

CALIFORNIA GAMBLING CONTROL COMMISSION

PUBLIC WORKSHOP ON MORATORIUM REGULATIONS

CERTIFIED
COPY

Thursday, April 3, 2008

University Conference Center

Cal-State, Fullerton

Titan Student Union

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Fullerton, CA 92824-6828



Northern California Court Reporters

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1 this and we're going to have it transcribed, so we want
2 to be clear, you know, who was speaking and which
3 comment is coming from whom so we can reflect that in
4 the transcript. And when you speak the first time,
5 please give your affiliation if you have an affiliation,
6 the cardroom or whatever. And let's start off, I think
7 we've got enough people we can do this, let's start off
8 and Heather, would you pass the microphone back? Start
9 back about where Jim is and I'd like everybody to pass
10 the microphone and give your name and who you're
11 representing if you're representing someone. State
12 employees included.

13 JIM ALLEN: Okay, Jim Allen, I'm the
14 regulatory actions coordinator for the Commission.

15 ANDY SCHNEIDERMAN: I'm Andy Schneiderman,
16 general counsel for Commerce Casino.

17 ROB BLONIEN: Rob Blonien, representing the
18 Commerce Club, Hemphill's Casino, Chico, and a number of
19 other clubs.

20 JOY HARN: Joy Harn, general counsel of the
21 Bicycle Casino.

22 MARK KELEGIAN: Mark Collegian, President
23 Crystal Casino.

24 PAUL CHILLETTO: Paul Chilleo, compliance
25 officer, Hollywood Park Casino.

1 CARMEN MORINELLO: Carmen Marinello, Golden
2 West Casino.

3 TERRI-SUE CANALE: Terri-Sue Canale, I am
4 undercover for the Bureau of Gambling Control today.

5 ROBERT TABOR: Robert Tabor, Maloney & Tabor.

6 HARLAN GOODSON: Harlan Goodson, representing
7 the Hustler Casino.

8 SHIRLEY J. GEMMEL: Shirley J. Gemmel,
9 observing.

10 MARY MCCLURE: Mary McClure, representing
11 myself.

12 SYLVIA MCCLURE: Sylvia McClure, representing
13 myself too.

14 STEVE WALDMAN: Steve Waldman, I'm
15 representing myself.

16 HEATHER HOGANSON: I'm Heather Hoganson with
17 the Commission.

18 JASON ENGLE: Jason Engle representing the
19 Turlock Poker Room up in northern California.

20 DOROTHY COOPER: Dorothy Cooper with the
21 Bureau of Gambling Control.

22 ROBERT BURGE: Robert Burge with the Bureau of
23 Gambling Control.

24 VICTOR VANACORE: Victor Vanacore, Bureau of
25 Gambling Control.

1 DAVID TIERNEY: David Tierney, designated
2 agent for Network Management Group.

3 MR. BOLZ: Okay, thank you, everyone. I want
4 to give some introductory comments briefly. Does anyone
5 need a copy of the notice or of the issue list? You all
6 got one, e-mail or mail, I assume. We do have a few
7 copies up front. Does anyone need one? Okay, let's
8 start off.

9 I'm going to talk for a minute and this is
10 going to be some of the same material you saw in the
11 Notice and Agenda. We're talking about how to interpret
12 Business and Professions Code Section 19963, called the
13 moratorium provision.

14 Questions have arisen concerning how to apply
15 the moratorium provision to a wide range of factual
16 situations. For example, a change of cardroom
17 ownership, a request to reopen a closed cardroom, and
18 expiration of a state gambling license.

19 The Commission is soliciting public input on
20 these matters in two workshops, one is today, we're here
21 in Fullerton on the campus of Cal-State Fullerton. The
22 next workshop will be in northern California in
23 Sacramento on May 1st in the Department of Consumer
24 Affairs hearing room. We encourage you to attend that
25 one too if you're inclined. And we're trying to solicit

1 input to assist us in developing regulations intended to
2 answer many of the questions that have arisen under the
3 moratorium provision.

4 There is no preliminary draft of regulations.
5 However, staff has prepared a list of situations which
6 have led to questions and a list of some of the
7 questions that have arisen. And if anyone -- we've got
8 a copy of the list up here if anyone needs one, but it
9 was sent out by e-mail and by U.S. postal mail.

10 No action will be taken by the Commission at
11 these workshops. We will very likely undertake a formal
12 rulemaking effort after finishing these workshops and I
13 need to make clear here, while your comments will be
14 very carefully considered here, these comments you make
15 today whether you turn them in, in writing or orally,
16 will not be formally summarized and responded to in the
17 manner required by the rulemaking part of the
18 Administrative Procedure Act. We will schedule a public
19 hearing at a later date and there will be a formal
20 comment period, but this is the informal input period.

21 I think I'm ready to start here. What I
22 propose to do is, we've got some questions and issues
23 we've written down in the list. What I propose to do is
24 go through these and hear what people have to say on
25 these issues and then move on to hearing whatever any of

1 you have to say on any issue related to the moratorium.
2 So let's start off here.

3 I'm looking at page two, page two of the issue
4 list, it's headed Part A, Particular Questions. Is
5 everybody with me so far? Now these are a variety of
6 situations. Many of these have actually come up in real
7 life, and the question is, the moratorium says, roughly,
8 that the Commission may not issue a gambling license for
9 a gambling establishment that was not licensed to
10 operate on December 31, 1999, unless an application to
11 operate that establishment was pending before the
12 Division of Gambling Control, now the Bureau of Gambling
13 Control, prior to September 1, 2000. So let's look at
14 this list. It's got ten things written on the first
15 page. The question is, should -- when we adopt
16 regulations implementing the moratorium provision,
17 should these particular situations be -- should we say
18 the cardroom cannot open, cannot reopen or cannot move,
19 or cannot be sold, roughly. So bear with me here.
20 Number one, again, existing cardroom business rebuilding
21 at the same street address following the destruction of
22 the physical premises by a fire. Any comments on that,
23 is that something that should be forbidden?

24 ANDY SCHNEIDERMAN: Actually, my comment is
25 more general. My name is Andy Schneiderman, and I'm

1 general counsel with the Commerce Casino.

2 It would be very useful to me if we had, there
3 must a finite list of the gambling establishments or
4 licenses that are impacted by this, that were open prior
5 to 2000 and that are subject to this. Is that list
6 available, and can you give us a number of people -- a
7 location of those establishments?

8 MR. BOLZ: I'll answer that question, the
9 question was is there a list of closed cardrooms,
10 roughly? Is that right?

11 ANDY SCHNEIDERMAN: There's a finite list of
12 casinos that would be impacted by the resolution of
13 these questions, and is there a list of those, the
14 gambling establishments?

15 MR. BOLZ: And you meant by impact, you mean
16 ones that are not currently operating:

17 MR. SCHNEIDERMAN: Right.

18 MR. BOLZ: Okay. I think there is a list, I
19 don't have it with me. We can probably make that
20 public. It's something like 40 something. So help me,
21 let's just do this first one. Let's do the first one
22 and then we'll group some of these other ones. Is there
23 anyone who thinks an existing cardroom business should
24 be forbidden from building at the same street address if
25 destroyed by fire or do you have another comment?

1 MR. GOODSON: Harlan Goodson. I do have
2 another comment Herb, and that is why would you limit it
3 to a fire?

4 MR. BOLZ: I beg your pardon?

5 MR. GOODSON: Why would you limit it to fire,
6 destruction could be by another means.

7 MR. BOLZ: Well, let's assume fire or other --
8 some other force that destroyed the building.

9 MR. GOODSON: Just a comment, if you get the
10 drafting, I mean, we wouldn't want to create a scenario
11 where it was left up to interpretation what the
12 Commission meant.

13 MR. BOLZ: Right, no these are not words
14 that -- these words would probably not end up in a
15 regulation.

16 MR. GOODSON: Thanks.

17 MR. BOLZ: This was more the factual
18 situation. Okay, is there anyone that thinks that a
19 cardroom that burns down should not be able to reopen
20 after they build a new building? Okay, how about any of
21 the other ones on this page?

22 MS. MCCLURE: I have a question.

23 MR. BOLZ: Yes, go ahead.

24 MS. MCCLURE: Mary McClure. This is the
25 premises if they're closed by a fire, but if a person

1 has a cardroom and closes it on their own and decides to
2 move to another location, to transfer it, would that
3 fall under the same category?

4 MR. BOLZ: Your question is, if someone wants
5 to move a cardroom to a new location?

6 MS. MCCLURE: Well, in other words, they
7 decide they don't want to stay where they're at and they
8 close their cardroom to move to another location but do
9 that prior to moving, does that create a complication?

10 MR. BOLZ: You're assuming they're moving
11 within the same city or county that they were in to
12 start with? Well, let me ask the group here, should
13 that be a problem? The question is, can a cardroom move
14 to a new street address within the same jurisdiction?
15 And while I will try to answer that, I don't think that
16 presents a problem if they have approval of the local
17 jurisdiction. That has happened from time to time.

18 MS. MCCLURE: But do you have to have prior
19 approval before you move?

20 MR. BOLZ: You can't begin to operate in a new
21 location without approval by the state. That requires
22 an inspection by the Bureau of Gambling Control and
23 approval by the Commission. Yeah, so you can't begin to
24 operate without local and state approval. Okay, any
25 other comments on these first ten items, ownership

1 changes and things like that. Any comments on any of
2 these, should any of these things be forbidden?

3 MS. CANALE: Terri-Sue Canale from the Bureau
4 of Gambling Control. And not that any of these things,
5 I think, should be forbidden but I guess a question
6 would be, especially in like number nine and number ten
7 when you're talking about passing to an heir or a
8 spouse, that would be as long as that person that's
9 receiving the cardroom is suitable for licensure,
10 correct?

11 MR. BOLZ: Yes, we're assuming -- this is
12 basically, nine and ten -- the question we're trying to
13 get at is, can the person who receives the cardroom, are
14 they eligible to apply? They would have to apply, they
15 would have to pass the background check, they'd have to
16 be issued a license before they could actually take part
17 in operation of the cardroom. So that's a good point.

18 MR. SCHNEIDERMAN: Andy Schneiderman, again.
19 This is again a general question. Are we talking
20 about -- in my mind, there's a distinction between what
21 the regulation should require on a prospective basis and
22 how the Commission should handle current situations on a
23 retroactive basis. And I think it's just a matter of
24 fairness if the Commission were, for example, to adopt a
25 regulation now that says they would violate the

1 moratorium to change the street location of a club,
2 there would have been no notice to people who have
3 already done that or have been wanting to do that,
4 formulated business plans to do it, and I think that
5 that would be unfair.

6 But to, from a policy prospective, say that on
7 a prospective basis, we're going to be adopting
8 regulations and from this date forward, this is how the
9 moratorium is going to be interpreted by the Commission
10 is a different matter. So from a prospective basis, it
11 would be Commerce Casino's position that a change of a
12 street address, that there should be no -- in my mind,
13 the legislative intent behind the moratorium was to
14 basically freeze the status quo in terms of licensed
15 gambling establishments. And therefore, an expansion of
16 an existing gambling establishment is permitted as long
17 as it complies with the moratorium language, but there's
18 nothing that permits a gambling establishment to change
19 its location. And I think that the regulations on a
20 prospective basis, that should be prohibited under the
21 moratorium language.

22 MR. BOLZ: Thank you. Other comments?

23 MR. WALDMAN: Steve Waldman. I'd like to ask
24 you why? Why should it be prohibited?

25 MR. SCHNEIDERMAN: I think this is a question

1 of legislative interpretation, and I think that in my
2 opinion what the legislature had in mind when it passed
3 the moratorium was to basically freeze the number and
4 size within that 25, less than 25% range of the existing
5 cardrooms, and I don't think that freezing would kind
6 contemplate that the casinos that were opened should
7 stay where they are. And some jurisdictions are small,
8 some jurisdictions are very large, and a dramatic change
9 of location within a gambling jurisdiction would not
10 have been permitted by my interpretation of the
11 moratorium.

12 MR. BOLZ: Let's pass the mic here. Okay,
13 we've been hearing from Andy Schneiderman, now we're
14 going to hear from --?

15 MR. WALDMAN: Steve Waldman. Well, that's
16 your interpretation as an individual, but why wouldn't
17 that be local, a local decision? Why would the state
18 have any interest if you're within a jurisdiction that
19 allows it, incorporate it (inaudible) of the town, why
20 would the state have any interest in determining where
21 within that jurisdiction would be? Wouldn't the local
22 authorities have a better idea of what's going on in
23 their community as opposed to the state? I mean, that
24 only makes sense.

25 MR. BOLZ: This is Herb Bolz, again. Yeah,

1 the way the system is structured, a cardroom, as the
2 practice has evolved, can change its street address
3 within the local jurisdiction if it gets approval of the
4 local jurisdiction and is inspected by the Bureau of
5 Gambling Control and the Commission approves it. So the
6 system is in place now. The local approval is
7 absolutely vital. No cardroom can move without local
8 approval. Okay, are these -- any follow up comments on
9 any of what we just heard from anyone?

10 MS. MCCLURE: Mary McClure. I'm still at
11 loss. If you have a cardroom, you have to have prior
12 approval to move that cardroom, correct?

13 MR. BOLZ: You can move a cardroom to a new
14 street address within the same local jurisdiction if you
15 receive local approval and if you receive state
16 approval.

17 MS. MCCLURE: And do that before you close
18 your business?

19 MR. BOLZ: Yes.

20 MS. MCCLURE: And what happens if you close
21 your business before that, to your license? If you keep
22 your license still active?

23 MR. BOLZ: Why don't we move on to another
24 question here that I think is addressing what Mary is
25 trying to bring up, and bear with me if I'm getting off

1 track. Look at page three, item 15. Probably talking
2 about the closed cardrooms is a good idea at this point.

3 The question has come up, there are some
4 cardrooms that have closed six months ago, a year, two
5 years, five years ago. Some of the people got tired of
6 running them, they closed, they did not renew their
7 license, and they did not sell the business to anyone
8 else. So that's, I think, the situation many of you are
9 interested in here. So let's look at item 15, and there
10 are two ways of looking at this. One is, can the former
11 license holder get the license reinstated? And another
12 related question is, can someone come and say there used
13 to be a cardroom in Huntington Beach, the former owner
14 can't be found, I would like to reactivate this
15 cardroom. So let's go first with the reinstatement one.
16 First, we've got some kind of -- Terri-Sue, you have a
17 thought?

18 MS. CANALE: Before we move to the closed
19 cardroom who doesn't have a license, didn't Mary
20 indicate that you have a current license and you just
21 close your business, you close your doors and you
22 continue paying your license fee, so you have your
23 license basically, you've just chose to not operate?
24 That was not your question?

25 MS. MCCLURE: No, we moved.

1 MR. BOLZ: Let me make sure we're getting this
2 on the recording system. Okay, Terri-Sue asked the
3 question Mary McClure is about to answer.

4 MS. MCCLURE: We have a particular cardroom,
5 we have one cardroom in our town. That particular
6 cardroom that is -- was open, it has now been closed for
7 a year in March. They sold their license but have never
8 been able to transfer it over for some reason because he
9 closed his business and moved. So it has been closed
10 but never transferred and inspected and has no location
11 still at this point. Now, are they going to be able to
12 reopen that cardroom in a different location without
13 prior approval of moving and everything? That's why I'm
14 totally confused on the whole issue.

15 MR. BOLZ: Let's see if we've got some further
16 comments here, I see another gentleman right in the
17 back. Rod, please go ahead.

18 MR. BLONIEN: Thank you, Herb. Herb, I have a
19 rather long speech I'd like to make.

20 Section 19963 was not part of the original
21 Gambling Control Act. This section was added in the
22 year 2000 by AB1416, authored by Assemblyman Herb
23 Wesson, and that bill was sponsored by the Commerce
24 Club. The provision we're discussing today was added at
25 the request of the Commerce Club to deal with specific

1 situations in Los Angeles County where there is a city
2 that has four licenses, as I recall, for 50 tables per
3 license. And the president of the Commerce Club said it
4 doesn't make any sense that you can't expand by more
5 than 25%. No new city can adopt an ordinance, yet we
6 have four licenses that theoretically could result in
7 200 tables. Quoting from him again, he said, shouldn't
8 it be that they can take these dormant licenses that
9 haven't been used for years, resurrect them, that would
10 seem to be expansion. That would seem to be adding to
11 the bulk of the business that is in existence as
12 compared to what was happening in 1996. So this
13 language was drafted.

14 The idea was to take a snapshot of the
15 licenses that were active on January 1, 2000 and to
16 allow those licenses to continue to be operated and be
17 the subject of commerce. If you look at section 19961
18 and 19962, they talk about expansion of gambling. And
19 if you go to the on-line dictionaries, I did this
20 morning about 5:30, defines expand as to increase in
21 size, volume or scope, to spread or stretch, to have
22 more than you did before. That's the definition of
23 expand. In 19963, the operative date is December 31,
24 1999 or, the other side of the coin, January 1, 2000.
25 So if you had a license that was active at that time,

1 that license is forever more active and is not affected
2 by 19963. To adopt any of the situations as
3 determinative of whether or not that license can be
4 continually involved in commerce is in essence, change
5 the test to, from was it active on January 1, 2000 to
6 have they changed the address? Have they changed the
7 name? Is it the subject of a probate? Was it a subject
8 of a fire? Was it lapsed for a period of time? None of
9 that matters.

10 The snapshot and the test is, was that license
11 active on January 1, 2000. And to accept any of these
12 other scenarios and situations is not doing justice to
13 the legislation. It doesn't say that, you know, we will
14 continually do a test every year, every two years, every
15 three years to see if that license continues to be
16 active. And again, looking at the statutory language,
17 it says, "In addition to any other limitations on the
18 expansion of gambling." So the test in terms of whether
19 gambling is expanded is based on what was existing in
20 January 1, 2000.

21 So if you have five clubs for one reason or
22 another that are not operating today but were operating
23 on January 1, 2000, and those five clubs come up next
24 month, say we want our licenses, there's no expansion
25 because the test isn't July 1, of 2007. It isn't

1 April 3, 2008. It isn't some other date. It's
2 January 1, 2000, December 31, 1999. And, you know, you
3 can look at all of these scenarios and argue one way or
4 another there has to be privity, there has to be a
5 successor in interest, etcetera. There's none of that
6 in the statute. And to go down the road we're going, I
7 don't think does justice to the statute.

8 The other thing is, this notion of re-
9 instating a license, you know, I've always been told
10 that a license can't be sold, that people are licensed
11 not places, not card clubs. And so with that, I think
12 that the whole use of the word re-instated is
13 inappropriate. It sort of flies in the face of what you
14 folks in the Commission and the Division have been
15 telling us for ten years. You can't sell a license,
16 places aren't licensed, people are licensed. And so to
17 look at that, you know, well, you seem to be going
18 against that which you all have been telling us.

19 Now, I wanted to talk about two real life
20 situations. The first one is Hemphill's. So
21 Hemphill's, we have Billy Long in Napa, who's operating
22 a card club, Hemphill's. Billy Long dies. His estate
23 is then licensed to operate the card club. Through the
24 estate, his son gets right entitled to the business.
25 His son submits an application. After the application

1 is pending for a year, his son throws his hands up in
2 the air and say, geez, this is a hell of a lot more
3 complicated than I ever thought. I don't know that I
4 want to get involved in drawing up minimum internal
5 controls and the rest of the stuff. I'm not a card club
6 guy. Perhaps the thing I should do is sell this
7 business to a card club guy. And so he does. But in
8 the meantime, the estate closes. So we have a situation
9 where the estate can't be licensed because it no longer
10 exists. The state closed it, the probate is terminated.
11 The son can't be licensed because the Division hasn't
12 completed their background work and, you know, there's
13 certainly some dirt on the skirts of the son in that
14 perhaps he should have been more prompt in returning
15 some of the things. The new owner who is already
16 licensed in another location, you know, the Commission
17 returns his application. I mean, it seems to be there
18 should be no question but that that person should be
19 able to transfer his interest in the business to someone
20 else.

21 Another situation concerns a city in northern
22 California. A card club was in operation in
23 January 1, 2000. In the middle of the year, the city
24 says, we're going to clean up this area of town and
25 redevelopment is going to buy your business. You need

1 to relocate. The owner says, well, that's great because
2 this area kind of sucks and I'd like to go to another
3 area. So he finds a location and the city says no. He
4 finds another location, the city says no. He finds a
5 third location, the city says no. He throws his hands
6 up at that point, condemnation is proceeding and he sues
7 the city. He doesn't pay his fees in 2001 because he's
8 not in business. He doesn't pay them in '02, he doesn't
9 pay them in '03, he doesn't pay them in '04, and oh, by
10 the way, now there are a couple of tribal casinos in the
11 area and they've taken the business. So now he decides,
12 wait a minute, Texas Hold-em is awfully popular and
13 people are asking me to reopen my card club. Why
14 shouldn't he be able to reopen his card club? Since
15 then, there have been numerous changes in the city
16 council. This is an attitudinal change, Texas Hold-em.
17 Card clubs have come out from being south of the tracks
18 to now being on the other side of the tracks. And so,
19 you know, I don't think that that person should be
20 precluded from reopening his business or selling his
21 business.

22 MR. BOLZ: Rod, can I ask a question here?
23 This is Herb. Would it be appropriate, in your
24 situation, would that person not want to ask that the
25 license be reinstated?

1 MR. BLONIEN: Well, I don't think, again, I
2 don't think we can use the word reinstate the license.
3 Well, I guess you could. His, not the card club license
4 but his personal license, yeah. I guess he could ask to
5 have that license reinstated rather than the business.
6 But again I come back to the point, you know, when we
7 did 19963, our thought was to create the universe of
8 licenses to keep those active and to keep those as part
9 of commerce. And you look at the language and it talks
10 about expansion in gambling, and in all of the scenarios
11 you have listed here there is not one nano, not one nano
12 gram of expansion. Because all we're doing is keeping
13 in play those licenses we had before.

14 Now, if the Division and Commission for
15 economic reasons wants to require that people pay their
16 fees or somehow, you know, they lose their right to
17 their business, etcetera, that's another issue, but it
18 shouldn't -- we shouldn't be looking for revenue
19 enhancements as part of section 19963. Thank you, sir.

20 MR. GOODSON: Harlan Goodson again. I would
21 like to echo what Rod said. I read the statute and
22 probably nobody in this room has more history in the
23 drafting and working with the statute than Rod Blonien.
24 And I agree with him. I would like to add, though, that
25 there is one portion of 19963(a) that he didn't cover

1 and I'd like to hear your comments on that, Herb, and
2 that's just the notion of unless an application to
3 operate that establishment was on file with the
4 department prior to September 1, 2000, what does that
5 mean in the context of an application being on file
6 satisfying that part but never have been license and
7 what are your thoughts on that kind of a scenario.

8 MR. BOLZ: Let me see if I understand that
9 question. I have an answer but let me get the question
10 straight. You're asking how to interpret -- part of the
11 B&P Code Section 19963(a) says, unless an application to
12 operate that establishment was on file with department,
13 formally the Division, prior to September 1, 2000. So
14 you're asking if the application was on file but the
15 application was never approved or the card room never
16 opened? Both.

17 MR. GOODSON: My question is how does the
18 Commission interpret that portion of 19963(a)?

19 MR. BOLZ: I don't know that we have an
20 interpretation at the present, we'll have to think about
21 it. That's a good question and the answer is I don't
22 know.

23 MR. GOODSON: Okay, thanks.

24 MR. WALDMAN: I know you gentlemen kind of
25 address why, you know, my interest in being here.

1 It's about a four table card room that did
2 operate in that snapshot at the time, at 1999, the owner
3 died, his daughter took it over, it wasn't her cup of
4 tea, she closed it in 2003. Now, I'm interested in
5 reopening that in the county. It's limited to four
6 tables, and who has the right? I mean, how is it, you
7 know, the business has been abandoned, no fees have been
8 paid, who has the right to open that? I mean, do I need
9 to go find this woman if she's still around, structure a
10 business deal, or, you know, how do you determine who
11 has a right to reopen that? You know, that's the sole
12 purpose of my interest here.

13 MR. BLONIEN: Well, if I may answer your
14 question.

15 MR. BOLZ: This sounds like Rod to me.

16 MR. BLONIEN: Yes, this is Rod. I think what
17 you do is you go to the local government and
18 jurisdiction and you say you have an ordinance that
19 allows for a card club and I'm here to apply for a
20 license and this is where I want to locate it, and you
21 get the local issue ironed out and you then file your
22 application with the state.

23 MR. WALDMAN: They told me, about the state,
24 they have no issue with them, but they will not proceed
25 with anything until I have a state license.

1 MR. BLONIEN: Well, the state is going to tell
2 you that you're not going to be licensed until you have
3 a location and until you have local approval.

4 MR. WALDMAN: Well, that's a chicken in a
5 nest, I mean, that's a hell of a catch 22 here, I mean,
6 I'm in a room full of lawyers.

7 MR. BLONIEN: Well, you've got two good guys
8 here at the second table that can help you with that.

9 MR. WALDMAN: Mr. Tabor. I think I spoke with
10 him over the phone once.

11 MR. BLONIEN: And they are looking for
12 pro-bono work.

13 MR. WALDMAN: Yeah, I heard, I thought it was
14 in captions that pro-bono.

15 MR. BLONIEN: Just to follow up on Harlan's
16 comments, you know, Harlan knows very well what, you
17 know, what the intent was because I negotiated this bill
18 with Harlan. Harlan was the director of the Division at
19 the time and I remember sitting in Herb Wesson's office
20 working on this bill with him, sometimes very late at
21 night. And so I think, Harlan says that I can speak
22 with most authority, he can certainly speak with a
23 great, great deal of authority and weight because this
24 bill was, you know, a big issue with the Attorney
25 General's office and not only Harlan but Bob Mukai and

1 others in terms of the 330.11 provisions of the bill
2 went over and, you know, this was all debated and
3 discussed and none of the scenarios on these two pages
4 ever, ever entered into everyone's mind that I'm aware
5 of. Thank you.

6 MR. BOLZ: Other comments in response to what
7 we've just heard? My goodness, the very talkative
8 people are being quiet here.

9 MS. MCCLURE: Mary McClure. If I'm
10 understanding what I think I'm hearing, if the card
11 rooms were active in 2000 and there were 40 licensed
12 that are inactive now, the city and the county of our
13 own area has the jurisdiction, not the state, because
14 they feel that we have to have approval from the
15 Commission before they give us our approval for
16 locations. So we have a lapse between the two.

17 MR. TABOR: This is Robert Tabor. I've
18 actually worked on this recently with a client out of
19 northern California and there is somewhat of a chicken
20 and an egg process here, but you deal with that by
21 dealing with each of the -- educating each of the
22 appropriate regulators.

23 Now, primarily the locals which means you've
24 got to go in and you have to talk to the city attorney
25 and say okay, here's how this process works. Here's

1 what we're going to do and here's the applications we're
2 going to file. Here's the process we're going to go
3 through and generally the state will not issue the
4 license until you've got all of your approvals from the
5 locals. And that's a fact.

6 Now, the locals frequently do say, well, we
7 don't know that we can grant this until the state does.
8 So we have to go in and educate them that the city can
9 or the county can move ahead on this and issue a
10 license. Or at the very minimum, provide a city council
11 resolution to the Gambling Control Commission that they
12 will, the city will grant the license, contingent upon
13 Gaming Commission action. Okay, so it's a matter of
14 educating the locals is what you've really got to do. I
15 can't hear you. Or, county counsel, city or county,
16 whatever jurisdiction you're in, yes.

17 MS. MCCLURE: Okay.

18 MR. BOLZ: Other comments about what we've
19 just heard? Okay, let's go back to a couple of these
20 specific things if we can. I think we covered a lot of
21 good territory here.

22 Look at page three, item 15, I'd like to talk
23 about that for a minute. Some of this we've talked
24 about and some of it we haven't, but I'd like to focus
25 attention on this. We're speaking of closed cardrooms.

1 Closed cardrooms had someone who was the owner licensee,
2 (inaudible) was the sole proprietor. So let's go
3 through item 15 and see if we can figure this out.

4 A person who formerly had a state gambling
5 license and operated a cardroom which has closed wants
6 to apply for a license for the purpose of reopening and
7 operating a now closed cardroom. The prior license has
8 expired. Let's talk about that basic situation. One
9 issue is, should the moratorium provision, section
10 19963, be interpreted to mean that if a license expires,
11 that terminates that gambling establishment in that
12 jurisdiction and that no replacement establishment can
13 be reinstated and a replacement license, you cannot
14 apply.

15 MR. KELEGIAN: Mark Kelegian, Crystal Casino.
16 You know, I've got to start with the premise. I don't
17 even see a relationship between the moratorium and these
18 licensing issues. Dealing with all the items of one to
19 fifteen, as long as we're talking about clubs that were
20 operating on December 31, 1999, this is a licensing
21 issue. I don't even see how 19963 even applies. It
22 would only apply if someone was licensed, say, to
23 operate say, on December 1, 1998. That license expired
24 prior to December 31, 1999 and they're now coming
25 forward and trying to sell that club, that's where this

1 would apply. And as long as we're not dealing with
2 those kinds of scenarios, then this is purely a
3 licensing issue to be dealt with by the city and then
4 the state on an individual basis. The moratorium is not
5 applicable.

6 MR. BOLZ: Other comments on that?

7 MS. HARN: Joy Harn, Bicycle Casino. I agree,
8 I think the only place where the moratorium comes up is,
9 the hypothetical that is posed indicates the prior
10 license expired. My question is when. If the prior
11 license expired prior to December 31, '99, which is the
12 cut off date in the moratorium, then no, it's expired,
13 they weren't operating, you can't resurrect it, it's
14 dead. If it expired sometime after September 1, 2000,
15 then it's not in violation of the moratorium to have
16 somebody reinstate, resurrect, whatever you want to call
17 it, reopen that club under a license because the
18 moratorium doesn't apply.

19 The other questions, within what time frame, I
20 don't think it matters, as long as it's post 2000 it
21 doesn't matter. Could a person apply for an initial
22 state gambling license? Sure, we have people applying
23 for initial state gambling licenses all the time. You
24 have people that are in a trust that become of age under
25 the trust and now have reached the age of majority and

1 want to apply for a gambling license, they do it all the
2 time. So I don't know why the application for an
3 initial gambling establishment as posed here would be
4 any different than the situations we have currently.
5 Would it make any difference if the former licensee had
6 a provisional license? No, I only think the only thing
7 that makes a difference is at what point in time did the
8 license for the gambling establishment expire.

9 MR. BOLZ: Okay, thank you. Other comments?
10 Is there anyone who disagrees with those propositions
11 we've heard from the last two speakers?

12 MR. WALDMAN: I have a question, now, I mean,
13 what you say sounds great --

14 MR. BOLZ: Please identify yourself.

15 MR. WALDMAN: Steve Waldman. Who has a right
16 to reapply for this, can anyone go for this license that
17 was in -- the business was established and licensed on
18 the snapshot in time, if it closed four years later in
19 2003, it's sitting here right now, who has a right?
20 Does anyone have a right off the street to go and apply
21 for that? Are there any rights to that?

22 MR. TABOR: Well, the issue is, remember there
23 are two licenses here. There is a city or county
24 business license, and then there's the state license.
25 If both of those licenses are invalid, expired, dead,

1 then anybody off the street can go in and attempt to
2 apply for that license, both the city license and the
3 county license and the state license. A more
4 interesting question might be if one of the licenses
5 still remains valid then what situation? I think the
6 person who owns one of those licenses controls it, but
7 in the situation that you raise where there's no current
8 city or county license and no current state license,
9 anybody over 21 years of age, who is not a felon, and
10 can otherwise qualify for a license can apply to open
11 that card club.

12 MR. BOLZ: Whoa, let's get a microphone over
13 here.

14 MR. TABOR: By the way, this is Robert Tabor.

15 MR. GOODSON: Harlan Goodson. I think that
16 maybe one of the -- what I'm hearing, one area where
17 there's confusion is that we're identifying things based
18 upon a particular establishment of business that existed
19 at a time and then ceased to exist. I think maybe if we
20 look at it from the standpoint of what's authorized in a
21 jurisdiction. If a jurisdiction authorizes up to two
22 cardroom or gambling establishments, and if all of the
23 other conditions are met statutorily, then what you're
24 talking about is approaching the city, county or city
25 and county and saying I'm interested in establishing one

1 of the authorized gambling establishments under your
2 ordinance. I want to work with you and the state
3 Gambling Control Commission and the Bureau of Gambling
4 Control in order to perfect that. Rather than ask the
5 question, do you have to seek out a prior owner, there
6 may be no value to anything unless what you're talking
7 about is purchasing land. But as far as a business and
8 goodwill and all that stuff, it's evaporated, it's gone.
9 So I think Rod and the others are correct is that you go
10 to the local jurisdiction and you work with the
11 bureaucrats and the elected officials and you try and
12 move that thing forward.

13 MR. WALDMAN: So it sounds like what you're
14 saying, Steve Waldman again, that you don't -- it's not
15 necessary for you to wait for the rewriting of
16 regulations.

17 MR. BOLZ: Okay, any further comments on that?
18 Harlan, do you have anything further to say for
19 microphone purposes? Okay, I think we've answered a lot
20 of 15, but let me go back to this.

21 I want to make sure I get responses to these
22 different points. Fifteen says, someone who had a state
23 gambling license, their license expired, the cardroom is
24 closed, the question was, could such a person apply to
25 have the prior license reinstated. And I think what I'm

1 basically hearing is, the comments seem to be yes they
2 could. Is that correct? And one comment was there
3 should be no outer time limit for reinstatement. But
4 let me ask that specific question. If reinstatement
5 were possible, should there be a time limit? Should
6 there be a time limit within which many state agencies,
7 licensing agencies, have time limits on reinstatements
8 and requests? That's the context we're coming from. If
9 you have a license, you can apply to have the license
10 reinstated, but almost all agencies have a set number of
11 months or years they want you to act within or else you
12 have to apply for a new license which is a longer and
13 more complicated process, apparently.

14 MS. HARN: Joy Harn again. I guess my
15 difficulty with some of these questions is, and when I
16 got the notice from the Commission, this is all under
17 the auspices, if you will, the moratorium. So as I'm
18 looking at this, I don't think, and the question posed
19 is should there be a time frame or a maximum amount of
20 time that you can apply for a reinstatement, pursuant to
21 the language of the moratorium as I read it, having not
22 been involved in the drafting, I don't think there is
23 one.

24 So if we're talking about does the moratorium
25 or any interpretation thereof provide a maximum time

1 limit, I think the answer as I see would be no. If
2 we're talking about a completely separate issue, which
3 is what would be a prudent policy for the state of
4 California, well, that's an entirely separate issue.
5 But I don't think it's a moratorium issue, at least I
6 don't see it, enlighten me, as it currently is stated.

7 MR. BOLZ: No, I -- Herb again. Yeah, I
8 understand that, Joy. This is a case where we've got
9 some overlaps here. So let's just address as a pure
10 policy question in a licensing context. Pretend there's
11 no moratorium for the moment. Should there be a time
12 limit for a former licensee to apply for reinstatement
13 of his or her license?

14 MS. HARN: I don't know. I have not currently
15 formulated an answer to that.

16 MR. TABOR: Robert Tabor. I would say that
17 there should be, it's almost a strawman question. If a
18 license has expired, it seems to me that license should
19 be available for any member of the public to apply for.
20 There's a limited number of licenses in a jurisdiction.
21 If there's two in the jurisdiction and one of the card
22 clubs loses it's license, whether it's revoked by the
23 state or city, or they simply surrender it. That
24 license is now dead and invalid, and is now open for a
25 new application either by the prior licensee, if they

1 decide to get back into business, or a completely new
2 business person.

3 MR. BLONIEN: You know, Herb, in answer to
4 your question, oh, this is Rob Blonien, again. Herb, an
5 answer to your question, I guess, from the interests of
6 my various clients that have card clubs and fewer card
7 clubs that exist, the better off we all are.

8 So on the one hand, I think, gee, that's not a
9 bad idea, but again, the thought was you take a snapshot
10 on January 1, 2000, and whatever the universe was of the
11 clubs in existence, those licenses continue to be able
12 to be the subject of commerce and operation. And I
13 think that the other thing is that the state has
14 responsibility to provide recreation for its citizens.
15 And one of the scenarios I painted to you earlier where
16 in a city, a small city up in northern California, it
17 was uneconomical to operate a card club for a number of
18 years. And now because of the popularity of Texas
19 Hold-em and the people in that community wanting to play
20 Texas Hold-em, there's a desire, and perhaps it is in
21 the public interest in its good government to allow the
22 people of that town to be able to play Texas Hold-em in
23 town rather than having to get on the road and drive 35
24 to 40 miles to the next town to play Texas Hold-em.
25 Talk about air pollution, talk about energy, talk about

1 congestion on the roadways, there are all sort of good
2 public policy reasons for allowing these licenses to
3 continue to exist, to continue to be available in
4 commerce.

5 Bill Lockyer, when he was attorney general one
6 time told us all, I am in the business to regulate card
7 clubs not to put them out of business. And we would
8 hope that would be true of the Commission as well.
9 Thank you.

10 MR. KELEGIAN: Mark Kelegian. I don't think
11 the state should be taking a position where they are
12 telling a city, or regulating a city's ability to raise
13 revenue and taxes and so forth if they decide on their
14 own that they want to reissue a license or assign it to
15 somebody else. I think that becomes a city issue
16 exclusively.

17 If a city now on the other hand, wants to
18 impose a limitation of six months, two years, five
19 months, that's up to the city, but I don't think the
20 state should be taking a position that could be contrary
21 to the interest of the city and its citizens.

22 MR. BOLZ: Is there anyone here representing a
23 city or a county? By the silence and the no hands going
24 up, I take it the answer is no. Okay, further follow up
25 comments? Yes?

1 MS. MCCLURE: Mary McClure. In listening to
2 all of this it seems like in any of the card rooms that
3 were established prior to, or in operation and existing
4 after 2000 when this moratorium was put on, even though
5 they've been closed and the prior owners have, even if
6 they aren't -- maybe if they haven't been opened, the
7 present owner that had them prior would not have the
8 right to sell them, they'd go back to the county or city
9 so you'd go through city or the county, not the present
10 or the prior owner? Is that what I'm hearing?

11 MR. BOLZ: I think some of our participants
12 did express that opinion. Okay, before I look for a new
13 topic, let me ask the group here. Is there another
14 topic you'd like to spend some time talking about today
15 that you have not yet heard discussed, or someone that's
16 got a statement they've gotten? Oh, don't everyone jump
17 up at once here. Okay, let's go on to some of our
18 specific things.

19 We'd like to discuss the issue of inactive
20 licenses. This is another moratorium related issue, and
21 this is on page three, item 14. Okay, find that.
22 Shuffle your papers around there. An existing cardroom
23 business closes for six months, for instance, for
24 remodeling, but the owner requests that his license be
25 declared inactive and that he or she not pay table fees

1 for the period in which the cardroom's non-operation is
2 not making money and the license is inactive.
3 Questions, should an inactive state gambling license
4 category be created, if so, for how long a period should
5 a license be permitted to remain inactive should the
6 usual table fees be assessed, if not, what fee should be
7 assess? Now, there were a couple fragmentary comments
8 on this but I'd like to address this head on. The
9 question is should there be an inactive state gambling
10 license category that does not currently exist?

11 MR. TABOR: Robert Tabor. Herb, I just can't
12 let that hang out there, so I'll just go ahead and
13 answer, try to throw something out there.

14 Because I have worked with some smaller
15 cardrooms, I think this is an issue primarily for them
16 rather than the larger ones. First of all, I don't
17 think it's a moratorium related question for some of the
18 reasons that have been discussed here already, in that
19 it's already, and what we're talking about is a cardroom
20 that's currently licensed that then closes for some
21 period of time, or forever for that matter. But what
22 we're really talking about here is for remodeling or the
23 fire or earthquake or whatever may have occurred. I
24 think it makes some sense to have an inactive category.

25 I also think that it makes sense for fees to

1 be suspended at least for some period of time. I think
2 if a regulation gets put together on this, it will take
3 some thought about what period of time that the license
4 fee should be suspended. I can see some benefit to have
5 a limited period of time on that to give the owner some
6 financial incentive to get the club reopened. But my
7 position would be that there's certainly should be,
8 especially with the smaller clubs that have a more
9 difficult financial circumstances in many cases, it
10 makes sense to waive or suspend the table fees for some
11 period of time.

12 MR. BOLZ: And the last question is, if tables
13 fees are not assessed, what fee should be assessed? Any
14 thoughts on that related point?

15 MR. TABOR: I would suggest either no fee or
16 de minimus fee for that period of time. Well, really
17 for some period of time, and then as I said, keep some
18 incentive in the regulation that would incentivize the
19 owner to get through the PID process and rebuilding or
20 remodeling, whatever that process may be in a prompt
21 period of time.

22 MR. KELEGIAN: Mark Kelegian. I think if
23 you're talking about a scenario other than a catastrophe
24 that causes the place to be closed for six months or so,
25 a licensee if he wanted to save money and still stay

1 within the rules would simply seek a reduction in the
2 number of tables down to the bare minimum and just pay
3 the table fee on that. So you would be talking about a
4 de minimus amount of table fees. And I think that as
5 long as that option is open, provided there is no
6 restriction on that licensee once they reopen increasing
7 their tables, then you would simply be, you could set it
8 at the lowest number of table denominator and just make
9 the fee that. Otherwise, a flat amount is probably very
10 reasonable.

11 When you have a scenario, as we know with
12 construction, you could be told by your contractor, I'll
13 have you up and running in six months and you could be a
14 year down the line, year and a half down the line. That
15 person should not have to continue to pay their full
16 licensed table fees, but there should be some reasonable
17 accommodation.

18 MR. BOLZ: Thank you. One more here.

19 MR. BLONIEN: Thank you, Rod Blonien here
20 again. Herb, I had a situation a number of years ago
21 and again, a small card club in northern California
22 where the owner was ill and needed to go to a high
23 elevation because of the illness, so went to stay with a
24 daughter in Colorado in Denver for a period of time, and
25 the club was of such that if the owner isn't there, the

1 cardroom didn't run, so they put a padlock on the door.
2 And ultimately the lady ended up staying in Colorado and
3 just closed her cardroom. But if you're going to put
4 together some sort of de minimus payment for table fees
5 to keep the license active, etcetera, I think you should
6 take into consideration health issues in addition to
7 natural disasters and other things which may render a
8 club to be closed.

9 MR. BOLZ: Okay, thank you. Further comments?
10 So is there someone present with the opinion that the
11 usual table fees should be assessed for an inactive
12 state gambling license? Have I heard the consensus of
13 this group seems to be waiving the usual table fees or
14 figuring out a way to keep them to a bare minimum would
15 be the fairest way to go? Am I stating that correctly?
16 Does anyone think the usual table fees should be
17 assessed? Very limited number of interests in that,
18 yes, okay. Okay, any other topic you'd like to hit
19 before we turn the page here? Okay, let's turn on to
20 page four, part B, general policy alternatives. And
21 again, these topics are so broad, it's hard not to have
22 talked about a piece of it, so I'd like to go through
23 expressly.

24 I want to make sure there's a chance here for
25 everybody to give their opinion on these different

1 policy approaches. These policy approaches are not
2 mutually exclusive. You could end up with saying, let's
3 go with one, three and five, for instance. So let's go
4 through this, and again, there's some comment on this,
5 but let's just bring this up expressly.

6 Alternative number one, "Allow applications
7 for a new gambling license by successors in interest to
8 a gambling establishment only if the existing owner's
9 gambling license has not expired."

10 Now, we've talked about the expiration some,
11 any further comments on that? Maybe I should back up
12 one step. And again, we've talked about a piece of this
13 but let's just bring it up expressly. Should the
14 regulations say that addressing a closed cardroom,
15 especially, the Commission will only entertain
16 applications from successors in interest to the former
17 licensee? Should we say that only -- people are not
18 eligible to apply for a new gambling license unless they
19 are a successor in interest to a gambling establishment
20 and the prior owner has somehow transferred the prior
21 owner's interest to the new owner? And this could be
22 all the ways we've listed by will, through a trust,
23 sale, division of property following a divorce. Two
24 hands up.

25 MR. HARN: Joy Harn. I was debating it, Herb,

1 until you mentioned a will. If you have a situation
2 where a person passes, and as Rod pointed out earlier,
3 we've always been told that the individual is licensed,
4 then when that individual dies, the license, for lack of
5 a better word, would die with them, but if you have a
6 successor in interest, an heir, or via trust or
7 something, and you're not going to allow that person to
8 apply for initial gambling application because the
9 successor in interest's license has expired via death, I
10 think that's wrong. I think that's inappropriate. So
11 in that specific case, I would say no.

12 MR. BOLZ: Let me back up a minute. So if
13 someone is the owner, assume it's a sole proprietor
14 which is a common situation with these, the sole
15 proprietor owns the cardroom, has placed a provision in
16 his will giving the daughter the cardroom. So the owner
17 dies, pursuant to the will, the cardroom goes to the
18 daughter, is that roughly the situation you were
19 thinking of?

20 MS. HARN: Yeah, that's a good hypothetical.

21 MR. BOLZ: Okay, so in that case, yeah, the
22 license would end in a sense for the person that died,
23 obviously, but the daughter would be a successor in
24 interest?

25 MS. HARN: Right.

1 MR. BOLZ: That could be a case that certainly
2 would be a valid one, I think. But go ahead, I didn't
3 mean to cut you off.

4 MS. HARN: No, no, that's fine. I think
5 that's, quite frankly, one of the reasons most owners
6 these days are putting in a trust and getting trust
7 licensed or having, you know, the beneficiaries get
8 licensed already, etcetera, etcetera. So, you know,
9 hopefully, people have some minor estate planning and
10 get it taken care of.

11 However, if there's a situation where there's
12 a small club and there's a situation where Hank buys a
13 small club up north and leaves it to me in his will and
14 he gets hit by a bus, oh, no, Harlan, you know, should
15 that person be allowed to basically have the will speak
16 and become the owner and apply for a new license? Yes,
17 I think that would be entirely appropriate and to forbid
18 that or to preclude that, I think would be inappropriate
19 and wrong.

20 MR. BOLZ: Thank you.

21 MS. HARN: Well, yeah, Mark Kelegian, speaking
22 on behalf of Mark Kelegian, I should lower my voice.
23 The issue if continued operation, that's a whole
24 separate issue we're going to have to deal with and, you
25 know, can they get an emergency license, a preliminary

1 license to allow it to stay open. Maybe there's a key
2 employee licensed already. I mean, I think that's a
3 whole separate, I think that's a whole separate
4 workshop, Mark.

5 MR. KELEGIAN: Thank you.

6 MS. MCCLURE: Mary McClure. I feel that if
7 there is an estate and it should be passed over, but
8 whoever it's passed to would have to go through and have
9 a background check but it should not be a discontinued
10 business. It should be able to be allowed to run until
11 that party goes through their background check but don't
12 close the business. I think that's very important.
13 There's provisions like that or in a general contractor,
14 somebody in that family can also run that business until
15 they can get licensed. So I think that's very important
16 to have.

17 MR. GOODSON: Harlan Goodson. Herb, I guess I
18 just have a question, a curiosity in trying to get into
19 the mind of the Commission. How is that this even
20 raises the issue of moratorium? I'm having a difficult
21 time understanding how this scenario or one similar to
22 this even approaches, raising the issue of moratorium.
23 I think there are issues as Joy and Mark pointed out,
24 there are issues about continuation of operation, how
25 does an heir that's not licensed get the income that was

1 generated during the time up to when their
2 license -- and those kinds of things are subject of a
3 different day, different conversation, but I don't see,
4 and maybe because I have such a small brain, but I don't
5 see how this raises the issue of moratorium.

6 MR. BOLZ: Let me try to answer a piece of
7 that. The question is how does the alternative one
8 raise the issue of moratorium. I think there's been an
9 understanding within the Division of Gambling Control
10 and the Commission that licenses need to be kept active,
11 that they need to not be allowed to lapse. Because if
12 they expire, one could argue that the license is gone
13 permanently, and we've discussed this before but I mean,
14 that has been an opinion that I've heard before, that
15 during a sale of a cardroom, the custom has been to keep
16 the license of the seller active even if the cardroom
17 closes during the sale, under the belief that if the
18 seller's license is not kept active but is allowed to
19 expire, then the moratorium would require the conclusion
20 that the right to operate the cardroom has been lost.

21 MR. GOODSON: And I guess I would just
22 respectfully ask that the Commission and the Bureau
23 consider the local jurisdiction's authority over the
24 subject matter before you reach that kind of conclusion
25 or adopt that as a matter of policy or rule, because it

1 seems to me like, and we have an absence of local
2 government here, and it seems to me like they should be
3 at the table if that's something that the state is
4 considering because it certainly impacts the local
5 community what is occurring at the local level.

6 The way I read state law, the authority to
7 offer control of games is a local issue. The matter of
8 regulation and licensing has been given to the state
9 through the adoption of the Gambling Control Act, but
10 whether or not cardrooms exist is a local issue and to
11 seize that and grasp that from the locals might raise
12 some sort of ire from the legal cities and (inaudible)
13 people like that and it seems like you might want to
14 have them at the table for these kinds of discussions.

15 MR. BOLZ: Yeah, one comment before other
16 people talk here. We did mail our notice and our issue
17 list to the city attorneys of all the jurisdictions that
18 currently authorize gaming. We did our best to inform
19 them of that, but it looks like the turn out was not
20 real high, zero to be approximate here. Please
21 continue.

22 MR. KELEGIAN: Mark Kelegian. Herb, following
23 up on your last comment before Harlan spoke, you can't
24 relate it back to the moratorium. Because the
25 moratorium only addresses a specific time frame on

1 December 31, 1999. You can't use -- the language of the
2 moratorium doesn't talk about any events that occur
3 after that. It doesn't address a club that was open and
4 then expired and then extending the moratorium to that.
5 It looks as Rod had mention, it captures the frame of
6 time, and the issue that you raised I think would
7 require new legislation to address that.

8 MR. WALDMAN: Steve Waldman. Yeah, this is
9 addressed to you, Herb. You're saying the state, you
10 know, could interpret it to if it expired, it no longer
11 exists. What interest -- why would you even think like
12 that? What interest would the state have in doing
13 something like that? I mean, I would think isn't it the
14 state's job or the Commission's job to regulate and not
15 operate? I mean, the thinking that you say you can make
16 that argument, why would you? What interest does the
17 state have to let you know to bury a license?

18 MR. BLONIEN: Thank you, Rod Blonien again.
19 Herb, I think that, I'm going to go out on a limb a
20 little bit here and say that I think alternative four is
21 the one that the consensus would support here and, you
22 know, it's your meeting, we'll continue to go through
23 these other alternatives, but I think that from what I
24 understood everyone here to say, I think there's
25 virtually unanimous support for number four and that the

1 others fall by the way based on testimony that's been
2 given here previously. And maybe we should move to
3 number four and maybe so bold as to ask a show of hands
4 of people who believe that that's the best alternative.

5 MR. BOLZ: Thank you, Rod, that's what I was
6 going to go to next. So let's bring that up.

7 Alternative number four, let's make it express
8 here, we've had several people in effect speak in favor
9 of this. Why don't you tell me if you support
10 alternative four, raise your hands if you're willing to
11 do that. Okay, we'll do a count here. We have one,
12 two, three, four, five, how many did you get? Five
13 hands, okay. You only get one hand at a time, Rod. Is
14 there -- who opposes alternative four, please speak up.
15 Who opposes alternative four? Who does not like this
16 plan? Get the microphone, yes, I'd be happy to answer
17 your question.

18 MS. MCCLURE: Can you explain this to us,
19 first of all, I think we have -- oh, Mary McClure. I
20 think we have to establish, and I'm still confused over
21 the issue of the moratorium, I think what really has to
22 be established is does the license once it's closed
23 belong to the individual still or are you going to let a
24 person have it up from grabs through the city or county?
25 If the city has three establishments within the city

1 limits or the county has eight establishments within the
2 county, is that license going to come from the county or
3 the city or is it going to be tied to the individual
4 where you get it? And before you can say which one of
5 these, you'd have to establish the moratorium, who does
6 this license really belong to, or is it going to belong
7 to anyone? Or is up for grabs?

8 MR. BOLZ: Yeah, let me go on from there. I
9 understand your questions, but let me rephrase
10 alternative four so it's not -- it's got a little bit of
11 legalese in it here. Okay, alternative four means, say
12 there's a county that authorizes four cardrooms with 20
13 tables each, and three of these have closed. The
14 question we're trying to raise in alternative four is,
15 should the three closed cardroom in our hypothetical
16 county, should it be possible to reopen those in general
17 whether or not the new applicant is a successor in
18 interest to the last owner? Is that reasonably clear?
19 Four cardrooms authorized in the county, three of them
20 closed two years ago. The license has expired. And
21 question is, should the policy approach be to say those
22 three cardrooms can be reopened, licensed people --
23 prospective applicants are eligible to apply for those
24 three cardrooms and the moratorium would not prevent
25 those three cardrooms from reopening, because the number

1 of gambling establishments would still be four.

2 MS. HARN: Joy Harn. My concern with how
3 alternative four is worded is that, I think it's 19961
4 or 19962, talks about, with regard to expansion, you can
5 an expansion not to exceed, I believe it's 25% of what
6 was permissible pursuant to the city ordinance.

7 Alternative four, however, talks about it won't result
8 in an increase in the number of, oh, in the number of
9 establishments that were in operation versus the number
10 of tables. My misread, okay.

11 MR. BOLZ: Yeah, table, we're not dealing with
12 tables in four.

13 MS. HARN: Okay. Thank you.

14 MR. BOLZ: Okay, is there anyone opposed to
15 the idea that in the hypothetical, the three closed
16 cardrooms in the county should be allowed to open under
17 new ownership? Should.

18 The comments I'm hearing so far indicate that
19 the consensus is that they should be allowed to reopen.
20 The process by which this would be done is not spelled
21 out anywhere. One statement was that if a closed
22 cardroom, if some seeks to reopen a closed cardroom, the
23 state should defer to the local jurisdiction in
24 determining who is eligible. Is that right? Did I hear
25 that correctly?

1 MR. BLONIEN: Yes, sir.

2 MR. BOLZ: I think that was Rod Blonien
3 replying just then.

4 MR. WALDMAN: Steve Waldman. But it sounds
5 like as long as it fit that snapshot in time, is that
6 what you're also saying, it has to fit that snapshot in
7 time.

8 MR. BOLZ: Okay, any other comments? I see a
9 hand up there. Terri-Sue, don't hold back.

10 MS. CANALE: Terri-Sue Kenelli from the
11 Bureau. I'm going to go out on a limb like Rod and also
12 say that I think I also heard some spokespeople here in
13 favor of alternative six which is the inactive status
14 and I think there was also a discussion about a reduced
15 fee for people, completion of remodeling or health
16 reason, so we might want to take a look at that one
17 also.

18 MR. BOLZ: So what I think I understand is
19 that the consensus here is, we have six alternatives
20 here which are not intended to be mutually exclusive and
21 Rod proposed that there's a consensus in favor of
22 alterative four and Terri-Sue is saying there may be a
23 consensus in alternative six. Is that correct, roughly?
24 Okay, so is that correctly, am I meeting the group's
25 sentiments correctly here, that this group likes

1 alternative four and likes alternative six, and doesn't
2 like the other alternatives?

3 (UNIDENTIFIED): Well, with all due respect to
4 Terri and the others, I see four and six as being two
5 different things.

6 MR. BOLZ: They are.

7 (UNIDENTIFIED): So you could have a consensus
8 on both?

9 MR. BOLZ: That's right.

10 (UNIDENTIFIED): Okay, all right, maybe I
11 missed something, I'm sorry.

12 MR. BOLZ: No these are not mutually
13 exclusive. We could end up adopting the policy as
14 reflected in one or more of these, two of these, three
15 of these. Four of these is probably too many, but
16 alternative four and alternative six could both be
17 adopted as state policy. Okay, any comments people who
18 have not had a chance to make that they'd like to make
19 at this time?

20 MR. MORINELO: Carmen Morinello at Golden West
21 Casino. I just have a quick question in terms of
22 clarification. In the example that you had indicated,
23 you mentioned that the particular local jurisdiction
24 would permit let's say four licenses, having gone
25 through the process that we went through recently here

1 with the wagering limits, we're all, I think, very well,
2 well, aware that there are as many local ordinances as
3 there are different variations of the ordinances and
4 they're all different. And we're also aware of the fact
5 that in some agencies, in some local jurisdictions, they
6 have a limit on the number of licenses but some don't.
7 Some of them may just have a cap on the number of tables
8 in the county, some of them might, I believe, may not
9 even have that. So I think that that may be a little
10 bit of an issue from the standpoint that if you have a
11 jurisdiction that does not have a limit on the number of
12 licenses then what do you do? Do you allow 50 people to
13 come in and submit applications?

14 MR. BOLZ: I think the short answer to that
15 question is the moratorium provision imposes a state
16 limit on the number of licenses. If a local
17 jurisdiction had no effective limit on the number of
18 licenses, we would refer to the licenses that were
19 active in 1999. The moratorium is based on that --
20 that, I think, everyone would be -- that's a cut off
21 date we cannot avoid. So you could not go above -- if
22 the locality you're talking about had four cardrooms in
23 operation on that cut off date, that's the ceiling. Are
24 you with me?

25 MR. MORINELO: Just one last clarification.

1 In 1996, I believe, and I haven't read it for a while,
2 Rod, I know you were very close to it, but the card club
3 had to have been in operation by a date and also a state
4 gambling license must have been applied for it by a
5 subsequent date; is that correct?

6 MR. BOLZ: Yes.

7 MR. MORINELO: If a state gambling license was
8 not applied for it by that subsequent date, then that
9 license no longer exists, correct?

10 MR. BOLZ: Yeah, under 19963, you have to
11 either, it says the gambling establishment is licensed
12 to operate on December 31, 1999, unless an application
13 to operate that establishment was on file with the
14 department Division prior to September 1, 2000. So that
15 means the establishment need not to have been operating
16 on that date so long as it had a pending application, so
17 you're right.

18 MR. BLONIEN: This is Rod Blonien. I would
19 like to commend you, Herb, and Heather and Jim and the
20 other staff, people here for giving us a great hearing
21 today and I appreciate it very much. I don't intend to
22 say that it's over, but I just want to -- and Terri-Sue,
23 thank you, too. I just wanted before we did adjourn and
24 the benediction began, I wanted to clearly get on the
25 record that I thank you.

1 MR. BOLZ: Thank you, Rod. I think we've just
2 about run out of comments. Any comments on page five
3 which talks about the successor in interest idea? My
4 sense is there are no further comments because we've
5 talked about this four or five times but I want to make
6 sure if anyone has comment on that, this is the time to
7 make it.

8 Okay, is there any other issue anyone would
9 like to bring up? We're not limited to what's in this
10 issue list. It's anything that's on your mind related
11 to the moratorium or moratorium related issues. So any
12 further comments from anyone?

13 MS. MCCLURE: Okay, if I understand this
14 correctly, if the license was in effect before -- up to
15 2000 and after 2000, they can either sell the business,
16 do whatever, or if it was an inactive license, now I'm
17 not for sure whether we go to the city or county and it
18 at what point can we turn in our application to get our
19 thing started with the state, because at this time I
20 haven't been able to turn in an application, so I'm
21 still lost.

22 MR. BOLZ: We can't answer those questions at
23 this point. The purpose of this workshop is to gather
24 input on these issue and to understand what the
25 sentiments are, and to make sure we take everything into

1 account before we develop answers to those questions.
2 So I appreciate your question, but we're not at the
3 point yet where we can give you an official definitive
4 answer.

5 MR. TABOR: Robert Tabor. Herb, I just wanted
6 to bring up again the issue of the Commission making
7 public the list of licenses that were effective as of
8 January 1, 2000 but not operating. I just wanted to
9 make sure if that is something you think will be made
10 public and can you give us any sort of time frame on
11 when we might receive that, will it simply be put on the
12 website or will it be e-mailed out?

13 MR. BOLZ: I'll see what we can do about that.
14 I don't have a time frame at this point, but we'll
15 definitely look into it and we'll be getting back to you
16 within a week.

17 MS. GEMMEL: Shirley J. Gemmel. This is my
18 first time with an experience like this. I'm just here
19 observing. And probably everyone else knows what the
20 current regulation is, I don't. And this list that's
21 given, I don't know how anyone could answer it without
22 knowing what the current regulations are.

23 MR. BOLZ: And you're raising a good point
24 there. The difficulty is there are no current
25 regulations on these points. We're trying to figure out

1 what they should be.

2 MS. GEMMEL: Basically with -- Shirley Gemmel.
3 Basically with an inactive or a closed business license,
4 what is the current policy? It has nothing to do with
5 the moratorium because the business didn't close until
6 after the moratorium.

7 MR. BOLZ: No, I understand, that's one of the
8 opinions that has been expressed clearly, that if the
9 business was in operation in 1999, 2000, it has passed
10 the moratorium test and there should be a continuing
11 right to operate or reactivate. I understand that
12 that's the opinion that's been expressed. But that's
13 one of the question we've been gathering input on in an
14 attempt to answer. So I understand what you're
15 statement was, and I appreciate the context, but that's
16 one of the answers we're not going to give until we
17 complete this public input process.

18 MR. WALDMAN: Steve Waldman. One quick
19 comment I have. So the general opinion is on these
20 inactive licenses is that it's not a moratorium issue,
21 it doesn't -- so you're saying an individual cannot
22 proceed at this time through the state even though a
23 legal representative can make an argument that the state
24 will not take up an application or, I mean, render a
25 decision on someone pursuing an inactive license now?

1 MR. BOLZ: It's important to have consistent
2 approach to these questions, and we need to that by way
3 of regulation as a matter of state law, but we're going
4 to take into account all the opinions expressed, come up
5 with some general principles that have helped to answer
6 these questions hopefully in a way that will address all
7 these issues fairly. But we need to adopt regulations
8 to clarify many of these points. But I appreciate
9 everyone's time and energy in coming down here.

10 I think has been a very productive session and
11 I appreciate everyone who has spoken up and I may see
12 some of you in Sacramento on May 1st. You're welcome to
13 attend the Sacramento workshop also. So thank you very
14 much. Oh, and if you haven't signed in --

15 MS. HOGANSON: If anyone hasn't signed in and
16 wishes to do so, including added their name to the
17 rulemaking list specifically for the moratorium, please
18 raise your hand and I'll come by.

19 MR. BOLZ: Yeah, if you want to be on our
20 special distribution list for issues of this kind, give
21 us your name and your e-mail address or your mailing
22 address, or both. Okay, thank you again everyone.

23 (Adjourned)

24 -- o0o --

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