The Commission is providing a copy of this disciplinary pleading (Accusation, or Statement of Reasons, Statement of Particulars, or Statement of Issues) so the public is as informed as possible of pending administrative proceedings regarding the allegations contained in the pleading. An Accusation or Statement of Issues is simply an allegation of facts that, if true, may rise to the level of disciplinary action against or denial of a license, registration, work permit or finding of suitability. The facts contained in the pleadings should not be taken as established or proven. The licensee/applicant will have an opportunity to dispute the allegations in a formal administrative proceeding.

CALIFORNIA GAMBLING
CONTROL COMMISSION

2015 DEC 17 PM 12: 38

KAMALA D. HARRIS
Attorney General of California
SARA J. DRAKE
Senior Assistant Attorney General
RONALD L. DIEDRICH
Deputy Attorney General
WILLIAM P. TORNGREN
Deputy Attorney General
State Bar No. 58493
1300 I Street, Suite 125
P.O. Box 944255
Sacramento, CA 94244-2550
Telephone: (916) 323-3033
Fax: (916) 327-2319
E-mail: William.Torngren@doj.ca.gov
Attorneys for the Complainant

BEFORE THE

CALIFORNIA GAMBLING CONTROL COMMISSION

STATE OF CALIFORNIA

In the Matter of the Accusation and Statement of Issues Against: **SEVEN MILE CASINO, formerly known as the Village Club (GEGE-000466);** **HARVEY F. SOUZA (GEOW-003395);** **ELIZABETH J. SOUZA (GEOW-003396);** **HARVEY AND BETTE SOUZA LIVING TRUST, dated February 7, 2010 (GEOW-003394); and** **VC CARDROOM, INC. (GEOW-003390)** **285 Bay Boulevard** **Chula Vista, CA 91910** **Respondents.**	**OAH No.** **BGC Case No. HQ 2015-00004AC** **ACCUSATION AND STATEMENT OF ISSUES (Replacing Accusation filed September 23, 2015)**

Complainant alleges as follows:

PARTIES

1. Wayne J. Quint, Jr. (Complainant) brings this Accusation and Statement of Issues solely in his official capacity as the Chief of the California Department of Justice, Bureau of Gambling Control (Bureau).

2. Respondent Seven Mile Casino (Seven Mile), formerly known as the Village Club, is a licensed gambling establishment, California State Gambling License Number GEGE-000466. It is a 20-table card room presently operating at 285 Bay Boulevard, Chula Vista, California. It changed its name and relocated to 285 Bay Boulevard in or around May 2015.

3. Respondent Harvey F. Souza (Mr. Souza), license number GEOW-003395, is endorsed on Seven Mile's license. Respondent Elizabeth J. Souza (Mrs. Souza), license number GEOW-003396, is endorsed on Seven Mile's license. Mr. and Mrs. Souza are the trustees of Respondent Harvey and Bette Souza Living Trust (Trust), license number GEOW-003394. The Trust, in turn, presently is the sole shareholder of Respondent VC Cardroom, Inc. (Corporation), license number GEOW-003390, which does business as Seven Mile and is endorsed on its license.

4. Prior to October 31, 2013, the Trust held the assets of Seven Mile. On October 31, 2013, the Trust transferred all assets of Seven Mile to the Corporation in return for stock.

5. Seven Mile, Mr. Souza, Mrs. Souza, the Trust, and the Corporation are referred to collectively as "Respondents."

6. The California Gambling Control Commission (Commission) issued the above-described licenses to Respondents. On December 10, 2015, the Commission referred Respondents' license renewal applications to an evidentiary hearing to be consolidated with the pending Accusation. As a consequence of the referral, the Commission issued Respondents interim licenses. (Cal. Code Regs., tit. 4, § 12035, subd. (a).)

SUMMARY OF THE CASE

7. This proceeding seeks to revoke Respondents' licenses, and impose the maximum fine allowed by law. It also seeks to deny Respondents' license renewal applications. Respondents are not suitable for continued, or renewal of their, licensure under the Gambling Control Act (Act) and regulations adopted pursuant to the Act. As alleged in this Accusation and Statement of Issues, Respondents engaged in the following acts and omissions:

a. Respondents entered into a venture by which they received substantial sums of monies to build a new card room at 285 Bay Boulevard, Chula Vista, in return for their co-venturers' right to obtain an ownership interest in Seven Mile. Respondents failed to disclose to the Bureau this financing arrangement and the creation of the co-venturers' rights to own Seven Mile. Respondents, as well as their co-venturers, concealed facts necessary for the Commission to make informed licensing determinations, and for the Bureau to make informed licensing recommendations. The public trust is broken and the necessary regulation of controlled gambling in California is undermined, when licensees conceal material information from the Commission and the Bureau.

b. Respondents allowed their co-venturers, who were not licensed as Seven Mile's owners, to make, or substantially participate in, decisions regarding the card room's operations and policies. Respondents, as well as their co-venturers, concealed this participation from the Bureau and the Commission. The public trust is broken and the necessary regulation of controlled gambling in California is undermined, when undisclosed, unlicensed persons exercise significant influence over gambling operations.

c. Respondents operated Seven Mile, and its predecessor the Village Club, in an unsuitable and unlawful manner. They withdrew monies from the gambling establishment without adequate documentation. They engaged in off-the-books transactions. They used patrons' and players' monies for Seven Mile's own

purposes. Seven Mile's financial auditors issued a qualified opinion because transactions with affiliates were not reported in accordance with generally accepted auditing principles. The public trust is broken and the necessary regulation of controlled gambling in California is undermined, when a gambling establishment departs significantly from usual business practices.

d. Respondents failed to have adequate funds to cover the value of chips in use by Seven Mile's patrons and players, and to cover monies deposited by patrons and players.

Pursuant to the Act and as a consequence of their acts and omissions, Respondents are unqualified for, disqualified from, and unsuitable for continued, or the renewal of their, licensure. Respondents' continued licensure is inimical to the public health, safety, and welfare and a danger to the effective regulation of controlled gambling.

JURISDICTION AND COST RECOVERY

8. The Commission has jurisdiction over the operation and concentration of gambling establishments and all persons and things having to do with operation of gambling establishments. (Bus. & Prof. Code, § 19811, subd. (b).)[1] The Act tasks the Bureau with, among other responsibilities, investigating suspected violations of the Act and initiating disciplinary actions. (Bus. & Prof. Code, §§ 19826, subds. (c) & (e) & 19930, subd. (b).) Upon the Bureau filing an accusation, the Commission proceeds under Government Code section 11500 et seq. (Bus. & Prof Code, § 19930, subd. (b); see Cal. Code Regs., tit. 4, § 12554, subd. (a).) The Commission's disciplinary powers include, among other things, revocation and imposition of a fine or monetary penalty. (Cal. Code Regs., tit. 4, § 12554, subd. (d).) The Commission may require that any matter of an adjudicative nature that the Commission is authorized to hear regarding the denial or revocation of a license be heard and determined in accordance with Government Code section 11500 et seq. (Bus. & Prof. Code, § 19825.)

[1] The statutes and regulations applicable to this Accusation are quoted in pertinent part in Appendix A.

9. In a matter involving revocation or suspension, the Bureau may recover its costs of investigation and prosecuting the proceeding. (Bus. & Prof. Code, § 19930, subd. (d).)

REGULATION, SUITABILITY, AND THE DUTY OF DISCLOSURE

10. Operating a card room in California is a revocable privilege. (Bus. & Prof. Code, § 19801, subd. (k).) The Act provides for comprehensive regulation to prevent that privilege from being abused. Comprehensive regulation maintains the public trust that permissible gambling will not endanger the public health, safety, and welfare. That comprehensive regulation covers all persons, practices, and associations related to the operation of lawful gambling establishments. (Bus. & Prof. Code, § 19801, subd. (h).)

11. Under the Act, the Commission's responsibilities include assuring that no unqualified or disqualified person, or any person whose operations are conducted in a manner that is inimical to the public health, safety, and welfare, has any direct or indirect material involvement with a licensed gambling operation. (Bus. & Prof. Code, § 19823, subd. (a)(2).)

12. Determining whether a person is suitable, or whether a person has material involvement in a licensed gambling operation, begins with providing truthful information to the Bureau. Accordingly, the Act directs that every applicant for licensing or any approval required by the Act make full and true disclosure of all information necessary to carry out the state's policies relating to licensing and control of gambling. (Bus. & Prof. Code, § 19866.)

13. The Act mandatorily disqualifies from licensure any person who fails "to reveal any fact material to qualification" or supplies untrue or misleading information. (Bus. & Prof. Code, § 19859, subd. (b).) Additionally, providing untrue or misleading information or failing to provide information and documentation requires revocation of an existing license. (Cal. Code Regs., tit. 4, § 12568, subd. (c)(4) [mandatory revocation of a state gambling license].)

14. The Act makes unqualified for licensure any person who is not of good character, honesty, and integrity. (Bus. & Prof. Code, § 19857, subd. (a).) The Act also makes unqualified for licensure any person whose prior activities and associations pose a threat to effective regulation and control of controlled gambling, or create or enhance the dangers of

unsuitable, unfair, or illegal practices, methods, and activities in carrying on the business and financial arrangements incidental to the conduct of controlled gambling. (Bus. & Prof. Code, § 19857, subd. (b).) The license of any person, who becomes unqualified for licensure, must be revoked. (Cal. Code Regs., tit. 4, § 12568, subd. (c)(3) [mandatory revocation of a state gambling license].)

THE DUTY TO MAINTAIN ADEQUATE FUNDS

15. The Act requires that all gambling establishments be operated in a manner suitable to protect the public health, safety, and general welfare. The responsibility for employing and maintaining suitable methods of operation rests with the owners, and persistent toleration of unsuitable methods of operation constitutes a ground for license revocation. (Bus. & Prof. Code, § 19920.) Owners are required to comply with any regulation adopted pursuant to the Act. (Bus. & Prof. Code, § 19922.) They also are required to maintain security controls over the gambling premises and all operations related to gambling. (Bus. & Prof. Code, § 19924.)

16. Chips are used in card rooms. Patrons and players acquire chips in exchange for cash, which a card room holds temporarily until the chips are redeemed. California Code of Regulations, title 11, section 2053, subdivision (b), provides, in part, that a "gambling establishment shall maintain a separate, specifically designated, insured account with a licensed financial institution in an amount not less than the total of chips in use by the gambling establishment."

17. Patrons' and players' funds used in connection with controlled gambling are held by the card room for the benefit those patrons and players, and not for the benefit of the card room. California Code of Regulations, title 11, section 2053, subdivision (c), provides, in part, that a "gambling establishment shall maintain a separate, specifically designated, insured account with a licensed financial institution in an amount not less than the total amount of the monies that patrons of that gambling establishment have on deposit with the gambling establishment."

INDICTMENT AND EMERGENCY ORDER

18. On December 9, 2015, the United States unsealed an indictment against, among others, the Corporation and Mr. Souza. On that same date, Mr. Souza was arrested. The United States charged the Corporation and Mr. Souza with the failure to maintain a reasonably designed anti-money laundering program.

19. On December 9, 2015, Complainant issued an emergency order pursuant to Business and Professions Code section 19931.

FIRST CAUSE FOR DISCIPLINE

(Unqualified for Continued Licensure)

20. Respondents' gambling licenses are subject to discipline, pursuant to Business and Professions Code sections 19823, 19857, subdivisions (a) and (b), 19920, 19922, and 19924, and California Code of Regulations, title 4, section 12568, subdivision (c)(3). Respondents' continued licensure is inimical to public health, safety, and welfare. Respondents are not persons of good character, honesty, and integrity. Their prior activities and associations pose a threat to the effective regulation and control of controlled gambling, and create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in carrying on the business and financial arrangements incidental to the conduct of controlled gambling. Respondents' conduct in their dealings with the Commission and the Bureau demonstrate that they are unqualified for licensure. That conduct includes, but is not limited to, the following acts and omissions:

a. Respondents failed to make full and true disclosure of information necessary to carry out the state's policies relating to licensing and control of gambling. Respondents did not disclose agreements regarding financing and ownership arrangements. Respondents received a $3 million loan from an entity affiliated with their co-venturers. The loan was secured by the assets of Respondents' gambling establishment. In addition, the loan was convertible at the co-venturers' option into an ownership interest in Seven Mile. The loan proceeds

were used in the gambling establishment's operations and to construct new premises. Respondents' co-venturers also acquired a 50-percent interest in the new premises, and guaranteed commercial loans for improvements. In sum, Respondents entered into a venture with unlicensed persons to build a new facility, relocate the gambling establishment, and become co-owners.

b. Even though Respondents had license applications and other approvals pending before the Commission, they failed to disclose the venture, the financing sources, giving an option to acquire an ownership interest, and their co-venturers' involvement. This breached Respondents' duties under the Act and made them unqualified for licensing.

c. Additionally, Respondents turned management, in whole or in part, of Seven Mile over to their co-venturers, who were not licensed as owners. The co-venturers, either directly or through Respondents, made employment decisions, established operational policies and practices, and directed Seven Mile's operations. The co-venturers thus exercised significant influence over the gambling operation. Respondents' nondisclosures concealed this conduct from both the Bureau and the Commission.

d. Respondents engaged in patterns and practices that demonstrate a substantial disregard for prudent and usual business controls and oversight. They operated Seven Mile, and its predecessor the Village Club, in an unsuitable manner. Their patterns and practices included financial dealings involving hundreds of thousands of dollars without adequate documentation. They engaged in off-the-books transactions. They used patrons' and players' monies for Seven Mile's purposes. Seven Mile's financial auditors issued a qualified opinion because transactions with affiliates were not reported in accordance with generally accepted auditing principles. Respondents' disregard for prudent and usual business controls and oversight poses a threat to the public interest and the

effective regulation and control of controlled gambling. Respondents engaged in unsuitable patterns and practices in the conduct of controlled gambling or in carrying on the business and financial arrangements incidental to controlled gambling.

e. Respondents failed to have adequate funds to cover the value of chips in use by Seven Mile's patrons and players, and to cover monies deposited by patrons and players.

SECOND CAUSE FOR DISCIPLINE

(Failing To Reveal Material Information to the Bureau)

21. Respondents' gambling licenses are subject to discipline, pursuant to Business and Professions Code sections 19823, 19857, subdivisions (a) and (b), and 19859, subdivisions (a) and (b), and California Code of Regulations, title 4, section 12568, subdivisions (c)(3) and (4). Respondents' continued licensure is inimical to public health, safety, and welfare. Respondents are not persons of good character, honesty, and integrity. Their prior activities and associations pose a threat to the effective regulation and control of controlled gambling, and create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in carrying on the business and financial arrangements incidental to the conduct of controlled gambling. Respondents breached their duty of full and true disclosure to the Commission and the Bureau. Respondents failed to reveal to, and concealed from, the Bureau material information regarding financial interest holders, indebtedness, prospective ownership interests, and other agreements, including, but not limited to, the following:

a. Respondents failed to make full and true disclosure of information necessary to carry out the state's policies relating to licensing and control of gambling. Respondents did not disclose agreements regarding financing and ownership arrangements. Respondents received a $3 million loan from an entity affiliated with their co-venturers. The loan was secured by the assets of Respondents' gambling establishment. In addition, the loan was convertible at the co-

venturers' option into an ownership interest in Seven Mile. The loan proceeds were used in the gambling establishment's operations and to construct new premises. Respondents' co-venturers also acquired a 50-percent interest in the new premises, and guaranteed commercial loans for improvements. In sum, Respondents entered into a venture with unlicensed persons to build a new facility, relocate the gambling establishment, and become co-owners.

b. Even though Respondents had license applications and other approvals pending before the Commission, they failed to disclose the venture, the financing sources, giving an option to acquire an ownership interest, and their co-venturers' involvement. This breached Respondents' duties under the Act and disqualified them from licensing.

c. Additionally, Respondents turned management, in whole or in part, of Seven Mile over to their co-venturers, who were not licensed as owners. The co-venturers, either directly or through Respondents, made employment decisions, established operational policies and practices, and directed Seven Mile's operations. The co-venturers thus exercised significant influence over the gambling operation. Respondents' nondisclosures concealed this conduct from both the Bureau and the Commission.

THIRD CAUSE OF ACTION FOR REVOCATION

(Failure to Have Sufficient Monies on Hand to Cover Players' Funds on Deposit)

22. Respondents' licenses are subject to revocation pursuant to Business and Professions Code sections 19857, 19920, 19922 and 19924, and California Code of Regulations, title 11, section 2053, subdivision (c), in that Respondents failed to have sufficient monies readily available at Seven Mile in an amount not less than the total amount of monies that players and patrons of that gambling establishment had on deposit with the gambling establishment.

PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the Commission issue a decision:

1. Revoking, and denying renewal of, California State Gambling License Number GEGE-000466, issued to Respondent Seven Mile Casino, formerly known as the Village Club;

2. Revoking, and denying renewal of, California State Gambling License Number GEOW-003395, issued to Respondent Harvey J. Souza;

3. Revoking, and denying renewal of, California State Gambling License Number GEOW-003396, issued to Respondent Elizabeth J. Souza;

4. Revoking, and denying renewal of, California State Gambling License Number GEOW-003394, issued to Respondent Harvey and Bette Souza Living Trust;

5. Revoking, and denying renewal of, California State Gambling License Number GEOW-003390, issued to Respondent VC Cardroom, Inc.;

6. Fining Respondents, jointly and severally, according to proof and to the maximum extent allowed by law;

7. Awarding Complainant the costs of investigation and costs of bringing this Accusation and Statement of Issues before the Commission, pursuant to Business and Professions Code section 19930, subdivisions (d) and (f), in a sum according to proof; and

8. Taking such other and further action as the Commission may deem appropriate.

Dated: December 17, 2015

WAYNE J. QUINT, JR., Chief
Bureau of Gambling Control
California Department of Justice

APPENDIX A – STATUTORY AND REGULATORY PROVISIONS

Jurisdictional Provisions

1. Business and Professions Code section 19811 provides, in part:

(b) Jurisdiction, including jurisdiction over operation and concentration, and supervision over gambling establishments in this state and over all persons or things having to do with the operations of gambling establishments is vested in the commission.

2. Business and Professions Code section 19823 provides:

(a) The responsibilities of the commission include, without limitation, all of the following:

(1) Assuring that licenses, approvals, and permits are not issued to, or held by, unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(2) Assuring that there is no material involvement, directly or indirectly, with a licensed gambling operation, or the ownership or management thereof, by unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(b) For the purposes of this section, "unqualified person" means a person who is found to be unqualified pursuant to the criteria set forth in Section 19857, and "disqualified person" means a person who is found to be disqualified pursuant to the criteria set forth in Section 19859.

3. Business and Professions Code section 19824 provides, in part:

The commission shall have all powers necessary and proper to enable it fully and effectually to carry out the policies and purposes of this chapter, including, without limitation, the power to do all of the following:

* * *

(b) For any cause deemed reasonable by the commission, . . . limit, condition, or restrict any license, permit, or approval, or impose any fine upon any person licensed or approved. The commission may condition, restrict, discipline, or take action against the license of an individual owner endorsed on the license certificate of the gambling enterprise whether or not the commission takes action against the license of the gambling enterprise.

* * *

(d) Take actions deemed to be reasonable to ensure that no ineligible, unqualified, disqualified, or unsuitable persons are associated with controlled gambling activities.

4. Business and Professions Code section 19825 provides:

The commission may require that any matter that the commission is authorized or required to consider in a hearing or meeting of an adjudicative nature regarding the denial, suspension, or revocation of a license, permit, or a finding of suitability, be heard and determined in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

5. Business and Professions Code section 19826 provides, in part:

The department[2] . . . shall have all of the following responsibilities:

* * *

(c) To investigate suspected violations of this chapter or laws of this state relating to gambling . . . .

* * *

(e) To initiate, where appropriate, disciplinary actions as provided in this chapter. In connection with any disciplinary action, the department may seek restriction, limitation, suspension, or revocation of any license or approval, or the imposition of any fine upon any person licensed or approved.

6. California Code of Regulations, title 4, section 12554 provides, in part:

(a) Upon the filing with the Commission of an accusation by the Bureau recommending revocation, suspension, or other discipline of a holder of a license, registration, permit, finding of suitability, or approval, the Commission shall proceed under Chapter 5 (commencing with section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

* * *

(d) Upon a finding of a violation of the Act, any regulations adopted pursuant thereto, any law related to gambling or gambling establishments, violation of a previously imposed disciplinary or license condition, or laws whose violation is materially related to suitability for a license, registration, permit, or approval, the Commission may do any one or more of the following:

---

[2] "Department" refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd. (h).)

(1) Revoke the license, registration, permit, finding of suitability, or approval;

(2) Suspend the license, registration, or permit;

* * *

(5) Impose any fine or monetary penalty consistent with Business and Professions Code sections 19930, subdivision (c), and 19943, subdivision (b)

Cost Recovery Provisions

7. Business and Professions Code section 19930 provides, in part:

(b) If, after any investigation, the department is satisfied that a license, permit, finding of suitability, or approval should be suspended or revoked, it shall file an accusation with the commission in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

* * *

(d) In any case in which the administrative law judge recommends that the commission revoke, suspend, or deny a license, the administrative law judge may, upon presentation of suitable proof, order the licensee or applicant for a license to pay the department the reasonable costs of the investigation and prosecution of the case.

(1) The costs assessed pursuant to this subdivision shall be fixed by the administrative law judge and may not be increased by the commission. When the commission does not adopt a proposed decision and remands the case to the administrative law judge, the administrative law judge may not increase the amount of any costs assessed in the proposed decision.

(2) The department may enforce the order for payment in the superior court in the county in which the administrative hearing was held. The right of enforcement shall be in addition to any other rights that the division may have as to any licensee to pay costs.

(3) In any judicial action for the recovery of costs, proof of the commission's decision shall be conclusive proof of the validity of the order of payment and the terms for payment.

* * *

(f) For purposes of this section, "costs" include costs incurred for any of the following:

(1) The investigation of the case by the department.

(2) The preparation and prosecution of the case by the Office of the Attorney General.

Specific Statutory and Regulatory Provisions

8. Business and Professions Code, section 19801 provides, in part:

(h) Public trust and confidence can only be maintained by strict comprehensive regulation of all persons, locations, practices, associations, and activities related to the operation of lawful gambling establishments and the manufacture and distribution of permissible gambling equipment.

(i) All gambling operations, all persons having a significant involvement in gambling operations, all establishments where gambling is conducted, and all manufacturers, sellers, and distributors of gambling equipment must be licensed and regulated to protect the public health, safety, and general welfare of the residents of this state as an exercise of the police powers of the state.

* * *

(k) In order to effectuate state policy as declared herein, it is necessary that gambling establishments, activities, and equipment be licensed, that persons participating in those activities be licensed or registered, that certain transactions, events, and processes involving gambling establishments and owners of gambling establishments be subject to prior approval or permission, that unsuitable persons not be permitted to associate with gambling activities or gambling establishments . . . . Any license or permit issued, or other approval granted pursuant to this chapter, is declared to be a revocable privilege, and no holder acquires any vested right therein or thereunder.

9. Business and Professions Code section 19850 provides, in part:

Every person . . . who receives, directly or indirectly, any compensation or reward, or any percentage or share of the money or property played, for keeping, running, or carrying on any controlled game in this state, shall apply for and obtain from the commission, and shall thereafter maintain, a valid state gambling license, key employee license, or work permit . . . . In any criminal prosecution for violation of this section, the punishment shall be as provided in Section 337j of the Penal Code.

10. Business and Professions Code section 19852 provides, in part:

> [A]n owner of a gambling enterprise that is not a natural person shall not be eligible for a state gambling license unless each of the following persons individually applies for an obtains a state gambling license:
>
> * * *
>
> (i) Every employee, agent, guardian, personal representative, lender, or holder of indebtedness of the owner who, in the judgment of the commission, has the power to exercise significant influence over the gambling operation.

11. Business and Professions Code section 19855 provides, in part:

> [E]very person who, by statute or regulation, is required to hold a state license shall obtain the license prior to engaging in the activity or occupying the position with respect to which the license is required.

12. Business and Professions Code section 19857 provides:

> No gambling license shall be issued unless, based on all the information and documents submitted, the commission is satisfied that the applicant is all of the following:
>
> (a) A person of good character, honesty and integrity.
>
> (b) A person whose prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the public interest of this state, or to the effective regulation and control of controlled gambling, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled gambling or in the carrying on of the business and financial arrangements incidental thereto.
>
> (c) A person that is in all other respects qualified to be licensed as provided in this chapter.

13. Business and Professions Code section 19859 provides, in part:

> The commission shall deny a license to any applicant who is disqualified for any of the following reasons:
>
> (a) Failure of the applicant to clearly establish eligibility and qualification in accordance with this chapter.
>
> (b) Failure of the applicant to provide information, documentation, and assurances required by the Chief, or failure of the applicant to reveal any fact material to qualification, or the

supplying of information that is untrue or misleading as to a material fact pertaining to the qualification criteria.

14. Business and Professions Code section 19866 provides:

> An applicant for licensing or for any approval or consent required by this chapter, shall make full and true disclosure of all information to the department and the commission as necessary to carry out the policies of this state relating to licensing, registration, and control of gambling.

15. Business and Professions Code section 19920 provides:

> It is the policy of the State of California to require that all establishments wherein controlled gambling is conducted in this state be operated in a manner suitable to protect the public health, safety, and general welfare of the residents of the state. The responsibility for the employment and maintenance of suitable methods of operation rests with the owner licensee, and willful or persistent use or toleration of methods of operation deemed unsuitable by the commission or by local government shall constitute grounds for license revocation or other disciplinary action.

16. Business and Professions Code section 19922 provides:

> No owner licensee shall operate a gambling enterprise in violation of any provision of this chapter or any regulation adopted pursuant to this chapter.

17. Business and Professions Code section 19924 provides:

> Each owner licensee shall maintain security controls over the gambling premises and all operations therein related to gambling, and those security controls are subject to the approval of the commission.

18. California Code of Regulations, title 4, section 12556, subdivision (c), provides, in part:

> A state gambling license, finding of suitability, or approval granted by the Commission . . . and an owner license for a gambling establishment if the owner licensee has committed a separate violation from any violations committed by the gambling establishment shall be subject to revocation by the Commission on any of the following grounds:
>
> * * *

(3) If the Commission finds the holder no longer meets any criterion for eligibility, qualification, suitability or continued operation, including those set forth in Business and Professions Code section 19857, 19858, or 19880, as applicable, or

(4) If the Commission finds the holder currently meets any of the criteria for mandatory denial of an application set forth in Business and Professions Code sections 19859 or 19860.

19. California Code of Regulations, title 11, section 2053, provides:

(a) The Bureau may require a gambling establishment to present satisfactory evidence that there is adequate financing available to protect the public's health, safety and welfare.

(b) A gambling establishment shall maintain a separate, specifically designated, insured account with a licensed financial institution in an amount not less than the total value of the chips in use by the gambling establishment. The funds in that account may only be used to redeem the chips of that gambling establishment. That account may not be used as collateral, or encumbered or hypothecated in any fashion. Alternatively, the Bureau may allow the gambling establishment to provide some other form of security acceptable to the Bureau, in lieu of maintaining the required account.

(c) A gambling establishment shall maintain a separate, specifically designated, insured account with a licensed financial institution in an amount not less than the total amount of monies that patrons of that gambling establishment have on deposit with the gambling establishment. The funds from that account may only be used to return to the patrons the balance of the monies on deposit with the gambling establishment. That account may not be used as collateral or encumbered or hypothecated in any fashion. Alternatively, the Bureau may allow the gambling establishment to provide some other form of security acceptable to the Bureau, in lieu of maintaining the required amount.

CALIFORNIA GAMBLING
CONTROL COMMISSION

2015 SEP 23 PM 1: 22

KAMALA D. HARRIS
Attorney General of California
SARA J. DRAKE
Senior Assistant Attorney General
RONALD L. DIEDRICH
Deputy Attorney General
WILLIAM P. TORNGREN
Deputy Attorney General
State Bar No. 58493
1300 I Street, Suite 125
P.O. Box 944255
Sacramento, CA 94244-2550
Telephone: (916) 323-3033
Fax: (916) 327-2319
E-mail: William.Torngren@doj.ca.gov
Attorneys for the Complainant

BEFORE THE

CALIFORNIA GAMBLING CONTROL COMMISSION

STATE OF CALIFORNIA

In the Matter of the Accusation Against: **SEVEN MILE CASINO, formerly known as the Village Club (GEGE-000466);** **HARVEY F. SOUZA (GEOW-003395);** **ELIZABETH J. SOUZA (GEOW-003396);** **HARVEY AND BETTE SOUZA LIVING TRUST, dated February 7, 2010 (GEOW-003394); and** **VC CARDROOM, INC. (GEOW-003390)** **285 Bay Boulevard** **Chula Vista, CA 91910** **Respondents.**	**OAH No.** **BGC Case No. HQ 2015-00004AC** **ACCUSATION**

Complainant alleges as follows:

PARTIES

1. Wayne J. Quint, Jr. (Complainant) brings this Accusation solely in his official capacity as the Chief of the California Department of Justice, Bureau of Gambling Control (Bureau).

2. Respondent Seven Mile Casino (Seven Mile), formerly known as the Village Club, is a licensed gambling establishment, California State Gambling License Number GEGE-000466. It is a 20-table card room presently operating at 285 Bay Boulevard, Chula Vista, California. It changed its name and relocated to 285 Bay Boulevard in or around May 2015.

3. Respondent Harvey F. Souza (Mr. Souza), license number GEOW-003395, is endorsed on Seven Mile's license. Respondent Elizabeth J. Souza (Mrs. Souza), license number GEOW-003396, is endorsed on Seven Mile's license. Mr. and Mrs. Souza are the trustees of Respondent Harvey and Bette Souza Living Trust (Trust), license number GEOW-003394. The Trust, in turn, presently is the sole shareholder of Respondent VC Cardroom, Inc. (Corporation), license number GEOW-003390, which does business as Seven Mile and is endorsed on its license.

4. Prior to October 31, 2013, the Trust held the assets of Seven Mile. On October 31, 2013, the Trust transferred all assets of Seven Mile to the Corporation in return for stock.

5. Seven Mile, Mr. Souza, Mrs. Souza, the Trust, and the Corporation are referred to collectively as "Respondents."

6. The California Gambling Control Commission (Commission) issued the above-described licenses to Respondents. Each license will expire on December 31, 2015. An application for renewal is pending as to each license.

SUMMARY OF THE CASE

7. This proceeding seeks to revoke Respondents' licenses, and impose the maximum fine allowed by law. Respondents are not suitable for continued licensure under the Gambling Control Act (Act) and regulations adopted pursuant to the Act. As alleged in this Accusation, Respondents engaged in the following acts and omissions:

a. Respondents entered into a venture by which they received substantial sums of monies to build a new card room at 285 Bay Boulevard, Chula Vista, in return for their co-venturers' right to obtain an ownership interest in Seven Mile. Respondents failed to disclose to the Bureau this financing arrangement and the creation of the co-venturers' rights to own Seven Mile. Respondents, as well as their co-venturers, concealed facts necessary for the Commission to make informed licensing determinations, and for the Bureau to make informed licensing recommendations. The public trust is broken and the necessary regulation of controlled gambling in California is undermined, when licensees conceal material information from the Commission and the Bureau.

b. Respondents allowed their co-venturers, who were not licensed as Seven Mile's owners, to make, or substantially participate in, decisions regarding the card room's operations and policies. Respondents, as well as their co-venturers, concealed this participation from the Bureau and the Commission. The public trust is broken and the necessary regulation of controlled gambling in California is undermined, when undisclosed, unlicensed persons exercise significant influence over gambling operations.

c. Respondents operated Seven Mile, and its predecessor the Village Club, in an unsuitable and unlawful manner. They withdrew monies from the gambling establishment without adequate documentation. They engaged in off-the-books transactions. Seven Mile's financial auditors issued a qualified opinion because transactions with affiliates were not reported in accordance with generally accepted auditing principles. The public trust is broken and the necessary regulation of controlled gambling in California is undermined, when a gambling establishment departs

significantly from usual business practices.

Pursuant to the Act and as a consequence of their acts and omissions, Respondents are unqualified for, disqualified from, and unsuitable for continued licensure. Respondents' continued licensure is inimical to the public health, safety, and welfare and a danger to the effective regulation of controlled gambling.

JURISDICTION AND COST RECOVERY

8. The Commission has jurisdiction over the operation and concentration of gambling establishments and all persons and things having to do with operation of gambling establishments. (Bus. & Prof. Code, § 19811, subd. (b).)[1] The Act tasks the Bureau with, among other responsibilities, investigating suspected violations of the Act and initiating disciplinary actions. (Bus. & Prof. Code, §§ 19826, subds. (c) & (e) & 19930, subd. (b).) Upon the Bureau filing an accusation, the Commission proceeds under Government Code section 11500 et seq. (Bus. & Prof Code, § 19930, subd. (b); see Cal. Code Regs., tit. 4, § 12554, subd. (a).) The Commission's disciplinary powers include, among other things, revocation and imposition of a fine or monetary penalty. (Cal. Code Regs., tit. 4, § 12554, subd. (d).)

9. In a matter involving revocation or suspension, the Bureau may recover its costs of investigation and prosecuting the proceeding. (Bus. & Prof. Code, § 19930, subd. (d).)

REGULATION, SUITABILITY, AND THE DUTY OF DISCLOSURE

10. Operating a card room in California is a revocable privilege. (Bus. & Prof. Code, § 19801, subd. (k).) The Act provides for comprehensive regulation to prevent that privilege from being abused. Comprehensive regulation maintains the public trust that permissible gambling will not endanger the public health, safety, and welfare. That comprehensive regulation covers all persons, practices, and associations related to the operation of lawful gambling establishments. (Bus. & Prof. Code, § 19801, subd. (h).)

11. Under the Act, the Commission's responsibilities include assuring that no unqualified or disqualified person, or any person whose operations are conducted in a manner

[1] The statutes and regulations applicable to this Accusation are quoted in pertinent part in Appendix A.

that is inimical to the public health, safety, and welfare, has any direct or indirect material involvement with a licensed gambling operation. (Bus. & Prof. Code, § 19823, subd. (a)(2).)

12. Determining whether a person is suitable, or whether a person has material involvement in a licensed gambling operation, begins with providing truthful information to the Bureau. Accordingly, the Act directs that every applicant for licensing or any approval required by the Act make full and true disclosure of all information necessary to carry out the state's policies relating to licensing and control of gambling. (Bus. & Prof. Code, § 19866.)

13. The Act mandatorily disqualifies from licensure any person who fails "to reveal any fact material to qualification" or supplies untrue or misleading information. (Bus. & Prof. Code, § 19859, subd. (b).) Additionally, providing untrue or misleading information or failing to provide information and documentation requires revocation of an existing license. (Cal. Code Regs., tit. 4, § 12568, subd. (c)(4) [mandatory revocation of a state gambling license].)

14. The Act makes unqualified for licensure any person who is not of good character, honesty, and integrity. (Bus. & Prof. Code, § 19857, subd. (a).) The Act also makes unqualified for licensure any person whose prior activities and associations pose a threat to effective regulation and control of controlled gambling, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in carrying on the business and financial arrangements incidental to the conduct of controlled gambling. (Bus. & Prof. Code, § 19857, subd. (b).) The license of any person, who becomes unqualified for licensure, must be revoked. (Cal. Code Regs., tit. 4, § 12568, subd. (c)(3) [mandatory revocation of a state gambling license].)

FIRST CAUSE FOR DISCIPLINE

(Unqualified for Continued Licensure)

15. Respondents' gambling licenses are subject to discipline, pursuant to Business and Professions Code sections 19823 and 19857, subdivisions (a) and (b), and California Code of Regulations, title 4, section 12568, subdivision (c)(3). Respondents' continued licensure is inimical to public health, safety, and welfare. Respondents are not persons of good character, honesty, and integrity. Their prior activities and associations pose a threat to the effective

regulation and control of controlled gambling, and create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in carrying on the business and financial arrangements incidental to the conduct of controlled gambling. Respondents' conduct in their dealings with the Commission and the Bureau demonstrate that they are unqualified for licensure. That conduct includes, but is not limited to, the following acts and omissions:

a. Respondents failed to make full and true disclosure of information necessary to carry out the state's policies relating to licensing and control of gambling. Respondents did not disclose agreements regarding financing and ownership arrangements. Respondents received a $3 million loan from an entity affiliated with their co-venturers. The loan was secured by the assets of Respondents' gambling establishment. In addition, the loan was convertible at the co-venturers' option into an ownership interest in Seven Mile. The loan proceeds were used in the gambling establishment's operations and to construct new premises. Respondents' co-venturers also acquired a 50-percent interest in the new premises, and guaranteed commercial loans for improvements. In sum, Respondents entered into a venture with unlicensed persons to build a new facility, relocate the gambling establishment, and become co-owners.

b. Even though Respondents had license applications and other approvals pending before the Commission, they failed to disclose the venture, the financing sources, giving an option to acquire an ownership interest, and their co-venturers' involvement. This breached Respondents' duties under the Act and made them unqualified for licensing.

c. Additionally, Respondents turned management, in whole or in part, of Seven Mile over to their co-venturers, who were not licensed as owners. The co-venturers, either directly or through Respondents, made employment decisions, established operational policies and practices, and

directed Seven Mile's operations. The co-venturers thus exercised significant influence over the gambling operation. Respondents' nondisclosures concealed this conduct from both the Bureau and the Commission.

d. Respondents engaged in patterns and practices that demonstrate a substantial disregard for prudent and usual business controls and oversight. They operated Seven Mile, and its predecessor the Village Club, in an unsuitable manner. Their patterns and practices included financial dealings involving hundreds of thousands of dollars without adequate documentation. They engaged in off-the-books transactions. Seven Mile's financial auditors issued a qualified opinion because transactions with affiliates were not reported in accordance with generally accepted auditing principles. Respondents' disregard for prudent and usual business controls and oversight poses a threat to the public interest and the effective regulation and control of controlled gambling. Respondents engaged in unsuitable patterns and practices in the conduct of controlled gambling or in carrying on the business and financial arrangements incidental to controlled gambling.

SECOND CAUSE FOR DISCIPLINE

(Failing To Reveal Material Information to the Bureau)

16. Respondents' gambling licenses are subject to discipline, pursuant to Business and Professions Code sections 19823, 19857, subdivisions (a) and (b), and 19859, subdivisions (a) and (b), and California Code of Regulations, title 4, section 12568, subdivisions (c)(3) and (4). Respondents' continued licensure is inimical to public health, safety, and welfare. Respondents are not persons of good character, honesty, and integrity. Their prior activities and associations pose a threat to the effective regulation and control of controlled gambling, and create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in carrying on the business and financial arrangements incidental to the conduct of controlled

gambling. Respondents breached their duty of full and true disclosure to the Commission and the Bureau. Respondents failed to reveal to, and concealed from, the Bureau material information regarding financial interest holders, indebtedness, prospective ownership interests, and other agreements, including, but not limited to, the following:

a. Respondents failed to make full and true disclosure of information necessary to carry out the state's policies relating to licensing and control of gambling. Respondents did not disclose agreements regarding financing and ownership arrangements. Respondents received a $3 million loan from an entity affiliated with their co-venturers. The loan was secured by the assets of Respondents' gambling establishment. In addition, the loan was convertible at the co-venturers' option into an ownership interest in Seven Mile. The loan proceeds were used in the gambling establishment's operations and to construct new premises. Respondents' co-venturers also acquired a 50-percent interest in the new premises, and guaranteed commercial loans for improvements. In sum, Respondents entered into a venture with unlicensed persons to build a new facility, relocate the gambling establishment, and become co-owners.

b. Even though Respondents had license applications and other approvals pending before the Commission, they failed to disclose the venture, the financing sources, giving an option to acquire an ownership interest, and their co-venturers' involvement. This breached Respondents' duties under the Act and disqualified them from licensing.

c. Additionally, Respondents turned management, in whole or in part, of Seven Mile over to their co-venturers, who were not licensed as owners. The co-venturers, either directly or through Respondents, made employment decisions, established operational policies and practices, and directed Seven Mile's operations. The co-venturers thus exercised

significant influence over the gambling operation. Respondents' nondisclosures concealed this conduct from both the Bureau and the Commission.

PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the Commission issue a decision:

1. Revoking California State Gambling License Number GEGE-000466, issued to Respondent Seven Mile Casino, formerly known as the Village Club;

2. Revoking California State Gambling License Number GEOW-003395, issued to Respondent Harvey J. Souza;

3. Revoking California State Gambling License Number GEOW-003396, issued to Respondent Elizabeth J. Souza;

4. Revoking California State Gambling License Number GEOW-003394, issued to Respondent Harvey and Bette Souza Living Trust;

5. Revoking California State Gambling License Number GEOW-003390, issued to Respondent VC Cardroom, Inc.;

6. Fining Respondents, jointly and severally, according to proof and to the maximum extent allowed by law;

7. Awarding Complainant the costs of investigation and costs of bringing this Accusation before the Commission, pursuant to Business and Professions Code section 19930, subdivisions (d) and (f), in a sum according to proof; and

8. Taking such other and further action as the Commission may deem appropriate.

Dated: September 22, 2015

WAYNE J. QUINT, JR., Chief
Bureau of Gambling Control
California Department of Justice

APPENDIX A – STATUTORY AND REGULATORY PROVISIONS

Jurisdictional Provisions

1. Business and Professions Code section 19811 provides, in part:

(b) Jurisdiction, including jurisdiction over operation and concentration, and supervision over gambling establishments in this state and over all persons or things having to do with the operations of gambling establishments is vested in the commission.

2. Business and Professions Code section 19823 provides:

(a) The responsibilities of the commission include, without limitation, all of the following:

(1) Assuring that licenses, approvals, and permits are not issued to, or held by, unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(2) Assuring that there is no material involvement, directly or indirectly, with a licensed gambling operation, or the ownership or management thereof, by unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(b) For the purposes of this section, "unqualified person" means a person who is found to be unqualified pursuant to the criteria set forth in Section 19857, and "disqualified person" means a person who is found to be disqualified pursuant to the criteria set forth in Section 19859.

3. Business and Professions Code section 19824 provides, in part:

The commission shall have all powers necessary and proper to enable it fully and effectually to carry out the policies and purposes of this chapter, including, without limitation, the power to do all of the following:

* * *

(b) For any cause deemed reasonable by the commission, . . . limit, condition, or restrict any license, permit, or approval, or impose any fine upon any person licensed or approved. The commission may condition, restrict, discipline, or take action against the license of an individual owner endorsed on the license certificate of the gambling enterprise whether or not the commission takes action against the license of the gambling enterprise.

* * *

(d) Take actions deemed to be reasonable to ensure that no ineligible, unqualified, disqualified, or unsuitable persons are associated with controlled gambling activities.

4. Business and Professions Code section 19826 provides, in part:

The department[2] . . . shall have all of the following responsibilities:

* * *

(c) To investigate suspected violations of this chapter or laws of this state relating to gambling . . . .

* * *

(e) To initiate, where appropriate, disciplinary actions as provided in this chapter. In connection with any disciplinary action, the department may seek restriction, limitation, suspension, or revocation of any license or approval, or the imposition of any fine upon any person licensed or approved.

5. California Code of Regulations, title 4, section 12554 provides, in part:

(a) Upon the filing with the Commission of an accusation by the Bureau recommending revocation, suspension, or other discipline of a holder of a license, registration, permit, finding of suitability, or approval, the Commission shall proceed under Chapter 5 (commencing with section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

* * *

(d) Upon a finding of a violation of the Act, any regulations adopted pursuant thereto, any law related to gambling or gambling establishments, violation of a previously imposed disciplinary or license condition, or laws whose violation is materially related to suitability for a license, registration, permit, or approval, the Commission may do any one or more of the following:

(1) Revoke the license, registration, permit, finding of suitability, or approval;

(2) Suspend the license, registration, or permit;

* * *

[2] "Department" refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd. (h).)

(5) Impose any fine or monetary penalty consistent with Business and Professions Code sections 19930, subdivision (c), and 19943, subdivision (b)

Cost Recovery Provisions

6. Business and Professions Code section 19930 provides, in part:

(b) If, after any investigation, the department is satisfied that a license, permit, finding of suitability, or approval should be suspended or revoked, it shall file an accusation with the commission in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

* * *

(d) In any case in which the administrative law judge recommends that the commission revoke, suspend, or deny a license, the administrative law judge may, upon presentation of suitable proof, order the licensee or applicant for a license to pay the department the reasonable costs of the investigation and prosecution of the case.

(1) The costs assessed pursuant to this subdivision shall be fixed by the administrative law judge and may not be increased by the commission. When the commission does not adopt a proposed decision and remands the case to the administrative law judge, the administrative law judge may not increase the amount of any costs assessed in the proposed decision.

(2) The department may enforce the order for payment in the superior court in the county in which the administrative hearing was held. The right of enforcement shall be in addition to any other rights that the division may have as to any licensee to pay costs.

(3) In any judicial action for the recovery of costs, proof of the commission's decision shall be conclusive proof of the validity of the order of payment and the terms for payment.

* * *

(f) For purposes of this section, "costs" include costs incurred for any of the following:

(1) The investigation of the case by the department.

(2) The preparation and prosecution of the case by the Office of the Attorney General.

Specific Statutory and Regulatory Provisions

7. Business and Professions Code, section 19801 provides, in part:

> (h) Public trust and confidence can only be maintained by strict comprehensive regulation of all persons, locations, practices, associations, and activities related to the operation of lawful gambling establishments and the manufacture and distribution of permissible gambling equipment.
>
> (i) All gambling operations, all persons having a significant involvement in gambling operations, all establishments where gambling is conducted, and all manufacturers, sellers, and distributors of gambling equipment must be licensed and regulated to protect the public health, safety, and general welfare of the residents of this state as an exercise of the police powers of the state.
>
> * * *
>
> (k) In order to effectuate state policy as declared herein, it is necessary that gambling establishments, activities, and equipment be licensed, that persons participating in those activities be licensed or registered, that certain transactions, events, and processes involving gambling establishments and owners of gambling establishments be subject to prior approval or permission, that unsuitable persons not be permitted to associate with gambling activities or gambling establishments . . . . Any license or permit issued, or other approval granted pursuant to this chapter, is declared to be a revocable privilege, and no holder acquires any vested right therein or thereunder.

8. Business and Professions Code section 19850 provides, in part:

> Every person . . . who receives, directly or indirectly, any compensation or reward, or any percentage or share of the money or property played, for keeping, running, or carrying on any controlled game in this state, shall apply for and obtain from the commission, and shall thereafter maintain, a valid state gambling license, key employee license, or work permit . . . . In any criminal prosecution for violation of this section, the punishment shall be as provided in Section 337j of the Penal Code.

9. Business and Professions Code section 19852 provides, in part:

> [A]n owner of a gambling enterprise that is not a natural person shall not be eligible for a state gambling license unless each of the following persons individually applies for an obtains a state gambling license:
>
> * * *

(i) Every employee, agent, guardian, personal representative, lender, or holder of indebtedness of the owner who, in the judgment of the commission, has the power to exercise significant influence over the gambling operation.

10. Business and Professions Code section 19855 provides, in part:

[E]very person who, by statute or regulation, is required to hold a state license shall obtain the license prior to engaging in the activity or occupying the position with respect to which the license is required.

11. Business and Professions Code section 19857 provides:

No gambling license shall be issued unless, based on all the information and documents submitted, the commission is satisfied that the applicant is all of the following:

(a) A person of good character, honesty and integrity.

(b) A person whose prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the public interest of this state, or to the effective regulation and control of controlled gambling, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled gambling or in the carrying on of the business and financial arrangements incidental thereto.

(c) A person that is in all other respects qualified to be licensed as provided in this chapter.

12. Business and Professions Code section 19859 provides, in part:

The commission shall deny a license to any applicant who is disqualified for any of the following reasons:

(a) Failure of the applicant to clearly establish eligibility and qualification in accordance with this chapter.

(b) Failure of the applicant to provide information, documentation, and assurances required by the Chief, or failure of the applicant to reveal any fact material to qualification, or the supplying of information that is untrue or misleading as to a material fact pertaining to the qualification criteria.

13. Business and Professions Code section 19866 provides:

An applicant for licensing or for any approval or consent required by this chapter, shall make full and true disclosure of all information to the department and the commission as necessary to carry out the policies of this state relating to licensing, registration, and control of gambling.

14. Business and Professions Code section 19920 provides:

> It is the policy of the State of California to require that all establishments wherein controlled gambling is conducted in this state be operated in a manner suitable to protect the public health, safety, and general welfare of the residents of the state. The responsibility for the employment and maintenance of suitable methods of operation rests with the owner licensee, and willful or persistent use or toleration of methods of operation deemed unsuitable by the commission or by local government shall constitute grounds for license revocation or other disciplinary action.

15. Business and Professions Code section 19922 provides:

> No owner licensee shall operate a gambling enterprise in violation of any provision of this chapter or any regulation adopted pursuant to this chapter.

16. California Code of Regulations, title 4, section 12556, subdivision (c), provides, in part:

> A state gambling license, finding of suitability, or approval granted by the Commission . . . and an owner license for a gambling establishment if the owner licensee has committed a separate violation from any violations committed by the gambling establishment shall be subject to revocation by the Commission on any of the following grounds:
>
> * * *
>
> (3) If the Commission finds the holder no longer meets any criterion for eligibility, qualification, suitability or continued operation, including those set forth in Business and Professions Code section 19857, 19858, or 19880, as applicable, or
>
> (4) If the Commission finds the holder currently meets any of the criteria for mandatory denial of an application set forth in Business and Professions Code sections 19859 or 19860.