

California Gambling Control Commission  
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2399 Gateway Oaks Drive, Suite 100  
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Wednesday, August 24, 2004

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**MINUTES OF AUGUST 24, 2004**  
**COMMISSION MEETING**

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**OPEN SESSION**

Chairman Shelton called the meeting of August 24, 2004, to order at 10:02 a.m., with Commissioners Palmer, Sasaki and Smith present.

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

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 adopted the July 21, 2004, Commission meeting minutes.

Upon motion of Commissioner Palmer, seconded by Commissioner Sasaki and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki and Smith voting yes, the Commission adopted the August 4, 2004, Commission meeting minutes.

**DECISION ITEMS**

6. 15-Day Change to Permanent Emergency Preparedness and Evacuation Plans for Cardrooms (current Title 4 California Code of Regulations sections 12370-12371).

Heather Hoganson, Commission Counsel, presented to the Commission for its consideration the proposed 15-day change to the proposed permanent regulations concerning Emergency Preparedness and Evacuation Plans for distribution to the public and to begin the 15-day comment period. Chairman Shelton indicating that a motion on the floor was needed so that discussion of the proposed regulation could

take place moved to adopt the proposed regulation; Commissioner Sasaki seconded the motion.

Discussion among the Commissioners on the proposed regulations text ensued.

Following discussions by the Commissioners on the proposed regulation Chairman Shelton amended his motion, and Commissioner Sasaki amended her second on the motion to: approve for distribution to the public for the 15-day comment period the proposed changes to the regulation as presented by staff and with the following amendments:

1. Section 12360. Add owner licensee definition.
2. Consolidate Sections 12370. and 12371. in its own article in a chapter on conditions of operations for gambling establishments.
3. Add in the regulation text a method for approval of the evacuation plan by either the local responsible authority or the state fire marshal.
4. Include in the regulation a requirement that an additional copy of the emergency plan is to be submitted with the state gambling license renewal application for Division use if needed.
5. Include a requirement in the regulation that cardrooms annual training review be documented by signatures of its employees and the licensee.

The meeting was opened for public comment.

Deborah DeRosier, Division of Gambling Control, requested that the Division be given the opportunity to review and comment on the regulation prior to it being submitted to the Office of Administrative Law.

The motion made by Chairman Shelton and seconded by Commissioner Sasaki was unanimously adopted with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes. A copy of the regulation as presented is incorporated into the minutes as Attachment A.

1. Applications for Work Permit:
  - a. Gloria's Lounge and Casino:  
Paim, Michael
  - b. Gold Rush Gaming Parlor:
    - i. Pasquariello, Justin
    - ii. Vaughn, Loyd

- c. Gold Sombrero:
  - i. Chang, Cha
  - ii. Vu, May
  - iii. Winek, Timothy
- d. River Card Room:
  - Sidona, Aloma
- e. Sonoma Joes:
  - Villarreal, Cynthia

Deputy Director Qualset indicated that both the Division of Gambling Control and Commission staff recommend approval of the applications for a work permit for Items 1.a., Michael Paim, 1.b., Justin Pasquariello, and Loyd Vaughn, 1.c., Cha Chang, Mary Vu, and Timothy Winek, 1.d., Aloma Sidona, and 1.e., Cynthia Villarreal. 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 approved the applications for a work permit for Items 1.a., Michael Paim, 1.b., Justin Pasquariello, and Loyd Vaughn, 1.c., Cha Chang, Mary Vu, and Timothy Winek, 1.d., Aloma Sidona, and 1.e., Cynthia Villarreal.

2. Request for Additional Authorized Tables:

- a. Dealer's Choice Cardroom: Phillip Hawkins – Sole Proprietor
- b. Diamond Jim's Casino: Wizard Gaming, Incorporated – Corporation

Deputy Director Qualset indicated that both the Division of Gambling Control and Commission staff recommend approval of the request from Dealer's Choice Cardroom to increase the establishment's gambling tables by one, thereby increasing the total number of authorized tables from one to two, effective September 1, 2004 through November 30, 2005. Deputy Director Qualset further indicated that issuance of a state gambling license authorizing play of two tables is contingent on payment of the additional table fees. 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 request of Dealer's Choice Cardroom, Item 2.a., to add one additional table for a total of two tables authorized under the license effective September 1, 2004 through November 30, 2004.

Deputy Director Qualset indicated that both the Division of Gambling Control and Commission staff recommend approval of the request from Diamond Jim's Casino to increase the establishment's gambling tables by three, thereby increasing the total number of authorized tables from 11 to 14, effective October 1, 2004 through September 30, 2005. Deputy Director Qualset further indicated that issuance of a

state gambling license authorizing play of 14 tables is contingent of payment of the additional table fees. 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 approved the request of Diamond Jim's Casino, Item 2.b., to add three additional tables for a total of 14 tables authorized under the license effective October 1, 2004 through September 30, 2005.

3. Applications for Renewal of State Gambling License:

- a. Big Tomato Card Club: Peter Mikacich – Sole Proprietor
- b. Garlic City Club: G.C.C. Holdings, Incorporated – Corporation
- c. Kelly's: Albert Cianfichi – Sole Proprietor
- d. La Fuerza: Eusebio Rodriguez – Sole Proprietor
- e. Mortimer's Card Room: Edward Williamson and Ok Heui Hanna – General Partnership
- f. Player's Club: Monica Donohoo – Sole Proprietor
- g. Rogelio's: Rogelio's, Incorporated – Corporation
- h. St. Charles Place: James Roos – Sole Proprietor

Deputy 'director Qualset indicated that pending a final recommendation from the Division of Gambling Control, Commission staff recommends a temporary renewal of the state gambling license through February 28, 2005, for Big Tomato Card Club, Item 3.a. Commissioner Sasaki moved to approve a temporary renewal of the state gambling license for Big Tomato Card Club, Item 3.a.; Commissioner Palmer seconded the motion.

Tom Williams, Designated Agent for Big Tomato, commented on being denied his request for staff's proposed recommendation to the Commission concerning renewal of the state gambling license for Big Tomato Card Club, and inquired whether this was due to Commission policy.

Chairman Shelton responded to Mr. Williams stating that the Commission had no such policy in place, and indicated that staff recommendations were public information and should be made available upon request.

The motion made by Commissioner Sasaki and seconded by Commissioner Palmer unanimously carried in the call for a vote with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes; the Commission approved a six-month temporary renewal of the license for Big Tomato Card Club, Item 3.a., effective September 1, 2004 to February 28, 2005.

Deputy Director Qualset indicated that pending a final recommendation from the Division of Gambling Control, Commission staff recommends a six-month temporary renewal of the state gambling license for Garlic City Club, Item 3.b., through February 28, 2005. Deputy Director Qualset further indicated that the Division has not completed its review of the renewal application because the application was submitted incomplete and untimely. 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 approved a six-month temporary renewal of the state gambling license for Garlic City Club, Item 3.b., through February 28, 2005.

Deputy Director Qualset indicated that Commission staff recommends approval of a six-month temporary renewal of the state gambling license through February 28, 2005, for Kelly's, Item 3.c. Commissioner Palmer moved to approve a six-month temporary renewal of the state gambling license for Kelly's, Item 3.c.; Chairman Shelton seconded the motion.

Commissioner Sasaki requested that the condition placed on the prior license for Kelly's be continued on the temporary renewal license now being considered.

Commissioner Palmer amended his motion to place on the six-month temporary license the following condition:

*Prior approval is required from the Division for any advertisement and/or operation of promotions at the licensed gambling establishment.*

Chairman Shelton seconded the amended motion, which carried unanimously in the call for a vote with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes; the Commission approved a six-month temporary renewal of the state gambling license through February 28, 2005, for Kelly's, Item 3.c.

Deputy Director Qualset indicated that both the Division of Gambling Control and Commission staff recommend approval of the application for renewal of a state gambling license for La Fuerza, Item 3.d. 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 application for renewal of a state gambling license for La Fuerza, Item 3.d.

Deputy Director Qualset indicated that Commission staff recommends approval of a six-month temporary renewal of the state gambling license through February 28, 2005, for Mortimer's Card Room, Item 3.e. Commissioner Sasaki moved to

approve a six-month temporary renewal of the state gambling license through February 28, 2005, for Mortimer's Card Room, Item 3.e., with a condition put on the license that: *the card room is to verify age by checking identification of patrons to ensure that no persons under 21 are not allowed entrance into the gambling establishment.* Commissioner Smith seconded the motion, which unanimously carried in the call for a vote with Chairman Shelton and Commissioners Palmer, Sasaki and Smith voting yes; the Commission approved a conditional six-month temporary renewal of the state gambling license for Mortimer's Card Room, Item 3.e.

Deputy Director Qualset indicated the both the Division of Gambling Control and Commission staff recommend approval of the application for renewal of a state gambling license through August 31, 2005, for Player's Club, Item 3.f. 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 approved the application for renewal of a state gambling license through August 31, 2005, Players Club, Item 3.f.

Deputy Director Qualset indicated the both the Division of Gambling Control and Commission staff recommend approval of the application for renewal of a state gambling license through August 31, 2005, for Rogelio's, Item 3.g. 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 application for renewal of a state gambling license through August 31, 2005, for Rogelio's, Item 3.g.

Deputy Director Qualset indicated the both the Division of Gambling Control and Commission staff recommend approval of the application for renewal of a state gambling license through August 31, 2005, for St. Charles Place, Item 3.h. Upon motion of Commissioner Palmer, seconded by Commissioner Sasaki and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki and Smith voting yes; the Commission approved the application for renewal of a state gambling license through August 31, 2005, for St. Charles Place, Item 3.h.

At the request of Chairman Shelton, the Executive Director, Eugene Balonon introduced Cyrus Rickards as the Commissions new Chief Counsel.

#### 4. Resolution Concerning Delegation of Authority in Rulemaking.

Senior Legal Counsel Bolz presented staff's recommendation for the Commission's consideration of the Resolution of Authority concerning Delegation of Authority in Rulemaking. Mr. Bolz indicated that staff recommends the Commission adopt the proposed Resolution Concerning Delegation of Authority in Rulemaking to Cyrus

Rickards, Chief Counsel. Upon motion of Chairman Shelton, seconded by Commissioner Sasaki, and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes; the Commission adopted the Resolution Concerning Delegation of Authority in Rulemaking to Cyrus Rickards, Chief Counsel. A copy of the Resolution Concerning Delegation of Authority in Rulemaking to Cyrus Rickards is incorporated into the minutes as Attachment B.

5. 15-Day Change to Permanent Proposition Player and Gambling Business Regulations (current Title 4 California Code of Regulations sections 12200-12237).

Senior Legal Counsel Bolz presented the staff recommendation for the Commission's consideration to approve the proposed 15-day changes to the regulation text for distribution to the public and to begin the 15-day comment period. Senior Counsel Bolz indicated that amendments to the regulation text consist mostly of changes made to the text that was noticed in the 45-day notice of proposed rulemaking to make it conform to the text of the emergency regulations readopted by the Commission in July and currently are in effect.

Commissioner Sasaki commented on Section 12200.11 of the August 22, 2004, draft regulation, wanting to know why the regulation allowed for extensions of existing contracts but not renewals.

Deborah Dunn, Division Gambling Control responded to Commissioner Sasaki comments stating the Division's position is that contracts are not renewable because extending a contract would change the terms, therefore continuation of a contract past the original contract term should correctly be referred to as extensions rather than renewals.

Commissioner Smith asked why provision in the proposed regulation concerning Temporary Player Registration was different than those concerning issuance of temporary work permits.

Deputy Director Qualset responded to Commissioner Smith stating that the regulation was amended to shorten the initial registration process to 30 days causing there to be no need for a temporary registration process.

Discussion took place among the Commissioners regarding a temporary registration process for proposition players.

Commissioner Smith moved to retain the language for temporary registration process for proposition players. Chairman Shelton seconded the motion.

David Tierney, commented on the temporary registration process indicating that it allows their industry to attract employees whereas the registration process now being proposed would do the opposite because it causes a potential employee to wait at least 30 days, while their registration is being processed, before they can begin working. Mr. Tierney also inquired as to why the Commission has not considered accepting registrations issued by the local governments.

The motion made by Commissioner Smith and seconded by Chairman Shelton, to retain the language for a temporary registration process for proposition players, unanimously carried in the call for a vote with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes.

Senior Counsel Bolz asked that the Commission adopt a motion to direct staff to make conforming changes to the regulation text concerning temporary registration to be circulated to the public for a 15-day comment period and brought back to the Commission for final adoption. 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 that staff recommendation as presented by Senior Counsel Bolz.

Senior Counsel Bolz commented on Section 12200.1 concerning fees for transfer and additional badges for proposition players.

Deputy Director Qualset presented staff's recommendation to set fees for proposition player badges at \$125 for an additional badge, and \$125 for a transfer badge. 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 adopted the staff recommendation.

Senior Counsel Bolz presented for the Commission's consideration amendments to regulation Section 12200.7(18), (19) and (20) that would require Proposition Player Services primary owners and the gambling establishments to report any incidents of cheating to the Commission within five days. Chairman Shelton moved to adopt the staff recommendation; Commissioner Sasaki seconded the motion.

David Fried, Attorney representing California Grand Casino and Oaks Card Club, commented on reporting requirements for cheating and suggested changing "registrant or licensee" to primary owner" in Section 12200.7(18).

Deborah DeRosier, Division of Gambling Control, commented in response to Mr. Fried indicated that the Division is in the process of drafting alternate language



for regulation Section 12200.7(18).

David Fried, Attorney representing California Grand Casino and Oaks Card Club, commented on regulation Section 12200.7(20), concerning tipping arrangements. Mr. Fried suggested removing Section 12200.7(20) from the regulation text, stating that regulation on tipping was much broader than what could be addressed in the Proposition Player Contract Criteria.

Deborah Dunn, Division of Gambling Control, in response to Mr. Fried's comments concerning tipping, stated that the Division concurs with Mr. Fried's comments regarding tipping regulations and would like to include regulation concerning tipping in the Minimum Internal Control Standards regulation. Ms. Dunn indicated that the Division requests to amend Section 12200.7 to read:

*That any tipping arrangements shall be specified in the contract and percentage tips shall not be given. If there are no tipping arrangements a statement to that effect shall be included.*

Chairman Shelton withdrew his motion to adopt recommendation of staff to amend regulation Section 12200.7(18), (19) and (20). Commissioner Palmer withdrew his second to the motion.

Commissioner Sasaki moved to not amend regulation Section 12200.7 (18), (19) and (20) and to direct staff to review issues concerning tipping and prepare alternative language for the Commission to act on. Commissioner Palmer seconded the motion, which unanimously carried with Chairman Shelton and Commissioner Palmer, Sasaki, and Smith voting yes.

Commissioner Sasaki requested that staff review the regulation text Sections 12200.15(a), 12200.20(f), and 12202.(a) for inclusion of the following amendments to be brought back to the Commission for consideration.

1. Section 12200.15(a): following "corporation" add "or other business entity."

2. Section 1220.20(f): include a deadline in which fees must be submitted by the primary owner for an increase in the number of registrants.
3. Section 12202.(a): include a definition for "designated agent."

Senior Counsel Bolz presented staffs recommendation that the Commission approve the regulation text presented by staff and as revised at this meeting for distribution to the public for 15-day comment period. Commissioner Smith moved to approve the staff recommendation; Commissioner Palmer seconded the motion.

Andrew Schniederma, Commerce Casino, commented on the proposed regulations indicating that the regulation has addressed a main concern of the cardroom industry in ensuring that suitable people are working in the proposition player industry. Mr. Schniederma indicated that the some of the contract requirements have unrealistic restrictions on the amounts that can be charged to Prop Player Services Providers, and he believes that fair market value should be applied. Mr. Schniederma also commented on the process of implementing the proposed regulation indicating there is a need for more dialog between the Commission and the industry.

The motion made by Commissioner Smith and seconded by Commissioner Palmer unanimously carried in the call for a vote with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes; the Commission approved the regulation text presented by staff and as revised at this meeting for distribution to the public for a 15-day comment period. A copy of the August 22, 2004, draft of the regulations text presented to the Commission is incorporated into the minutes as Attachment C.

**PUBLIC COMMENT:**

David Tierney, Network M, stated that he agreed with Mr. Schniederma's comments concerning the industries involvement in the process of implementing the proposed regulation.

**CLOSED SESSION:**

Chairman Shelton announced that the Commission would adjourn to Closed Session. At 11:55 a.m. the Commission adjourned to Closed Session.

**RECONVENE TO OPEN SESSION**

Chairman Shelton reconvened the open session at 12:30 p.m. with Commissioners Palmer, Sasaki, and Smith present, and indicated that there were no

announcements from Closed Session.

1. Commissioner Comments.

There were no comments from Commissioners.

**ADJOURNMENT:**

Upon motion to adjourn the meeting by Commissioner Sasaki, seconded by Chairman Shelton and unanimously carried with Chairman Shelton and Commissioners Palmer, Sasaki, and Smith voting yes, the meeting adjourned at 12:33 p.m.