

**THE CALIFORNIA SENATE GO COMMITTEE INFORMATIONAL HEARING  
EXAMINING THE PUBLIC POLICY AND FISCAL IMPLICATIONS OF  
INTRASTATE INTERNET POKER**

**STATEMENT BY KEITH A. SHARP, LEGAL COUNSEL FOR CALIFORNIA CARD ROOMS**

February 9, 2010

Chairman Wright and GO Committee members:

Thank you for providing me the opportunity to testify today. My name is Keith Sharp. I serve as general counsel to Hawaiian Gardens Casino, the Normandie Casino and several other card rooms throughout California. I have advised the card room industry for close to three decades on matters concerning regulation, compliance, operations and management.

You are here today to determine if online poker is a good bet for California. However, the fact is that California is already at the table but the state isn't in on the action.

As a Sacramento Bee editorial page opinion by Internet legal specialist Martin Owen recently stated, "there is no policy gamble for the state – Internet gambling is already a fact of life here. California has been licensing horseracing bets through Internet services such as YouBet and TVG for years."

Twenty-nine states use the Internet to help horse betting today, and five more use it to sell state lottery tickets. Internet gambling is an industry that started at zero in 1995 and is now predicted to gross close to \$25 billion by 2010.

A licensed online poker network is the best protection that the state can offer to the young, the vulnerable and the problem gamblers, who are already being reached by the offshore sites..."

The card room industry in California has evolved into a sophisticated, highly regulated industry, which provides thousands of jobs and significant revenues to California and to local communities.

I have seen this evolution firsthand over my 27-year tenure in the industry. Beginning with the Gaming Registration Act; to passage by this legislature of the Gambling Control Act in 1998, which introduced a comprehensive licensing and regulatory framework; to present day with the implementation of Minimum Internal Control standards that govern in detail, all aspects of card room operations.

The legislature has made clear its unwavering interest in appropriately regulating the industry and the regulators have been and are diligently carrying out that task.

California houses the largest poker rooms in the world. We, along with the gaming tribes, are the only groups to whom the state of California has entrusted the lawful play of poker.

We are fully licensed having undergone a licensure and backgrounding process which I advise my clients is more comprehensive and rigorous than that required for a federal "top secret" clearance.

California is in a prime position if it chooses to leverage it. With California's card rooms and tribal gaming, the licensing and supervision are already in place and can be readily adapted for intra-state online poker so that consumers can be protected, jobs created and state revenues are realized at the earliest possible time.

The regulation of gaming has always been and should remain a matter of state's rights. You have heard and will continue to hear of the threat posed by pending federal legislation to California's efforts to appropriately regulate and capture revenues from Internet poker. The card room industry is mindful of these threats and views them as very real and imminent.

We respectfully suggest that the time for the legislature to act is now. Consistent with its history of closely and comprehensively regulating gaming and fostering consumer protection, the state should act quickly and decisively.

It should do everything possible to ensure that Internet poker is conducted openly, honestly and with the appropriate protections in place to prevent underage participation and provide problem gambling assistance.

The establishment of an alliance between the tribes, the card rooms and the state provides important certainty that Internet poker will be conducted by poker experts to whom the state has historically entrusted the play of poker:

- experts who are well known to and located within the state;
- who have a proven track record of adhering to and being successful within a comprehensive gaming regulatory environment in California, and;
- who will be highly motivated to ensure that the regulatory scheme is strictly adhered to lest not only their internet business but their brick and mortar operations would otherwise be jeopardized.

In poker vernacular, the card rooms will be "all in." Others who do not have our expertise and who are not invested in California simply cannot provide California and its citizens the same assurances.

The state and the card rooms have enjoyed a positive relationship for many years. We seek to continue and extend that partnership together with the tribes as we address the ever-increasing presence of the Internet and define its role in our businesses and our lives.

In sum, legalizing and licensing Internet poker for California makes sense. And doing this with California partners you know well and have long counted on to ensure public safety and gaming integrity is essential.

I would be pleased to answer any questions.

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