

California Gambling Control Commission  
2399 GATEWAY OAKS DRIVE, SUITE 100  
P.O. BOX 526013, SACRAMENTO, CA 95852-6013  
(916) 263-0700 FAX (916) 263-0499  
[www.cgcc.ca.gov](http://www.cgcc.ca.gov)

2399 Gateway Oaks Drive, Suite 100  
Sacramento, CA 95833  
Tuesday, June 22, 2004

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**MINUTES OF June 22, 2004**  
**COMMISSION MEETING**

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**OPEN SESSION**

Chairman Shelton called the meeting of June 22, 2004, to order at 10:02 a.m., with Commissioners Palmer, Sasaki and Smith present.

Staff Participating: Gary Qualset, Deputy Director, Licensing and Compliance Division, and Herb Bolz, Senior Legal Counsel and Regulations Coordinator.

Upon motion of Commissioner Palmer seconded by Commissioner Smith and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki and Smith voting yes, the Commission adopted the May 19, 2004, Commission meeting minutes.

**DECISION ITEMS**

1. Applications for Work Permit:
  - a. Sonoma Joes:  
Castalano, James

Deputy Director Qualset indicated that both the Division of Gambling Control and Commission staff recommend approval of the application for a work permit for Item 1a, James Castalano. Upon motion of Commissioner Sasaki, seconded by Chairman Shelton and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki and Smith all voting yes, the Commission approved the application for a work permit for Item 1a, James Castalano.

2. Applications for Third-Party Providers of Proposition Player Services Registration:
  - a. BJ Gaming, LLC:  
Gordon, Richard

Deputy Director Qualset indicated that staff has determined that Item 2a, Richard Gordon was ineligible for registration for Third-Party Providers of Proposition Player Services and shall have his registration canceled in accordance with Title 4, California Code of Regulations section 12205(a). Therefore staff recommends the Commission cancel the registration of Mr. Gordon as an owner in accordance with provisions set forth in Title 4, California Code of Regulations section 12205(a) and 12204(a). Upon motion of Commissioner Smith, seconded by Commissioner Palmer and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki and Smith yes, the Commission cancelled the registration for Third-Party Providers of Proposition Player Services for Item 2a, Richard Gordon.

3. Request for Additional Authorized Tables:
  - a. Casino Real: Ernest Schmiedt – Sole Proprietor

Deputy Director Qualset indicated that both the Division of Gambling Control and Commission staff recommend approval of the request for an additional authorized table for Item 3a, Casino Real, that would increase the establishment's gambling tables by one, thereby increasing the total number of authorized tables from five to six. Upon motion of Commissioner Sasaki, seconded by Chairman Shelton and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki and Smith voting yes the Commission approved the request of Item 3a, Casino Real to add one additional authorized table for a total of six tables under the license.

4. Applications for Renewal of State Gambling License:
  - a. Bruce's Bar and Casino: John Curtis Gallo – Sole Proprietor
  - b. Casino Real: Ernest Schmiedt – Sole Proprietor
  - c. Jalisco Card Room: Rafael P. Quiroga – Sole Proprietor
  - d. La Primavera Pool Hall and Café: Candelario Salas – Sole Proprietor
  - e. Lucky Lady Card Room: Stanley Penn and Paula Penn – Sole Proprietor

Deputy Director Qualset indicated that both the Division of Gambling Control and Commission staff recommend approval of the applications for renewal of a state gambling license for Items 4a, Bruce's Bar and Casino, 4b, Casino Real, and 4c, Jalisco Card Room, through June 30, 2005; 4d, La Primavera Pool Hall through April 30, 2004, and Item 4e, Luck Lady Card Room, through December 31, 2004. Upon Motion of Chairman Shelton, seconded by Commissioner Palmer and unanimously

carried with Chairman Shelton and Commissioners Palmer, Sasaki and Smith voting yes the Commission adopted staff's recommendation.

5. Applications for Tribal-State Compact Gaming Resource Supplier (Vendor) Finding of Suitability – Request for Withdrawal:
  - a. Gamecraft:
    - i. Meczka, Michael
    - ii. Rommerdahl, William
  - b. Leisure Time Technology, Inc.:
    - i. Leisure Time Technology, Inc.
    - ii. Johnson, Alan Neil
    - iii. Knox, Gary
    - iv. Pasierb, John
    - v. Skogstad, Per-Arne
  - c. Shuffle Master, Inc.:  
Liszt, Howard
  - d. Osborne Coinage Company:
    - i. Osborne Coinage Company
    - ii. Stegman, Jeffrey
    - iii. Stegman, Thomas
    - iv. Stegman, Todd
  - e. Vending Data Corporation:  
Huson, Yvonne
  - f. Venture Catalyst, Inc.:  
Silla, Dominic

Deputy Director Qualset indicated that both the Division of Gambling Control and Commission staff recommend approval without prejudice of the request for withdrawal of the applications for Tribal-State Compact Gaming Resource Supplier Finding of Suitability for Items 5a, Michael Meczka and William Rommerdahl, 5b, Alan Neil Johnson, Gary Know, John Pasierb, and Per-Arne Skogstad, 5c, Howard Liszt, 5d, Jeffrey Stegman, Thomas Stegman, and Todd Stegman, 5e, Yvonne Huson, and 5f, Dominic Silla. Deputy Director Qualset further indicated that for background investigations on the applicants that the Division of Gambling Control had not completed, any unearned background investigation deposit paid to the Division of Gambling Control would be refunded upon approval of the requests for withdrawal. A motion made by Commissioner Sasaki to approve the request for withdrawal of the applications for Tribal-State Compact Gaming Resource Supplier Finding of Suitability for Items 5a, Michael Meczka and William Rommerdahl, 5b, Alan Neil Johnson, Gary Know, John Pasierb, and Per-Arne Skogstad, 5c, Howard Liszt, 5d, Jeffrey Stegman, Thomas Stegman, and Todd Stegman, 5e, Yvonne Huson, and 5f, Dominic Silla, was

seconded by Chairman Shelton.

Haig Kelegian, Bicycle Club, commented on previous items calendared for finding of suitability that were tabled by the Commission and asked that the Commission reschedule these items for consideration.

In the call for a vote the motion, made by Commissioner Sasaki and seconded by Chairman Shelton, unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes.

6. Presentation of Schedule for Regional Meetings with Tribes to Discuss the Interpretation of the Terms as Used in the Tribal-State Gaming Compact for "commercial operation" and "Gaming Device" per Section 4.3.2.2(e) and 2.6, respectively.

Deputy Director Qualset presented a schedule prepared by staff of workshops with compacted tribes concerning the interpretation of the terms as used in the Tribal-State Gaming Compact for "commercial operation". Deputy Director Qualset announced that the workshops were scheduled for: July 22, 2004 in Redding, July 23, 2004 in Sacramento, July 29, 2004 in San Diego, and July 30, 2004 in San Bernardino, CA. Deputy Director Qualset indicated that Commission staff will come back to the Commission to schedule similar workshops with non-compacted tribes on the same topic to be tentatively set for late August.

Michelle LeBeau, Attorney, Holland & Knight, commented on the Association of Tribal-State Gaming Regulators involvement in the upcoming workshops.

7. Final Adoption of Regulations Concerning (1) Work Permit Fee Increase; and (2) License Renewal Fee (Title 4 California Code of Regulations sections 12101, 12122, and 12250).

Senior Legal Counsel Herb Bolz presented staff's recommendation that the Commission adopt the proposed permanent regulations concerning (1) Work Permit Fee Increase; and (2) License Renewal Fee (Title 4 California Code of Regulations sections 12101, 12122, and 12250).

A motion made by Commissioner Sasaki and seconded by Chairman Shelton to approve proposed permanent regulations concerning (1) Work Permit Fee Increase; and (2) License Renewal Fee for filing with the Office of Administrative Laws unanimously carried in the call for a vote with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes. A copy of the regulation as adopted is

incorporated into the minutes as Attachment A.

8. Emergency Readoption and Amendment of Proposition Player and Gambling Business Regulations (current Title 4 California Code of Regulations sections 12200-12232).

Senior Legal Counsel Herb Bolz presented to the Commission for its consideration of emergency readoption and amendment the proposed Proposition Player and Gambling Business Regulations (Title 4, California Code of Regulations Section 12200 et seq.). Mr. Bolz provided an oral outline of the proposed amendments to the regulations and presented three alternative provisions for consideration.

Deputy Director Qualset presented to the Commission the staff recommendation to adopt Alternative Three, Variation B, striking Subsection (2)(C).

A motion to adopt staff's recommendation was made by Chairman Shelton and seconded by Commissioner Smith.

Commissioner Palmer indicated his concerns regarding the landlord exclusion in Alternate Three, Variation B, Subsection (2) (B).

Commissioner Sasaki asked staff if the Commission had received any applications for proposition player service providers from licensed owners or shareholders of gambling establishments. In response, Deputy Director Qualset indicated that staff had received one incomplete application that had since been deemed abandoned.

Haig Kelegian, Bicycle Club, commented in opposition to the motion on the floor.

Alan Titus, Artichoke Joe's, commented in opposition to the proposed emergency regulations indicating that Artichoke Joe's opposes proposition player service providers coming into the industry.

David Fried, Attorney representing California Grand Casino and Oaks Card Club, commented in opposition to the motion on the floor and urged the Commission to readopt the version of the emergency regulations presently in effect.

Samuel Dudkiewiez, Assistant Deputy Director, Division of Gambling Control, in response to Mr. Fried, indicated that previously approved contracts for prop player services would be allowed to continue to the renewal period should the Commission adopt the amended version of the emergency regulations being proposed which includes different contract requirements.

David Fried, Attorney representing California Grand Casino and Oaks Card Club, commented on the proposed emergency regulations Section 12200.7(b)(20), concerning tipping arrangements.

Chairman Shelton announced that the Commission would take a short recess. At 11:22 the Commission recessed.

Chairman Shelton reconvened the Commission meeting at 11:27 with Commissioners Palmer, Sasaki and Smith present.

David Tierney, Network M, commented on the proposed emergency regulations indicating he thought the registration and licensing fees were excessive and would harm the industry and its employees.

Brenton Horner, Sternberg, Horner & Associates, representing Network M, commented on the proposed emergency regulations Section 12220.20 concerning annual fees, indicating that the fees were excessive and not proportionate to fees that gambling establishments are required to pay.

Samuel Dudkiewiez, Deputy Director, Division of Gambling Control, commented on the proposed emergency regulations issues concerning fees, cross ownership, tipping and contract requirements for gambling equipment. Mr. Dudkiewiez indicated that the fees set forth in the proposed regulations are to cover the cost of compliance, enforcement and investigations associated with prop player services. Mr. Dudkiewiez stated that both Commission and Division staff have worked diligently in ensuring that they are moving forward with regulations that apply careful consideration to both the Commission and Division's responsibilities under the Gambling Control Act without being overly oppressive to the gambling industry and the Division's position is to adopt the stricter version of the proposed regulations with the knowledge that staff will revisit issues concerning the proposed regulation for further amendments as time progresses. Mr. Dudkiewiez further indicated that the Division's position is to adopt stricter regulations including Alternate Three, Variation B.

Chairman Shelton amended his motion to: accept the staff recommendation to adopt the proposed emergency regulation Alternate Three, Variation B, deleting Subsection (2)(C), and amending Subsection (2)(B) to read as follows:

(B) Any owner, shareholder, partner, key employee, or landlord of any gambling establishment, if the landlord is required to hold a state gambling license.

Commissioner Smith seconded the amended motion.

David Fried, Attorney representing California Grand Casino and Oaks Card Club, commented on the proposed emergency regulations issues concerning tipping and cross ownership indicating that stricter regulations that restricts tipping and cross ownership punishes the industry's law abiding individuals.

Haig Kelegian, Bicycle Club Casino, commented on the proposed emergency regulations concerning the issue of cross ownership indicating that state gambling licensees should not be restricted from having an interest in a prop player service provider operation that provides services at an establishment at which they do not hold a license. Mr. Kelegian expressed his opinion that licensed owners of card clubs were better suited to operate prop player services because they are experienced in the industry. Mr. Kelegian further indicated that prop player service providers should be required to be bonded.

Alan Titus, Artichoke Joe's, commented on the proposed emergency regulations concerning contracts and indicated that prop players sharing in the cost of exhibiting a game could be construed as house banking.

Chairman Shelton called for a vote and the amended motion failed to carry with Chairman Shelton and Commissioner Smith voting yes, Commissioner Palmer voting no, and Commissioner Sasaki abstaining.

Mr. Bolz presented to the Commission a recommendation for an alternate motion to: readopt and amend Proposition Player Gambling Business Regulations as set forth in the staff recommendation dated June 22, including the Commission forms which had been circulated to the public. Commissioner Smith moved to adopt the staff recommendation. Commissioner Palmer seconded the motion with Chairman Shelton and Commissioners Palmer and Smith voting yes and Commissioner Sasaki abstaining, the motion carried. A copy of the Proposition Player Gambling Business Regulations and Commission forms, as adopted by the Commission, are incorporated into the minutes as Attachment B and Attachment C respectively.

Mr. Bolz presented staff's recommendation to: direct staff to make all needed nonsubstantive changes to the regulation text and the Commission forms and file them as revised with the Office of Administrative Law. Upon motion of Chairman Shelton, seconded by Commissioner Smith and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes the Commission adopted the recommendation of staff.

Mr. Bolz presented staff's recommendation to: make a finding pursuant to Government Code section 11346.1 that readoption, amendment, and repeal of the regulations contained in the staff recommendation is necessary for the immediate preservation of the public peace, health and safety or general welfare, and to direct staff to prepare and file the appropriate papers with the Office of Administrative Law, including but not limited to the following:

- for the protection of the public, it is essential that annual fees be instituted immediately to defray program costs, including processing of applications, field enforcement, and review of contracts. Annual fees are needed because the legislation mandating the program specifies that the program be self-supporting.
- to prevent evasion of the new proposition player licensing system including annual fees, it is essential that equivalent procedures and fees be made applicable not only to third party providers of proposition player services, but also to gambling businesses.
- to incorporate prior emergency filings and the initial statement of reasons for the permanent regulations.

Upon motion of Commissioner Palmer, seconded by Commissioner Smith and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki and Smith voting yes the Commission adopted the recommendation of staff.

#### **CONSENT CALENDAR ITEMS:**

1. Applications for Renewal of Work Permit:
  - a. Poker Flats Casino:  
Espinoza, Martin
  
2. Applications for Tribal-State Compact Key Employee Finding of Suitability:
  - a. Sycuan Band of Diegueno Mission Indians of California – Sycuan Casino and Resort:

Atteberry, Daniel	Salvador, Edwin
Bradley, Rochelle	Sang, Chantho
Field, Christopher	Stec, Susan
Jardiniano, Florence	Turley, Larry
Lee, Kin	Walsh, Katrina
Matos, Ramiro	
  - b. Twenty-Nine Palms Band of Mission Indians of California – Trump 29 Casino:

DeLaFuente, Yvonne	Halverson, Adoracion
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Ferguson, Patricia

Saenz, Gabriel

Geiger, Lawrence

- c. United Auburn Indian Community of the Auburn Rancheria – Thunder Valley Casino:

Almasi, Gail

Heza, John

Atkinson, Donald

Huang, Jiao

Barber, John

Jacobson, Gregory

Barich, Dave

Jennings, Donald

Barnett, Paul

Kong, Eng

Beaton, David

Laverty, Patrick

Berkenstock, Bruce

Le, Quan

Biggs, Donald

Lee, Mark

Broome, Curtis

Leung, Raymond

Bryan, Jinny

Long, Michelle

Buchanan, Theodore

Lucia, Allen

Buranahiran, Setthaporn

Luttrell, Michael

Byrd, Cheri

Ly, Timothy

Cerri, Sheryl

Martz, Daniel

Chimielecki, Wilma

Matthews, Pon

Cirrincione, Loreta

McCormick, John

Clark, Barbara

Mehlbrech-Brewton, Tamra

Clave, Stephen

Miller, Laura

Connolly, Tyler

Munoz, Arthur

Crowe, Robert

Murray, Jacob

Cun, Patricia

Peer, Ann

Davis, Donald

Saelee, Kao

Dean, Thomas

Saelee, Saancho

Desmond, Marilyn

Sean, Polin

Dobrovolski, Oleg

Sisavath, Samboun

Fagan, Richard

Stroud, Jimmie

Fischer, Tammy

Tabios, Mark

Geach, Robert

Thomas, Noland

Gervais, John

Velez, Andres

Gillman, Jennifer

Voong, Lin

Gomez, Angelica

Wilson, Karen

Grasa, Frank

Xiong, Chai

Guzy, Kevin

Young, Melissa

- d. Viejas (Baron Long) Group of Capitan Grande Band of Mission Indians of the Viejas Reservation – Viejas Casino and Turf Club:  
 Frank, Walter  
 Gaitan, Angelina

Deputy Director Qualset presented the Consent Calendar to the Commission for its consideration of the applications for (1) renewal of a work permit and (2) Tribal-State Compact key employee findings of suitability. Upon motion of Commissioner Sasaki, seconded by Commissioner Smith and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes the Commission approved the Consent Calendar.

### **PUBLIC COMMENT:**

David Tierney, requested that the record include his comments regarding the amended version of the emergency regulations: Proposition Player and Gambling Business was first made available to the public at this meeting and he believes that the Commission should not have acted on this version of the emergency regulations without allowing for the public to review and comment on the emergency regulations.<sup>1</sup>

Joe Capps, BJ Gaming, inquired whether there were any laws in place that would prohibit an owner of a prop player service from owning stock in gambling

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<sup>1</sup> On June 18, 2004, the Commission posted on its website the proposed emergency regulation text and the following email and regulation text were forwarded to individuals who had requested to be placed on the Commission's rulemaking list to receive notice on regulation proposals for Commission consideration.

-----Original Message-----

**From:** Susie Hernandez  
**Sent:** Friday, June 18, 2004 1:44 PM  
**To:** Rulemaking Mail List (E-mail)  
**Subject:** Proposed Emergency Regulation - Proposition Player, Gambling Businesses

Comments on this draft are welcome and may be made either at the Commission meeting on June 22 or directed in advance to [hbolz@cgcc.ca.gov](mailto:hbolz@cgcc.ca.gov). This draft is a work in progress: it is anticipated that changes will be made between the date of posting and June 22 in response to input from Commission staff, Division staff, and the public. These changes will be identified in a revised draft dated June 22 that will be distributed at the meeting. Each such change will be reviewed at the meeting. Additional changes may be made at the meeting in response to input received at the meeting.



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establishments that operate out of state.

Chairman Shelton directed staff to address Mr. Capps's concerns following the meeting.

- Commissioner Comments.

There were no comments from the Commissioners during this portion of the meeting.

**ADJOURNMENT:**

Upon motion of Commissioner Smith, seconded by Commissioner Sasaki and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki and Smith voting yes, the Commission meeting adjourned at 12:35 p.m.