



INDUSTRY MATTERS

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Avoiding Ex Parte Communications with Commissioners and Commission Staff

By Kate Patterson
Staff Counsel



An “ex parte communication” means a communication without notice and opportunity for all parties to participate in the communication. In certain circumstances, ex parte communications with Commissioners, the Presiding Officer, and Commission employees are prohibited.

After the Bureau of Gambling Control (BGC) files an accusation against an individual or a cardroom, the accused respondent(s) are prohibited from direct or indirect ex parte communications with Commissioners and Commission employees regarding any issue relating to the proceeding (as is the Bureau). Similarly, individuals and cardrooms with pending applications for a license, permit, registration, or approval, cannot engage in ex parte communications with Commissioners or Commission employees about the merits of the application. This prohibition extends to any agent or person acting on behalf of an applicant and to any person with a direct or indirect interest in the outcome of a proceeding.

Communications concerning a matter of procedure or practice that is not in controversy is not considered an ex parte communication. This means that if you are simply asking for a continuance or asking a procedural question that is not about the merits of the case/application, such as how to access forms, what address to send evidence to, etc., you do not need to include all interested parties on the communication.

If an applicant or respondent needs to communicate with or send documents relating to the merits of a pending case or application to the Commission, you should include all interested parties on the

message so that they are aware of the conversation and have an opportunity to respond. A summary of who should generally be included in communications is provided below. However, if you have questions, you can always contact the Commission to ask which parties you should include on your communications.

Application for license, permit, registration, or approval pending before the Commission

1. Adrianna Alcala-Beshara, Deputy Director, CGCC, 916-263-6292, aalcalabeshara@cgcc.ca.gov.
2. Yolanda Morrow, Assist. Director, BGC, Yolanda.Morrow@doj.ca.gov.
3. The applicant seeking a license, permit, registration, or approval and their agent or attorney.
4. Any interested parties. For example, if the matter involves an owner of a cardroom seeking approval to sell the cardroom, the prospective buyer would likely be an interested party.

Statement of Particulars, Statement of Reasons, or case with an evidentiary hearing pending before the California Gambling Control Commission

1. Jason Pope, Presiding Officer, CGCC, jpope@cgcc.ca.gov.
2. The Deputy Attorney General (DAG) assigned to the case. (Tip: look at the box on the first page of the statement of reasons or statement of particulars).
3. All parties to the case identified on the first paragraph of the statement of reasons or statement of particulars or their representative/attorney if represented. (Tip: Look at the Declaration of Service attached to the Accusation/Statement of Issues).

CGCC Calendar

Upcoming Licensing Meetings

*October 5
October 19
November 2
November 16
December 7
December 18*

Gaming Policy Advisory Committee Meetings
October 12 at 1:00 p.m.

Upcoming State Holidays (Office Closed)
*November 10 (Veterans Day)
November 23 & 24 (Thanksgiving)
December 25 (Christmas)*

Accusation, Statement of Issues, or any case with an evidentiary hearing pending before the Office of Administrative Hearings

1. Todd Vlaanderen, Chief Counsel, CGCC, tvlaanderen@cgcc.ca.gov.
2. The DAG assigned to the case. (Tip: look at the box on the first page of the accusation or statement of issues).
3. All parties to the case identified on the first paragraph of the accusation, statement of issues, and/or their representative/attorney if represented. (Tip: Look at the Declaration of Service attached to the Accusation/statement of issues).

Mailing Addresses:

California Gambling Control Commission
2399 Gateway Oaks Drive, Suite 220
Sacramento, CA 95833

Bureau of Gambling Control
2450 Del Paso Road, Suite 100
Sacramento, CA 95834

California Gambling Control Commission

Chairman

Jim Evans

Commissioner

Lauren Hammond

Commissioner

Paula LaBrie

Commissioner

Trang To

Commissioner

Vacant

Executive Director

Stacey Luna Baxter

Deputy Director, Legislation & Regulatory Affairs

Anna Carr

Deputy Director, Licensing Division

Adrianna Alcalá-Beshara

Deputy Director, Administration Division

Alana Carter

Chief Counsel

R. Todd Vlaanderen

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UNLV offers yet another impressive training

By **Lauren Hammond**
Commissioner

This past August, I was able to attend The Essentials of Gaming Law & Regulation training by the International Center for Gaming Regulation. This one-of-a-kind institute is located at the University of Nevada at Las Vegas (UNLV) in partnership with the William S. Boyd School of Law.

I was impressed with the mastery of the subject matter by the Associate Director Jennifer Roberts, Esq. who taught the class. It was a refresher course for me on some subjects and provided new insights on others. This day-long training included deep discussions on public policy, investigations and suitability standards, eSports, sports betting, compliance and responsible gaming.

Did you know that the Nevada Gaming Control Board's licensing application can be 100 pages long? In a break out session we discussed the details of the application and what we would change if given the opportunity.

The discussion on eSports and sports betting was truly enlightening. The former may become part of the Olympics. The latter may change significantly depending on the pending Supreme Court decision.

The Institute also offers seminars on the fundamentals of regulation, auditing for regulators and background investigations. As a life-long learner, I appreciated this opportunity. I can't say enough about the training and encourage my fellow commissioners, Commission and BGC staff to seize any opportunity to learn from these experts and meet peers in our field.



UNLV International Center for Gaming Regulation Associate Director Jennifer Roberts, Esq. presenting to 'The Essentials of Gaming Law & Regulation' August 2017 attendees. (Courtesy photo)

HAIL AND FAREWELL

Bureau of Gambling Control Director **Wayne J. Quint, Jr.** will be leaving the Bureau as of October 1st. The Commission thanks Director Quint for his service and wishes him the best in his future endeavors.

The Commission has welcomed three new analysts to the Licensing Division. Staff Services Analysts **Brandon Carey** and **Sonny Xiong** joined the team on July 24th and Associate Governmental Program Analyst (AGPA) **Katherine Varecha** joined on August 14th.

Brandon joins us from CA Dept. of Public Health where he analyzed expense claims to ensure compliance. Brandon has a Bachelor's Degree from San Diego State University where he majored in Criminal Justice.

Sonny previously worked for a Third-Party Provider of Proposition Player Services Company, Knighted Ventures, LLC., where he was a Gaming Associate, Shift Lead & Supervisor. Sonny has a Bachelor's Degree from UC Davis where he majored in Managerial Economics.

Katherine was previously an AGPA with the Dept. of Health Care Services where she was lead over a multi-billion dollar State Initiative within the Contract Management & Policy Unit. Katherine has a Bachelor's Degree from Purdue University where she majored in Communications.

Welcome to the Commission!

HAVE A TRANSACTION? *TWO STANDARD CONDITIONS WILL BE APPLIED*

By Fred Castano

Licensing Division Analyst

Many California cardrooms are owned by non-natural person entities, such as corporations, partnerships, or limited liability companies. Due to the nature of these ownership structures, the Commission frequently considers transactions, such as purchase agreements or transfers, at regular Commission meetings.



When the Commission approves transactions, it commonly places two conditions on the transaction. The first of these conditions require the parties to submit copies of the stock or partnership certificates. For corporations, the stock certificates should have a statement showing proof of compliance with Business and Professions Code section 19882(c), something to the effect of "The shares represented by this certificate are subject to provisions in accordance with California Business and Professions Code section 19882(c)."

For partnerships and limited liability companies, the statement on the certificates will reflect the language of Business and Professions Code 19892(d).

Corporate certificates must also identify the restrictions of Business and Professions Code section 19904:

"The purported sale, assignment, transfer, pledge, or other disposition of any security issued by a corporation that holds a gambling license, or the grant of an option to purchase that security, is void unless approved in advance by the commission."

The second condition placed on transactions requires the submission of a written statement to the Commission and Bureau confirming that the parties made no material changes to the transaction and that the transaction is substantially the same as approved by the Commission. A copy of the executed purchase agreement must also be submitted to the Commission and Bureau.

The Commission generally allows the parties 30 days to submit these documents. If you cannot meet the 30-day deadline, please inform the Bureau and the Commission as soon as possible, preferably prior to the Commission meeting, so the Commission may take the anticipated completion date under consideration during the Commission meeting.

DID YOU KNOW?

Have you read the Gambling Law, Regulations and Resource Information book cover to cover yet?

By Kate Patterson & Fred Castano

Staff Counsel & Licensing Division Analyst

If we were allowed to bet, we'd probably bet the answer to that question is NO. While we strongly encourage and expect that all applicants or holders of a license, registration or work permit become familiar with all applicable laws and regulations associated with such license, registration or permit, over the next few issues, the Commission will highlight those particular sections of the Gambling Control Act, Business & Professions Code (B&P), California Code of Regulations (CCR), and Commission or Bureau regulations that might not be as well-known as others. Let's start with these two requirements:

Did You Know... CCR, section 12388(j) states: A licensed gambling establishment shall not have an ATM (automatic teller machine or cash- or voucher-dispensing machine) accessible by an individual while physically seated at a gaming table, unless otherwise required under the Americans with Disabilities Act.

Did You Know... CCR, section 2052(c) requires that within five days of any owner licensee or key employee obtaining knowledge or notice of any possible violation of the Act [Gambling Control Act] or gambling regulations that a written report shall be submitted to the Bureau of Gambling Control. The report must detail the nature of the violation, the identities of those persons involved in the violation, and describe the actions taken to address the violation.

HELPFUL REMINDERS

The Bureau's New Address

Please remember that the Bureau of Gambling Control's headquarters location in Sacramento has moved to a new facility. The new phone number is (916) 830-1700, and the new address is:

Bureau of Gambling Control
2450 Del Paso Road, Suite 100
Sacramento, CA 95834

Are you using the right form?

As a result of the Bureau's relocation, several forms required non-substantive changes to reflect the new address and telephone number. Please make sure to pull the new forms, which are available on the [Commission's website](#). There may be delays in the processing of any mail sent to the Bureau's previous address. The Bureau's website will be updated with the new forms soon.

GPAC's regulatory clean-up

The Gaming Policy Advisory Committee (GPAC) has initiated work on a "Regulatory Clean-Up" project and will be reviewing the Cardroom and Third-Party Providers of Proposition Player Services regulations for areas within our current regulations that may benefit from proposed revisions. If you have areas of the regulations that you would like added to this review, please email your suggestions to gpac@cgcc.ca.gov.

Upcoming Customer Service Survey

The Commission will be sending a survey to all interested parties. To ensure you receive a survey, please be sure we have your updated email or you can (re)subscribe via our website at www.cgcc.ca.gov.

Building a Culture of Compliance:

BGC assembled experts from across the United States

By Tyler G. Burtis

Special Agent in Charge, Bureau of Gambling Control

The California Department of Justice, Bureau of Gambling Control (BGC), has conducted a series of major investigations involving money laundering and casinos failing to maintain adequate anti-money laundering (AML) programs. These are not only violations of the California Gambling Control Act and Tribal-State Gaming Compacts, they are federal felonies related to the United States Title 31, Bank Secrecy Act (BSA).

The BGC has successfully conducted criminal investigations supported by guilty pleas, as well as severe administrative actions including emergency cardroom closures, forced ownership changes, and financial penalties/cost recovery in the millions of dollars.

The BGC identified this trend early and took a multi-pronged approach to address the issue:

- Created a Working Group with the Owners and General Managers of the largest cardrooms in California.
- The BGC served on expert panels and provided training at both cardroom and tribal casino-related meetings/conferences.
- Provided Money Laundering Training/Title 31 training to all applicable BGC and DOJ staff and included members of the California Gambling Control Commission.
- Integrated AML/BSA into the POST Certified California Gambling Investigators Course (CGIC).
- Developed a joint partnership and task force agreement with the HIFCA (High Intensity Financial Crimes Area), which consists of the U.S. Attorney's Office, Internal Revenue Service, and Homeland Security Investigations.
- Established the first State Regulatory BSA/AML Information Sharing Agreement (MOU) with the Financial Crimes Enforcement Network (FinCEN).

FinCEN's sole purpose is to audit, regulate and investigate financial institutions (which includes all casinos and cardrooms with a gross revenue over



Rollin Badal, FinCen Section Chief, presents to a full capacity room (Courtesy photo)

one million dollars per year). FinCEN has made it very clear to all financial institutions that "doing the bare minimum" is not enough and "willful blindness" will not be accepted or tolerated. FinCEN, in numerous publications and speeches, has informed the casino industry that they must have and maintain a "Culture of Compliance" within their organizations or face stiff financial penalties and/or closure of their business.

The BGC regularly attends AML training and working groups that are hosted by law enforcement as well as the industry itself. While attending these meetings, the BGC noticed the people who create and maintain the "culture" were rarely in the room. One recent speaker, from the industry, relayed a story that he presented an unfavorable independent test to the casino management and it was stuck in a drawer with no further action to correct the deficiencies.

Recognizing this weakness in the system, the BGC, designed and hosted two Executive Symposiums titled "Building a Culture of Compliance" where they assembled the leading government and industry experts in Anti-Money Laundering Programs from across the United States. The BGC facilitated one meeting at the San Manuel Conference Center and one meeting at Commerce Casino.

The BGC advertised the symposium statewide and invited casino industry executives from throughout California, however the BGC insisted that it be a

small, collaborative venue, and limited to Tribal Leaders, Gaming Commissioners and Executives, Owners, General Managers, Executive Level Compliance Officers and Law Enforcement. Both locations were filled to maximum capacity, training almost 200 leaders in the California casino industry. The Symposium was co-sponsored by the Internal Revenue Service- Criminal Investigation, Homeland Security Investigations, FinCEN, the San Manuel Gaming Commission, Commerce Casino, the Pechanga Gaming Commission, the American Gaming Association, and the California Nations Indian Gaming Association.

The BGC's culture and experience has evolved and developed exponentially over the past couple of years, with internal efficiency and communication enhancements, and a holistic systems approach with the Compliance and Enforcement Section, Audit Staff, Licensing, and the Indian & Gaming Law Section. These sections now meet on a regular basis to develop collaborative strategies for training, legislative analysis, regulation, and enforcement.

The BGC is here to assist the industry in developing and maintaining their culture of compliance and "Knowing Your Customer." If you would like assistance or further investigation into suspicious activity, contact your local BGC Office or e-mail BGCCIU@DOJ.CA.GOV.

HEARING RESULTS

(July 1—September 30)

Cardroom Key Employee License:

Hoa T. Nguyen, denied via default decision on July 27

Work Permit:

Jennifer Domingos-Vital, denied July 13
Scott Gerald Smith, denied via default decision on July 13