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**PRESENTATION OF THE  
PROFESSIONAL & VOCATIONAL LICENSING DIVISION**

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FIFTH LEGISLATURE  
Regular Session of 2010

Friday, March 26, 2010  
12:00 p.m.

**WRITTEN TESTIMONY ONLY**

**TESTIMONY ON SENATE BILL NO. 2399, S.D.1, H.D.1, RELATING TO MIXED  
MARTIAL ARTS.**

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Alan Taniguchi, Executive Officer with the Professional and Vocational Licensing Division of the Department of Commerce and Consumer Affairs ("Department"). The Department thanks you for the opportunity to submit testimony on S.B. No. 2399, S.D.1, H.D.1, Relating to Mixed Martial Arts.

While the Department supports amendments to Chapter 440E that would regulate amateur mixed martial arts ("MMA"), it opposes the amendments that would reduce or repeal the fees that will be used to fund the regulation of MMA. The Department also opposes the repeal of the experience requirement for the licensure of referees.

The Department supports regulating amateur promoters because while there have been numerous MMA shows since the regulation of MMA took effect in July 2009, only three entities have obtained a MMA promoter's license. All the other MMA promoters claim they are not paying the contestants and are "amateur" promoters and thus exempt from regulation. Although many of these promoters paid the contestants prior to July 2009, it is difficult to prove that they are now not paying contestants. This bill will close the "loop hole" that is currently being used by promoters to avoid addressing health and safety concerns.

The Department continues to strongly oppose provisions in this bill that reduce or repeal some of the event fees charged to promoters. The Department does not receive general funds to regulate MMA in Hawaii and depends on licensing and other fees to fund the operation. All the funds generated from these fees remain with the MMA program and are not used for other purposes. For example, the MMA statute allows the Department to provide clinics or seminars on health and safety. These funds will allow the Department to bring in experts to facilitate this training. Event fees, along with MMA licensing fees, are the revenues the Department relies on to ensure the MMA licensing program supports itself, as required by law (Sections 26-9(o), 26H-2(7), HRS). If MMA revenues do not cover the program costs, this forces the Department to tap the revenues of other revenue sustaining licensed industries to cover MMA's "debt". This is unfair as well as contrary to our fiduciary duty to protect the revenues received from other licensees. As MMA is to be regulated, and now with regulation expanded to include amateur MMA, all provisions relating to funding sources in the law must remain intact. We therefore urge your Committee to remove Sections 4 and 7 from the bill.

The Department also opposes the removal of the one year experience requirement for referees. Referees are vital in maintaining the health and safety of the contestants. They are the first line of defense against injury as they have the power to stop a fight at any time. The biggest dilemma for a referee is stopping a fight too early or too late. Experience allows the referee to make the right choice.

Thank you for the opportunity to provide testimony and we ask that you consider our strong objections and amend the bill accordingly.

March 25, 2010

To: Finance Committee

Re: SB2399, SD1, HD1

Hearing on 3/26/10 Agenda #3

TESTIMONY BY LORRAINE SHIN  
IN BEHALF OF JAY DEE PENN AKA BJ PENN

MY NAME IS LORRAINE SHIN, AND I AM HERE AS A SPOKESPERSON FOR BJ PENN WHO IS THE UFC LIGHTWEIGHT CHAMPION. HE COULD NOT BE HERE TODAY BECAUSE HE IS TRAINING FOR HIS UPCOMING UFC CHAMPIONSHIP FIGHT.

AS A FIGHTER FOR THE MMA INDUSTRY, I AGREE THAT WE NEED REGULATIONS TO PROTECT AND INSURE THE SAFETY OF OUR FIGHTERS, BUT THE NEW MMA LAW WHICH BECAME EFFECTIVE IN JULY OF 2009 CRIPPED HAWAII'S MMA INDUSTRY WITH FEES AIMED AT MMA EVENTS.

I AM IN SUPPORT OF AMENDING THE CURRENT MMA LAW PRESENTED TO YOU TODAY, WHICH WILL HOPEFULLY REMOVE SEVERAL OF THESE FEES. IN MY OPINION, IT IS UNFAIR TO TARGET MMA EVENTS WHEN NO OTHER SPORT IN HAWAII INCLUDING BOXING IS REGULATED TO PAY THESE LICENSE FEES.

PRIOR TO THIS LAW BECOMING EFFECTIVE IN JULY OF 2009, PROFESSIONAL MMA WAS A FAST AND GROWING SPORT WITH MMA EVENTS HAPPENING ALMOST MONTHLY. THESE EVENTS BROUGHT CONSIDERABLE REVENUES TO HAWAII WHICH CREATED JOBS FOR PRODUCTION CREWS, UNION WORKERS, VENUE STAFF, MARKETING STAFF, TV COMMERCIAL STAFF, MEDIA AND RADIO STAFF, AIRLINE TICKETS, HOTEL ROOMS, U-DRIVES, RESTAURANTS, DOCTORS, INSURANCE, COUNTY POLICE OFFICERS, SECURITY GUARDS, TRAINING FACILITIES, AND THE LIST GOES ON.

ONCE IT BECAME LAW, PROFESSIONAL MMA EVENTS DECLINED TO ONLY ONE EVENT IN 2009. IT WAS MENTIONED THAT THIS PROMOTER LOST OVER \$40,000, AND THE STATE TOOK IN ABOUT \$2,000 IN FEES.

MY BROTHER JAY DEE PENN HAS PRODUCED MANY MMA EVENTS. AFTER DOING A FEW MMA EVENTS IN HAWAII, OUR FAMILY FOUND THAT THESE EVENTS WERE NOT FINANCIALLY FEASIBLE. THE VENUES WERE EITHER TOO SMALL OR THE TICKET SALES WERE NOT SUFFICIENT TO RECOUP OUR EXPENSES, BUT MY BROTHER CONVINCED OUR FAMILY TO CONTINUE TO INVEST IN THE SPORT BECAUSE HE BELIEVED MMA STILL NEEDED TIME TO GROW IN HAWAII.

MY BROTHER LATER TEAMED UP WITH JAPAN'S K-1 FIGHT ORGANIZATION, AND LATER WITH ELITE XC FROM CALIFORNIA TO PRODUCE WORLD CLASS MMA EVENTS IN HAWAII. THE FIRST, LARGEST, AND ONLY SOLD OUT MMA EVENT WAS AT THE NEAL BLAISDELL ARENA WHEN I FOUGHT RODRIGO GRACIE. TO THE NORMAL VIEWER, THESE MMA EVENTS SEEM FINANCIALLY PROFITABLE, BUT IN REALITY, AFTER ALL EXPENSES WERE PAID FOR THE VENUE, VENUE PERCENTAGE, VENUE STAFF, VENUE SECURITY, VENUE POLICE OFFICERS, VENUE UNION WORKERS, VENUE LIGHTING, VENUE AUDIO, RADIO ADVERTISEMENT, TV ADVERTISEMENT, NEWSPAPER ADVERTISEMENT, FIGHTER TRANSPORTATION,

HOTEL ROOMS, RENTAL CARS, AIRLINE TICKETS, TICKET MASTER FEES, PROMOTER STAFFING, FIGHTER PURSES, FIGHTER PER DIEM, AND STATE EXCISE TAXES, WE TOOK A FINANCIAL LOSS ON MOST OF OUR MMA EVENTS IN HAWAII. AS AN EXAMPLE, ELITE XC WHO DID 2 MMA EVENTS IN HAWAII AND SEVERAL IN THE MAINLAND LOST OVER \$50 MILLION WITHIN ITS FIRST TWO YEARS AND ARE NO LONGER IN BUSINESS. THEY TOOK A LOST ON BOTH EVENTS IN HAWAII BEFORE THE NEW MMA LAW BECAME EFFECTIVE.

I'M SURE MANY BELIEVE THAT SO MUCH MONEY CAN BE MADE FROM THESE EVENTS BECAUSE THE UFC IS VERY SUCCESSFUL, BUT THE UFC ALMOST GAVE UP WHEN THEIR LOSSES AMOUNTED TO OVER \$44 MILLION. IT WAS DANA WHITE'S TENACITY WITH THE SUPPORT OF DEEP POCKETS FROM THE FERTITA BROTHERS, WHO OWN THE STATION CASINOES IN LAS VEGAS THAT SLOWLY TURNED THEM AROUND. TODAY, THE UFC BRINGS MILLIONS OF DOLLARS INTO THE NEVADA ECONOMY.

I AM ASKING FOR YOUR SUPPORT TO AMEND THE CURRENT MMA LAW. HAWAII'S MMA INDUSTRY NEEDS OUR LOCAL GOVERNMENT'S SUPPORT AND INCENTIVES TO REBUILD A VIABLE INDUSTRY IN HAWAII. THIS AMENDMENT IS A START, BUT IT STILL MAY NOT BE ENOUGH TO GET OUR PROMOTERS AND MMA ATHLETES BACK TO WHERE IT WAS BEFORE.

THE UFC WANTS TO COME TO HAWAII, AND IF THEY CAME, THEY WOULD ATTRACT FOLKS FROM EAST TO WEST. THEY WOULD BRING IN MUCH NEEDED REVENUES TO OUR STRUGGLING ECONOMY. I'M ALL FOR THE UFC COMING TO HAWAII, BUT I AM MORE FOR OUR LOCAL PROMOTERS AND LOCAL MMA ATHLETES WHO NEED MOTIVATION AND INCENTIVES TO REBUILD THIS INDUSTRY.

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March 25, 2010

To: Finance Committee

Re: SB2399, SD1, HD1

Hearing on 3/26/10 Agenda #3

My name is Gary Levitt. I have been a licensed attorney in the state of Hawaii since 1987. I have represented the Penn family on a majority of their business matters for approximately 20 years. I have also had the opportunity over the past three years to represent BJ Penn in his capacity as a mixed martial arts fighter. I have also assisted other championship level MMA fighters in their relationship with the UFC (Ultimate Fighting Championship). As a result, I have worked closely with the UFC, which is by far the largest and most popular mixed martial arts fight promotion company in the world. As such, I have become familiar with the internal workings of the business of mixed martial arts.

At the outset, I would like to state that we strongly support mixed martial arts regulations that protect the health, safety and welfare of the fighters. However, the current law which regulates mixed martial arts and imposes certain fees on the promoter and events, as set forth in HRS Section 440e, is not working. Simply put, HRS 440e has killed mixed martial arts professional fight events in the state of Hawaii. Since the law took effect, we are aware of only one MMA professional fight that took place in the state of Hawaii in 2009. That fight was put on by a small promotion company and was not deemed to be successful as it was held at the Blaisdell Arena and attracted approximately 1,500 people. Yet in past years there were numerous MMA professional fight events, including two Elite XC shows (the predecessor of Strikeforce) which were broadcast live from the Blaisdell on Showtime, a large number of ICON productions, Rumble on the Rock productions, K-1 and others. In fact, since its inception it is my understanding that ICON has promoted close to 100 professional mixed martial arts professional fight events in the state of Hawaii. While these events are intended to be profitable, most promoters are happy to break even as the costs associated with these events which has been set forth in other testimony are

extensive. Because of the fees imposed by the current law, we are unaware of any upcoming or scheduled professional mixed martial arts events. This has a negative economic impact on Hawaii.

The Ultimate Fighting Championship wants to come to Hawaii. One reason is that they know that Hawaii has a large mixed martial arts fan base and has supported mixed martial arts events throughout the years even when the sport was in its infancy. However, the main reason the UFC desires to hold an event in Hawaii is because of BJ Penn who is their former world welterweight champion and current lightweight champion and is regarded as one of the best pound-for-pound fighters ever.

In 2009 BJ was ranked as the top Pay-per-View draw for the UFC. I have personally heard the owners of the UFC state on no less than five occasions that they wish to come to Hawaii, but the fees imposed within the current regulations make it cost prohibitive. If these fees are removed, the UFC intends to bring an event to Hawaii within the next 15 months.

We need to do something to bring back our local professional mixed martial arts events and to entice the UFC to come to Hawaii, where they have stated that an event would be held at Aloha Stadium featuring BJ Penn. This would bring in visitors from the mainland, Canada, Japan, Australia and Korea to name a few. The UFC is in the midst of a world expansion. They currently hold fights in the UK, Ireland, Germany, and in February will be holding its first event in Australia. In April, BJ will be defending his world title in Abu Dhabi in the United Arab Emirates. In June the UFC will be making its debut in Vancouver, Canada. While we were in Abu Dhabi last week on a press tour announcing BJ's



April 10 fight, the UFC stated that their events are now seen in 175 countries (on cable, subscription or Pay-per-View basis) and available to over 500 million households. Hawaii is missing the boat on this opportunity to showcase our state and boost our economy. We need to eliminate the fees imposed upon mixed martial arts promoters and events.



MIXED MARTIAL ARTS

## UFC chief says MMA future bleak in Hawaii

By Billy Hull

POSTED: 01:30 a.m. HST, Nov 21, 2008

Local mixed martial arts promotions aside, Hawaii seems unlikely to ever draw a major national card -- at least if UFC president Dana White is to be believed.

White, in town to promote the Ultimate Fighting Championship's Jan. 31 fight between champions BJ Penn and George St.-Pierre, says the chances of holding a UFC event in Hawaii are all but dead.

The reason? It's too expensive, White says.

"We finally get some regulations and they slap this huge tax on us that's out of control, so probably never," White says. "I guess it's their way of saying 'OK, we'll sanction this, but we'll make sure nobody ever shows up and comes and does an event here.'"

The bill regulating MMA in Hawaii, which goes into effect July 1, has already hurt local MMA promotions -- including Icon Sport, which held possibly its last show in August after an 11-year run -- and X-1, which hasn't done an event at Blaisdell Arena since May and has been staging its recent shows at much smaller venues.

"Greed got involved and it's a travesty," Penn said. "The real travesty of the whole situation is the children who love fighting and train in people's gyms and love fighting now have people coming in who know nothing about the sport step in and ruin it for the kids.

"They really should step back and think about what they are doing, forget about the greed factor, and step up and let the sport grow and flourish instead of being greedy."

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