation would take place under Government Code Section 11126(c) and 11126(e), and personnel issues under Government Code Section 11126(a)(1).

RECONVENE OPEN SESSION

Commissioner Smith reconvened the open session at 11:50 a.m. and indicated there were no announcements from the closed session.

Future Agenda Items: Commission Discussion

The Commissioners discussed how items should be placed on the agenda and directed staff to survey other Boards and Commissions regarding their policies and procedures used for scheduling agenda items. There was also discussion concerning how Commission policies could be set. Discussion on the item was continued.

Commissioner Smith announced that the next meeting is scheduled for September 5, 2001. Commissioner Sasaki moved to adjourn the meeting and Commissioner Palmer seconded the motion. By unanimous vote, the meeting was adjourned at 12:10 p.m.