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10 **BEFORE THE**
 11 **CALIFORNIA GAMBLING CONTROL COMMISSION**
 12 **STATE OF CALIFORNIA**

14 **In the Matter of the Statement of Issues**
 15 **Against:**
 16
 17 **Angela K. Harris**, license number GEOW-
 001069, sole proprietor, and doing business as:
 18 **Casino 99, fka Angie’s Poker Club,**
 (GEGE-000438)
 19 175 East 20th Street, Suite 150
 20 Chico, California 95928
 21 and
 22 **Gary Harris**, license number GEOW-001070,
 community property interest holder in **Casino 99**
 23 175 East 20th Street, Suite 150
 24 Chico, California 95928
 25
 26 **Respondents.**
 27

BGC Case No. HQ2020-00001AC
OAH No.
STATEMENT OF ISSUES

1 Complainant alleges as follows:

2 **PARTIES**

3 1. Stephanie Shimazu (Complainant) brings this Statement of Issues solely in her
4 official capacity as the Director of the California Department of Justice, Bureau of Gambling
5 Control (Bureau).

6 2. Respondent Angela K. Harris (Ms. Harris), state gambling license number GEOW-
7 001069, owns and as a sole proprietor does business as Casino 99, license number GEGE-
8 000438. Casino 99 is an eight-table card room presently operating in Chico, California.¹

9 3. Respondent Gary Harris (Mr. Harris), state gambling license number GEOW-
10 001070, is a community property interest holder in Casino 99.² Ms. Harris and Mr. Harris are
11 referred to collectively as “Respondents.”

12 4. The California Gambling Control Commission (Commission) issued the above-
13 described licenses to Respondents pursuant to the Gambling Control Act (Act) (Bus. & Prof.
14 Code, § 19800 et seq.). On October 3, 2019, the Bureau received renewal applications, dated
15 September 18, 2019 (collectively, Applications), from Respondents.

16 5. On March 13, 2020, Complainant filed an accusation with the Commission against
17 Respondents. On or about March 19, 2020, the Bureau submitted a Gambling Establishment and
18 Owner Renewal Report to the Commission, recommending that Respondents’ Applications be
19 denied. On April 30, 2020, the Commission referred the Applications to a hearing under the
20 Administrative Procedures Act to be conducted by an administrative law judge. (Cal. Code
21 Regs., tit. 4, § 12058.)

22
23 _____
24 ¹ Ms. Harris was initially registered to own and operate Casino 99 on September 15,
25 1997, under the Gaming Registration Act (former Bus. & Prof. Code, § 19800 et seq.). The
26 Gaming Registration Act was the predecessor of the current Gambling Control Act (Bus. & Prof.
Code, § 19800 et seq.). Ms. Harris has been continuously registered or licensed to own and
operate Casino 99 since September 15, 1997.

27 ² Mr. Harris has continuously held a state gambling license as a community property
28 interest holder in Casino 99 since November 2000.

1 **JURISDICTION AND COST RECOVERY**

2 6. The Commission has jurisdiction over the operation and concentration of gambling
3 establishments and all persons and things having to do with the operations of gambling
4 establishments. (Bus. & Prof. Code, § 19811, subd. (b).)³ The Act tasks the Bureau with, among
5 other responsibilities, receiving and processing applications for licensure, investigating
6 applicants' qualifications, and making, in the Bureau's discretion, denial recommendations. (Bus.
7 & Prof. Code, § 19826, subd. (a).) Upon the Commission's electing to hold an Administrative
8 Procedures Act hearing, the Commission proceeds under Government Code section 11500 et seq.
9 (Cal. Code Regs., tit. 4, § 12058, subd. (a).)

10 7. In any case in which the administrative law judge recommends that the
11 Commission deny a license, the Bureau may recover its reasonable costs of investigation and
12 prosecuting the proceeding. (Bus. & Prof. Code, § 19930, subd. (d).)

13 **BURDEN OF PROOF**

14 8. The burden of proving his or her qualifications to receive a license under the Act is
15 on the applicant. (Bus. & Prof. Code, § 19856, subd. (a); Cal. Code Regs., tit. 4, § 12058, subd.
16 (c).)

17 **THE ACT REQUIRES STRICT REGULATION**

18 9. Operating a card room in California is a revocable privilege and no license holder
19 acquires a vested right under the Act. (Bus. & Prof. Code, § 19801, subd. (k).) The Act provides
20 for comprehensive regulation to, among other things, "ensure that gambling is free from criminal
21 and corruptive elements, [and] that it is conducted honestly and competitively" (Bus. &
22 Prof. Code, § 19801, subd. (g).) Comprehensive regulation maintains the public trust that
23 permissible gambling will not endanger the public health, safety, and welfare. (Bus. & Prof.
24 Code, § 19801, subds. (g) & (h).) Such comprehensive regulation covers all persons, practices,
25 and associations related to the operation of lawful gambling establishments. (Bus. & Prof. Code,
26 § 19801, subds. (h) & (i).)

27 _____
28 ³ The statutes and regulations applicable to this Statement of Issues are quoted in
pertinent part in Appendix A.

1 10. It is unlawful for any person, either solely or in conjunction with others, to
2 maintain any controlled game “without having first procured and thereafter maintained in effect
3 all federal, state and local licenses required by law.” (Pen. Code, § 337j, subd (a)(1).) “[E]very
4 person who, by statute or regulation, is required to hold a state [gambling] license shall obtain the
5 license prior to engaging in the activity or occupying the position with respect to which the
6 license is required.” (Bus. & Prof. Code, § 19855.)

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

11 12. “An application to receive a [state gambling] license constitutes a request for a
12 determination of the applicant's general character, integrity, and ability to participate in, engage
13 in, or be associated with, controlled gambling.” (Bus. & Prof. Code, § 19856, subd. (b).)

14 13. The Act makes unqualified for licensure any person who is not of good character,
15 honesty, and integrity. (Bus. & Prof. Code, § 19857, subd. (a).) The Act also makes unqualified
16 for licensure any person whose prior activities and associations pose a threat to effective
17 regulation and control of controlled gambling, or create or enhance the dangers of unsuitable,
18 unfair, or illegal practices, methods, and activities in carrying on the business and financial
19 arrangements incidental to the conduct of controlled gambling. (Bus. & Prof. Code, § 19857,
20 subd. (b).)

21 **PRIOR DISCIPLINARY ACTION AGAINST RESPONDENTS**

22 14. On February 7, 2019, the Commission issued a Stipulated Settlement; Decision
23 and Order (Order) against Respondents.⁴ The Order imposed conditions on Respondents’
24 licensure as set forth below.

25 a. Upon the Order’s effective date, Ms. Harris’s state gambling license was renewed
26 subject to the following conditions:

27 _____
28 ⁴ Available at:
http://www.cgcc.ca.gov/documents/adminactions/decision/Casino_99_Stip_Decision.pdf.

- 1 a. Making monthly deposits from Casino 99's revenue into Casino 99, LLC's
2 main operating bank account;
- 3 b. Making bi-monthly transfers into Casino 99, LLC's payroll bank account
4 to meet Casino 99's payroll obligations;
- 5 c. Making monthly deposits into Casino 99, LLC's player reserve bank
6 account for Casino 99's players;
- 7 d. Transferring \$5,750 from Ms. Harris's dba "Casino 99/Angies Poker Club"
8 chips in use account into Casino 99, LLC's chip loss reserve account;
- 9 e. Transacting business with Casino 99's customers through Casino 99,
10 LLC's main operating bank account;
- 11 f. Making a deposit into Casino 99, LLC's payroll bank account on May 24,
12 2019, in the amount of \$46,765.56 from Ms. Harris's dba "Casino 99/Angies Poker Club"
13 payroll account; and
- 14 g. Transferring \$100,749.66 from Ms. Harris's dba "Casino 99/Angies Poker
15 Club" account into Casino 99, LLC's player reserve bank account.

16 (Pen. Code, § 337j, subd. (a)(1); Bus. & Prof. Code, §§ 19801, subds. (d), (k), 19823, 19850,
17 19855, 19856, 19857, 19920, 19922; Cal. Code. Regs., tit. 4, § 12346, subd. (a)(1) [mandatory
18 denial].)

19 **SECOND CAUSE FOR DENIAL**
20 **(Violation of the Commission's Order)**

21 18. Respondents' Applications are subject to denial because in violation of the
22 Commission's Order, since at least January of 2019 and without having obtained a state gambling
23 license as an owner, Mr. Harris actively participated in, and exercised significant influence over,
24 the operation of Casino 99. His conduct includes the following, among other things:

- 25 a. Mr. Harris operates Casino 99 as an owner, doing anything that needs to be
26 done to maintain the business.
- 27 b. Mr. Harris has control over the finances of Casino 99 through use of
28

1 Casino 99, LLC's bank accounts.

2 c. Mr. Harris acts as the managing member of Casino 99, LLC.

3 d. Mr. Harris handles banking transactions for Casino 99.

4 (Bus. & Prof. Code, §§ 19823, 19850, 19855, 19856, 19857, 19920, 19922; Cal. Code. Regs., tit.
5 4, § 12346, subds. (a)(1) [mandatory denial], (b)(4)(B).)

6 **THIRD CAUSE FOR DENIAL**

7 **(Violation of the Commission's Order on Financial Statements)**

8 19. Respondents' Applications are subject to denial because, in violation of the
9 Commission's Order, Respondents submitted financial statements to the Bureau for the year
10 ending December 31, 2018, that were not prepared in accordance with generally accepted
11 accounting principles.

12 (Bus. & Prof. Code, §§ 19823, 19850, 19855, 19856, 19857, 19920, 19922; Cal. Code. Regs., tit.
13 4, § 12346, subds. (a)(1) [mandatory denial], (b)(4)(B).)

14 **FOURTH CAUSE FOR DENIAL**

15 **(Violation of Penal Code section 337a, subdivision (a)(3) – Game Staking)**

16 20. Respondents' Applications are subject to denial because they have unlawfully
17 staked Mr. Harris to play in poker games offered for play at Casino 99, in violation of Penal Code
18 section 337a, subdivision (a)(3). In games in which Respondents staked his play, Respondents
19 recovered the stakes that were at risk, as well as all of Mr. Harris's winnings when he prevailed.
20 Additionally, Respondents bore the losses of the money they staked when Mr. Harris lost.

21 (Pen. Code, § 337a, subd. (a)(3); Bus. & Prof. Code, §§ 19856, 19857, 19859, subd. (a)
22 [mandatory denial], 19920, 19922; Cal. Code. Regs., tit. 4, §§ 12568, subds. (a)(1) & (5), (b)(4),
23 (c)(3) & (4), 12346, subds. (a)(1) [mandatory denial], (b)(4)(B), (c).)

24 **PRAYER**

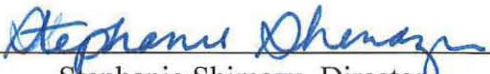
25 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,
26 and that following the hearing, the Commission issue a decision:

27 1. Denying the application to renew California State Gambling License Number
28 GEOW-001069 submitted by respondent Angela Harris;

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- 2. Denying the application to renew California State Gambling License Number GEOW-001070 submitted by respondent Gary Harris;
- 3. Awarding Complainant the costs of investigation and costs of bringing this 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
- 4. Taking such other and further action as the Commission may deem appropriate.

Dated: June 8, 2020


Stephanie Shimazu, Director
Bureau of Gambling Control
California Department of Justice

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APPENDIX A – STATUTORY AND REGULATORY PROVISIONS

Jurisdictional and Standard of Proof 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:
 - (a) Require any person to apply for a license, permit, registration, or approval as specified in this chapter, or regulations adopted pursuant to this chapter.
 - (b) For any cause deemed reasonable by the commission, deny any application for license, permit, or approval . . . , 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.

1 (c) Approve or disapprove transactions, events, and processes as
2 provided in this chapter.

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

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

7 The department⁵ . . . shall have all of the following responsibilities:

8 (a) To receive and process applications for any license, permit, or other
9 approval The department shall investigate the qualifications of
10 applicants before any license, permit, or other approval is issued, and
11 investigate any request to the commission for any approval that may be
12 required under this chapter. The department may recommend the denial or
13 the limitation, conditioning, or restriction of any license, permit, or other
14 approval.

15 5. California Code of Regulations, title 4, section 12058 provides, in part:

16 (a) When the Commission elects to hold an APA hearing the
17 Commission shall determine whether the APA hearing will be held before an
18 Administrative Law Judge sitting on behalf of the Commission or before the
19 Commission itself with an Administrative Law Judge presiding in
20 accordance with Government Code section 11512. Notice of the APA
21 hearing shall be provided to the applicant pursuant to Government Code
22 section 11500 et seq.

23 (b) The burden of proof is on the applicant to prove his, her, or its
24 qualifications to receive any license or other approval under the Act.

25 **Cost Recovery Provisions**

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

27 * * *

28 (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

⁵ "Department" refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd.
(h).)

1 law judge may not increase the amount of any costs assessed in the
2 proposed decision.

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

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

10 * * *

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

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

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

16 Specific Statutory and Regulatory Provisions

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

18 (d) Unregulated gambling enterprises are inimical to the public health,
19 safety, welfare, and good order. Accordingly, no person in this state has a
20 right to operate a gambling enterprise except as may be expressly permitted
21 by the laws of this state and by the ordinances of local governmental bodies.

22 * * *

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

27 (i) All gambling operations, all persons having a significant
28 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

1 owners of gambling establishments be subject to prior approval or
2 permission, that unsuitable persons not be permitted to associate with
3 gambling activities or gambling establishments Any license or permit
4 issued, or other approval granted pursuant to this chapter, is declared to be a
5 revocable privilege, and no holder acquires any vested right therein or
6 thereunder.

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

13 Every person who, . . . either solely or in conjunction with others, deals,
14 operates, carries on, conducts, maintains, or exposes for play any controlled
15 game in this state, or who receives, directly or indirectly, any compensation
16 or reward, or any percentage or share of the money or property played, for
17 keeping, running, or carrying on any controlled game in this state, shall
18 apply for and obtain from the commission, and shall thereafter maintain, a
19 valid state gambling license, key employee license, or work permit In
20 any criminal prosecution for violation of this section, the punishment shall
21 be as provided in Section 337j of the Penal Code.

22 9. Business and Professions Code section 19853 provides, in part:

23 (a) The commission, by regulation or order, may require that the
24 following persons register with commission, apply for a finding of suitability
25 . . . or apply for a gambling license:

26 * * *

27 (6) Every person who, in the judgment of the commission, has the
28 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 19856 provides, in part:

(a) Any person who the commission determines is qualified to receive a
state license, having due consideration for the proper protection of the
health, safety, and general welfare of the residents of the State of California
and the declared policy of this state, may be issued a license. The burden of
proving his or her qualifications to receive any license is on the applicant.

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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 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.

1 16. California Code of Regulations, title 4, section 12346 provides in part:

2 (a) An application for gambling license shall be denied by the
3 Commission if any of the following apply:

4 (1) The Commission finds that the applicant is ineligible,
5 unqualified, disqualified, or unsuitable pursuant to the criteria set forth
6 in the Act or other applicable law or that granting the license would be
7 inimical to public health, safety, welfare, or would undermine the public
8 trust that gambling operations are free from criminal or dishonest
9 elements.

10 * * *

11 (b) An application for gambling license may be denied if:

12 * * *

13 (4) The Commission finds that the applicant has, within ten years
14 immediately preceding the submission of the application, willfully or
15 persistently violated any of the following:

16 * * *

17 (B) Any condition, limitation, or directive imposed on a
18 previously held gambling license.

19 (c) The grounds for denial set forth in this section apply in addition to
20 any grounds prescribed by statute or any grounds that would support
21 revocation under chapter 10 of these regulations.

22 17. California Code of Regulations, title 4, section 12568 provides in part:

23 (a) A license for an individual or any finding of suitability or
24 approval granted by the Commission, other than a work permit, and an
25 owner license for a gambling establishment if the owner licensee has
26 committed a separate violation from any violations committed by the
27 gambling establishment shall be subject to a minimum discipline of
28 suspension for one day of normal business operation and a maximum
discipline of revocation, which may be stayed on terms and conditions and
any monetary penalty as described in Section 12554(d)(7) of this chapter, if
the Commission finds that the holder has:

(1) Violated or is out of compliance with conditions, limitations, or
orders or directives imposed by the Commission, either as part of an
initial grant of license or registration, renewal of such, or pursuant to
disciplinary action,

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(5) Committed any act punishable as a crime, not otherwise listed in these disciplinary guidelines, which substantially relates to the duties and qualifications of the licensee or registrant, or which occurred in a gambling establishment or the associated adjacent property, or

(6) Engaged in any conduct on the premises of the gambling establishment or in connection with controlled gambling that is inimical to the health, welfare, or safety of the general public.

(b) A license, finding of suitability, or approval granted by the Commission, other than a work permit, 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 a minimum discipline of suspension for five days of normal scheduled work and a maximum discipline of revocation, which may be stayed on terms and conditions and any monetary penalty as described in Section 12554(d)(7) of this chapter, if the Commission finds that the holder has:

* * *

(4) Committed an act prohibited by Chapter 9 (commencing with section 319) and Chapter 10 (commencing with section 330) of Title 9 of Part 1 of the Penal Code, including but not limited to operation of a banked or percentage game (Penal Code, section 330), possession or sale of a slot machine (Penal Code, section 330b) or agreement for slot machine payout (Penal Code, section 330.1), bookmaking (Penal Code, section 337), and cheating (Penal Code, section 337x)[.]

* * *

(c) 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.

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18. Penal Code section 337a provides in part:

Except as provided in Section 336.9, every person who engages in one of the following offenses, shall be punished for a first offense by imprisonment in a county jail for a period of not more than one year or in the state prison, or by a fine not to exceed five thousand dollars (\$5,000), or by both imprisonment and fine:

* * *

(3) Whether for gain, hire, reward, or gratuitously, or otherwise, receives, holds, or forwards, or purports or pretends to receive, hold, or forward, in any manner whatsoever, any money, thing or consideration of value, or the equivalent or memorandum thereof, staked, pledged, bet or wagered, or to be staked, pledged, bet or wagered, or offered for the purpose of being staked, pledged, bet or wagered, upon the result, or purported result, of any trial, or purported trial, or contest, or purported contest, of skill, speed or power of endurance of person or animal, or between persons, animals, or mechanical apparatus, or upon the result, or purported result, of any lot, chance, casualty, unknown or contingent event whatsoever.