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9
10 BEFORE THE
11 CALIFORNIA GAMBLING CONTROL COMMISSION
12 STATE OF CALIFORNIA
13

14
15 In the Matter of the Accusation Against:

16 The OAKS CARD CLUB
4097 San Pablo Avenue
17 Emeryville, CA 94608

18 Gambling License No. GEGE-001063

19 Respondent.

CGCC Case No. _____

OAH No. _____

ACCUSATION

20
21 Complainant alleges:

22 **PARTIES**

23 1. Martin Horan, Jr. ("Complainant") brings this Accusation under the Gambling
24 Control Act (Bus. & Prof. Code, § 19800, et seq., the "Act."), solely in his official capacity as the
25 acting Chief of the Bureau of Gambling Control, California Department of Justice ("Bureau").

26 2. The Oaks Card Club (the "Oaks" or "Respondent"), as a limited partnership, owns the
27 gambling establishment presently known and doing business as the Oaks Card Club, located at
28 4097 San Pablo Avenue, Emeryville, California 94608. The Oaks is the holder of Gambling

1 License Number GEGE-001063 for the gambling enterprise issued by the California Gambling
2 Control Commission ("Commission") pursuant to the Gambling Control Act (Bus. & Prof. Code,
3 § 19800, et seq., the "Act"). The Oaks' state gambling license was in full force and effect at all
4 times relevant to the facts set forth herein. That license will expire on June 30, 2011, unless
5 renewed.

6 JURISDICTION

7 3. This Accusation is brought before the Commission pursuant to the following statutes.
8 All section references are to the Business and Professions Code unless otherwise stated.

9 4. Section 19811 provides, in pertinent part:

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

14 5. Section 19823 provides as follows:

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

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

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

27 6. Section 19824 provides, in pertinent part:

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

* * * *

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

7. Section 19826 provides, in pertinent part:

1 The department [of Justice (see § 19805, subd. (h))] shall have all of
2 the following responsibilities:

3 * * * *

4 (e) To initiate, where appropriate, disciplinary actions as provided in
5 [the Act]. In connection with any disciplinary action, the department may
6 seek restriction, limitation, suspension, or revocation of any license or
7 approval, or the imposition of any fine upon any person licensed or
8 approved.

9 8. Section 19930 provides, in pertinent part:

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

15 (c) In addition to any action that the commission may take against a
16 license, permit, finding of suitability, or approval, the commission may
17 also require the payment of fines or penalties. However, no fine imposed
18 shall exceed twenty thousand dollars (\$20,000) for each separate
19 violation of any provision of [the Act] or any regulation adopted
20 thereunder.

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

26 * * * *

27 (f) For purposes of this section, "costs" include costs incurred for any
28 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.

9. Section 19931 provides:

(a) The department may issue any emergency orders against an owner
licensee or any person involved in a transaction requiring prior approval
that the department deems reasonably necessary for the immediate
preservation of the public peace, health, safety, or general welfare.

(b) The emergency order shall set forth the grounds upon which it is
based, including a statement of facts constituting the alleged emergency
necessitating the action.

(c) The emergency order is effective immediately upon issuance and

1 service upon the owner licensee or any agent of the licensee registered
2 with the department for receipt of service, or, in cases involving prior
3 approval, upon issuance and service upon the person or entity involved,
4 or upon an agent of that person or entity authorized to accept service of
5 process in this state. The emergency order may suspend, limit, condition,
6 or take other action in relation to the license of one or more persons in an
7 operation without affecting other individual licensees, registrants, or the
8 licensed gambling establishment. The emergency order remains effective
9 until further order of the commission or final disposition of any
10 proceeding conducted pursuant to subdivision (d).

11 (d) Within two calendar days after issuance of an emergency order, the
12 department shall file an accusation with the commission against the
13 person or entity involved. Thereafter, the person or entity against whom
14 the emergency order has been issued and served is entitled to a hearing
15 which, if so requested, shall commence within 10 business days of the
16 date of the request if a gambling operation is closed by the order, and in
17 all other cases, within 30 calendar days of the date of the request. On
18 application of the department, and for good cause shown, a court may
19 extend the time within which a hearing is required to be commenced,
20 upon those terms and conditions that the court deems equitable.

21 10. Section 12554 of Title 4 of the California Code of Regulations provides, in pertinent
22 part:

23 (a) Upon the filing with the Commission of an accusation by the
24 Bureau recommending revocation, suspension, or other discipline of a
25 holder of a license, registration, permit, finding of suitability, or approval,
26 the Commission shall proceed under Chapter 5 (commencing with section
27 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

28 * * * *

(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;

(3) Order the licensing authority of a city, county, or city and
county to revoke a work permit, pursuant to Business and Professions
Code section 19914, subdivision (a);

(4) Impose any condition, limitation, order, or directive (including
but not limited to a directive to divest an interest in a business entity
pursuant to Business and Professions Code, section 19879);

(5) Impose any fine or monetary penalty consistent with Business

1 and Professions Code sections 19930, subdivision (c) ;

2 (6) Stay, in whole or in part, the imposition of a revocation or
3 suspension against the holder of a license, registration, work permit,
4 finding of suitability, or approval, or

4 (7) Order the holder to pay a monetary penalty in lieu of all or a
5 portion of a suspension. Within the guidelines of Business and
6 Professions Code sections 19930, subdivision (c) :

6 (A) If the respondent is an owner licensee of a gambling
7 establishment, the monetary penalty shall be equivalent of fifty percent
8 of the average daily gross gaming revenue, but not less than \$300, for
9 the number of days for which the suspension is stayed.

8 **OTHER APPLICABLE STATUTES AND REGULATIONS**

9 11. Section 19801 provides in pertinent part:

10 The Legislature hereby finds and declares all of the following:

11 * * * *

12 (g) Public trust that permissible gambling will not endanger public
13 health, safety, or welfare requires that comprehensive measures be
14 enacted to ensure that gambling is free from criminal and corruptive
15 elements, that it is conducted honestly and competitively, and that it is
16 conducted in suitable locations.

16 * * * *

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

20 12. Section 19805 provides as follows:

21 As used in [the Act], the following definitions shall apply:

22 * * * *

23 (m) "Gambling enterprise" means a natural person or an entity,
24 whether individual, corporate, or otherwise, that conducts a gambling
25 operation and that by virtue thereof is required to hold a state gambling
26 license under [the Act].

26 * * * *

27 (o) "Gambling establishment," "establishment," or "licensed
28 premises," except as otherwise defined in Section 19812, means one or
29 more rooms where any controlled gambling or activity directly related
30 thereto occurs.

1 (p) "Gambling license" or "state gambling license" means any license
2 issued by the state that authorizes the person named therein to conduct a
3 gambling operation.

4 * * * *

5 (w) "Key employee" means any natural person employed in the
6 operation of a gambling enterprise in a supervisory capacity or
7 empowered to make discretionary decisions that regulate gambling
8 operations, including, without limitation, pit bosses, shift bosses, credit
9 executives, cashier operations supervisors, gambling operation managers
10 and assistant managers, managers or supervisors or security employees,
11 or any other natural person designated as a key employee by the
12 department for reasons consistent with the policies of the Act.

13 * * * *

14 (ad) "Owner licensee" means an owner of a gambling enterprise who
15 holds a state gambling license.

16 * * * *

17 (ak) "Work permit" means any card, certificate, or permit issued by
18 the commission, or by a county, city, or city and county, whether
19 denominated as a work permit, registration card, or otherwise, authorizing
20 the holder to be employed as a gambling enterprise employee or to serve
21 as an independent agent. A document issued by any governmental
22 authority for any employment other than gambling is not a valid work
23 permit for the purposes of [the Act].

24 13. Section 19920 provides as follows:

25 It is the policy of the State of California to require that all
26 establishments wherein controlled gambling is conducted in this state be
27 operated in a manner suitable to protect the public health, safety, and
28 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.

14. Section 19922 provides:

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

15. Section 12568 of title 4 of the California Code of Regulations provides, in pertinent
part:

(b) A license, finding of suitability, or approval granted by the
Commission, other than a work permit, and an owner license for a

1 gambling establishment if the owner licensee has committed a separate
2 violation from any violations committed by the gambling establishment
3 shall be subject to a minimum discipline of suspension for five days of
4 normal scheduled work and a maximum discipline of revocation, which
5 may be stayed on terms and conditions and any monetary penalty as
6 described in Section 12554(d)(7) of this chapter, if the Commission finds
7 that the holder has:

8 * * * *

9 (5) Committed extortion (as that term is defined in Chapter 7
10 of Title 13 of Part 1 of the Penal Code, commencing with section 518),

11 (6) Committed loan-sharking (as that term is used in Civil
12 Code section 1916-3, subdivision (b)),

13 (7) Conducted or negotiated illegal sales of controlled
14 substances (as that term is used in Chapter 1 (commencing with
15 section 11000) of Division 10 of the Health and Safety Code) or
16 dangerous drugs (as that term is used in Business and Professions
17 Code, section 4022),

18 (8) As an owner licensee, not taken reasonable steps to prevent
19 the crimes listed in subsection (b), paragraphs (5) through and
20 including (7), from occurring at the gambling establishment, when the
21 owner licensee knew or should have known that these crimes were
22 being committed

23 16. The State Usury Law provides, in pertinent part:

24 (b) Any person who willfully makes or negotiates, for himself or
25 another, a loan of money, credit, goods, or things in action, and who
26 directly or indirectly charges, contracts for, or receives with respect to
27 any such loan any interest or charge of any nature, the value of which is
28 in excess of that allowed by law, is guilty of loan-sharking, a felony, and
is punishable by imprisonment in the state prison for not more than five
years or in the county jail for not more than one year. This subdivision
shall not apply to any person licensed to make or negotiate, for himself or
another, loans of money, credit, goods, or things in action, or expressly
exempted from compliance by the laws of this state with respect to such
licensure or interest or other charge, or to any agent or employee of such
person when acting within the scope of his agency or employment.

(Stats. 1919, § 3, subd. (b), p. lxxxiii, Deerings Ann. Civ. Code, Appen. § 3 (2010 ed..))

17. Article XV, section 1 of the state Constitution states in pertinent part:

The rate of interest upon the loan or forbearance of any money, goods,
or things in action, or on accounts after demand, shall be 7 percent per
annum but it shall be competent for the parties to any loan or forbearance
of any money, goods or things in action to contract in writing for a rate of
interest:

(1) For any loan or forbearance of any money, goods, or things in

1 action, if the money, goods, or things in action are for use primarily for
2 personal, family, or household purposes, at a rate not exceeding 10
3 percent per annum; provided, however, that any loan or forbearance of
4 any money, goods or things in action the proceeds of which are used
5 primarily for the purchase, construction or improvement of real property
6 shall not be deemed to be a use primarily for personal, family or
7 household purposes; or

8 (2) For any loan or forbearance of any money, goods, or things in
9 action for any use other than specified in paragraph (1), at a rate not
10 exceeding the higher of (a) 10 percent per annum or (b) 5 percent per
11 annum plus the rate prevailing on the 25th day of the month preceding the
12 earlier of (i) the date of execution of the contract to make the loan or
13 forbearance, or (ii) the date of making the loan or forbearance established
14 by the Federal Reserve Bank of San Francisco on advances to member
15 banks under Sections 13 and 13a of the Federal Reserve Act as now in
16 effect or hereafter from time to time amended (or if there is no such
17 single determinable rate of advances, the closest counterpart of such rate
18 as shall be designated by the Superintendent of Banks of the State of
19 California unless some other person or agency is delegated such authority
20 by the Legislature).

21 No person, association, copartnership or corporation shall by charging
22 any fee, bonus, commission, discount or other compensation receive from
23 a borrower more than the interest authorized by this section upon any
24 loan or forbearance of any money, goods or things in action.

25 * * * *

26 The provisions of this section shall supersede all provisions of this
27 Constitution and laws enacted thereunder in conflict therewith.

28 18. Health and Safety Code section 11378 states:

Except as otherwise provided in Article 7 (commencing with Section
4211) of Chapter 9 of Division 2 of the Business and Professions Code,
every person who possesses for sale any controlled substance which is (1)
classified in Schedule III, IV, or V and which is not a narcotic drug,
except subdivision (g) of Section 11056, (2) specified in subdivision (d)
of Section 11054, except paragraphs (13), (14), (15), (20), (21), (22), and
(23) of subdivision (d), (3) specified in paragraph (11) of subdivision (c)
of Section 11056, (4) specified in paragraph (2) or (3) of subdivision (f)
of Section 11054, or (5) specified in subdivision (d), (e), or (f), except
paragraph (3) of subdivision (e) and subparagraphs (A) and (B) of
paragraph (2) of subdivision (f), of Section 11055, shall be punished by
imprisonment in the state prison.

The illegal drug commonly referred to as "ecstasy" is a controlled substance, or is treated as a
controlled substance, under Health and Safety Code section 11378. (Health & Safe. Code, §
11401.)

19. Title 31 United States Code section 5313(a) states:

1 When a domestic financial institution is involved in a transaction for
2 the payment, receipt, or transfer of United States coins or currency (or
3 other monetary instruments the Secretary of the Treasury prescribes), in
4 an amount, denomination, or amount and denomination, or under
5 circumstances the Secretary prescribes by regulation, the institution and
6 any other participant in the transaction the Secretary may prescribe shall
7 file a report on the transaction at the time and in the way the Secretary
8 prescribes. A participant acting for another person shall make the report
9 as the agent or bailee of the person and identify the person for whom the
10 transaction is being made.

11 20. Title 31 United States Code section 5312(a)(2)(X) defines a "financial institution" to
12 include:

13 [A] casino, gambling casino, or gaming establishment with an annual
14 gaming revenue of more than \$ 1,000,000 which—

15 (i) is licensed as a casino, gambling casino, or gaming
16 establishment under the laws of any State or any political subdivision of
17 any State

18 21. Title 31 United States Code section 5324(a) states in pertinent part:

19 No person shall, for the purpose of evading the reporting requirements
20 of section 5313(a) or 5325 or any regulation prescribed under any such
21 section, the reporting or recordkeeping requirements imposed by any
22 order issued under section 5326, or the recordkeeping requirements
23 imposed by any regulation prescribed under section 21 of the Federal
24 Deposit Insurance Act or section 123 of Public Law 91—

25 (1) cause or attempt to cause a domestic financial institution to
26 fail to file a report required under section 5313(a) or 5325 or any
27 regulation prescribed under any such section, to file a report or to
28 maintain a record required by an order issued under section 5326, or to
29 maintain a record required pursuant to any regulation prescribed under
30 section 21 of the Federal Deposit Insurance Act or section 123 of Public
31 Law 91-508;

32 * * * *

33 (3) structure or assist in structuring, or attempt to structure or
34 assist in structuring, any transaction with one or more domestic financial
35 institutions.

36 22. Title 31 of the Code of Federal Regulations section 103.22(b)(2) sets reporting
37 requirements for casinos for large cash transactions in pertinent part as follows:

38 Each casino shall file a report of each transaction in currency,
39 involving either cash in or cash out, of more than \$10,000.

40 (i) Transactions in currency involving cash in include, but are not

1 limited to:

2 (A) Purchases of chips, tokens, and other gaming instruments;

3 (B) Front money deposits;

4 (C) Safekeeping deposits;

5 (D) Payments on any form of credit, including markers and
6 counter checks;

7 (ii) Transactions in currency involving cash out include, but are not
8 limited to:

9 (A) Redemptions of chips, tokens, tickets, and other gaming
10 instruments;

11 (B) Front money withdrawals;

12 (C) Safekeeping withdrawals;

13 (D) Advances on any form of credit, including markers and
14 counter checks;

15 (E) Payments on bets. . . .

16 23. Title 31 of the Code of Federal Regulations section 103.11(gg) defines structuring of
17 a transaction as follows:

18 [A] person structures a transaction if that person, acting alone, or in
19 conjunction with, or on behalf of, other persons, conducts or attempts to
20 conduct one or more transactions in currency, in any amount, at one or
21 more financial institutions, on one or more days, in any manner, for the
22 purpose of evading the reporting requirements under section 103.22 of
23 this part. "In any manner" includes, but is not limited to, the breaking
24 down of a single sum of currency exceeding \$ 10,000 into smaller sums,
25 including sums at or below \$ 10,000, or the conduct of a transaction, or
26 series of currency transactions, including transactions at or below \$
27 10,000. The transaction or transactions need not exceed the \$ 10,000
28 reporting threshold at any single financial institution on any single day in
order to constitute structuring within the meaning of this definition.

29 24. Title 31 United States Code section 5318(g) states in pertinent part:

30 Reporting of suspicious transactions.—

31 (1) In general.--The Secretary may require any financial
32 institution, and any director, officer, employee, or agent of any
33 financial institution, to report any suspicious transaction
34 relevant to a possible violation of law or regulation.

1 25. Title 31 of the Code of Federal Regulations section 103.21(a)(1) and (2) requires
2 reporting of suspicious financial transactions as follows:

3 (1) Every casino shall file with [the Department of the Treasury's
4 Financial Crimes Enforcement Network] FinCEN, to the extent and in the
5 manner required by this section, a report of any suspicious transaction
6 relevant to a possible violation of law or regulation. A casino may also
7 file with FinCEN, by using the form specified in paragraph (b)(1) of this
8 section, or otherwise, a report of any suspicious transaction that it
9 believes is relevant to the possible violation of any law or regulation but
10 whose reporting is not required by this section.

11 (2) A transaction requires reporting under the terms of this section if it
12 is conducted or attempted by, at, or through a casino, and involves or
13 aggregates at least \$5,000 in funds or other assets, and the casino knows,
14 suspects, or has reason to suspect that the transaction (or a pattern of
15 transactions of which the transaction is a part):

16 (i) Involves funds derived from illegal activity or is intended
17 or conducted in order to hide or disguise funds or assets derived from
18 illegal activity (including, without limitation, the ownership, nature,
19 source, location, or control of such funds or assets) as part of a plan to
20 violate or evade any federal law or regulation or to avoid any transaction
21 reporting requirement under federal law or regulation;

22 (ii) Is designed, whether through structuring or other means, to
23 evade any requirements of this part or of any other regulations
24 promulgated under the Bank Secrecy Act, Public Law 91-508, as
25 amended, codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1959, and 31
26 U.S.C. 5311-5332;

27 (iii) Has no business or apparent lawful purpose or is not the
28 sort in which the particular customer would normally be expected to
engage, and the casino knows of no reasonable explanation for the
transaction after examining the available facts, including the background
and possible purpose of the transaction; or

 (iv) Involves use of the casino to facilitate criminal activity.

29 26. Section 12556 of Title 4 of the California Code of Regulations provides, in pertinent
30 part:

31 Factors in mitigation may reduce a minimum penalty of suspension
32 listed in [the Act], either in number of days suspended and/or in the
33 proposal to stay a suspension for a period of probation and the payment of
34 any monetary penalty. Factors in aggravation may increase a penalty or
35 be taken into consideration in determining whether or not to allow a
36 suspension to be stayed upon payment of a monetary penalty. If presented
37 by complainant or respondent, the Commission shall consider the
38 following factors in mitigation or aggravation of the penalty imposed:

* * * *

1 (g) The extent to which respondent realized an economic gain from
2 the violation.

3 (h) Disciplinary history of respondent, repeated offenses of the same
4 or similar nature, or evidence that the unlawful act was part of a pattern or
5 practice, including the frequency or duration of any pattern or practice
6 which violates applicable law.

7 (i) Any other aggravating factors, including any factors which the
8 Commission determines to bear on the health, safety, or welfare of the
9 public.

10 (j) The extent to which there was actual or potential harm to the public
11 or to any patron.

12 (k) The extent to which an owner licensee or key employee of a
13 gambling establishment, owner or supervisor of a third-party provider of
14 proposition player services, or owner or supervisor of a gambling
15 business exercised due diligence in management or supervision.

16 * * * *

17 (p) Any relevant evidence offered by respondent in mitigation of the
18 violation.

19 GENERAL ALLEGATIONS

20 27. Licensed gambling enterprises ("cardrooms") offer gambling to cardroom patrons in
21 the form of "controlled games" under the Act. (Bus. & Prof. Code, § 19805, subd. (f); Pen. Code,
22 § 337j, subd. (e)(1).) Controlled games include traditional poker and so-called "Asian games" in
23 industry parlance. (Bus. & Prof. Code, § 19805, subd. (f); Pen. Code, § 337j, subd. (e)(1); see
24 also Pen. Code, § 330.11.) Asian games include such games as Pai Gow Tiles, Pai Gow Poker,
25 California 21, and Three-card Poker. Asian games are faster paced with fewer betting
26 opportunities and generally higher stakes than other controlled games offered at licensed
27 cardrooms.

28 28. Since March 2009, the Bureau has been investigating the Oaks and Artichoke Joe's
Casino ("Artichoke Joe's"), another licensed gambling enterprise under the Act that is located in
San Bruno, California. The investigation has involved significant undercover work by Bureau
special agents, as well as the use of confidential informants. The investigation has revealed
pervasive criminal activity largely centered around the Asian gaming sections of both cardrooms
(the Oaks and Artichoke Joe's). The primary criminal activities that have been found in relation

1 to the Oaks are illegal loan-sharking and drug dealing. Members of a criminal loan-sharking
2 organization openly transact illegal usurious loans with cardroom patrons on a regular basis in the
3 Asian gaming sections of both cardrooms using the cardroom podiums (satellite cages) as their
4 centers of operations. The cardroom podiums are ostensibly for transacting cardroom business
5 for use only by cardroom employees in providing services to patrons, such as gambling chip
6 purchases, at convenient locations within the cardrooms. The members of the criminal loan-
7 sharking organization are nearly a constant presence in the Asian games sections and operate with
8 impunity at both cardrooms and between the two cardrooms, and their operation at the Oaks is
9 common knowledge among many Oaks patrons and employees. A substantial number of
10 employees in both cardrooms are either directly involved with, or have knowledge of, the illegal
11 activities; and while on duty at the cardrooms, these employees routinely conduct monetary
12 transactions with the members of the criminal loan-sharking organization.

13 **FIRST CAUSE FOR DISCIPLINE**

14 **(Violations of Business and Professions Code Sections 19920 and 19922—** 15 **Operation in a Manner Inimical to the Public Health, Safety, and General Welfare of the** 16 **Residents of the State; Willful or Persistent Use or Toleration of Methods of Operation** 17 **Deemed Unsuitable and Violation of Commission Regulations—Loan-Sharking)**

18 29. Complainant incorporates by this reference each and every allegation contained in
19 paragraphs 1 through 28 above, as though set forth herein in full.

20 30. On or about October 14, 2009, at the Oaks in the Asian games section, an illegal loan
21 of \$5,000 was made by Bob Yuen, a member of the criminal loan-sharking organization, to an
22 Oaks patron who is a confidential informant for the Bureau (“Oaks patron/informant” or
23 “patron/informant”). The interest rate on this illegal loan was 10% per week. This loan was
24 transacted in Oaks gambling chips from an Oaks podium and was directly and knowingly
25 facilitated by two on-duty employees of the Oaks, Larry Chung, a floorman, and May Chung, a
26 chip runner. Later that same evening at the Oaks in the Asian games section, the Oaks
27 patron/informant, at the direction of Bob Yuen, repaid the loan with \$5,500 to Jin Tan, another
28 member of the criminal loan-sharking organization. At the time of this repayment of the illegal
loan, Jin Tan was standing with May Chung in the Asian games section.

1 31. On or about October 20, 2009, at the Oaks in the Asian games section, an illegal loan
2 of \$10,000 was made by Bob Yuen to the Oaks patron/informant. The interest rate on this illegal
3 loan was 5% if it was paid back within three days, or 10% per week. This loan was transacted in
4 Oaks gambling chips and was directly and knowingly facilitated by two on-duty employees of the
5 Oaks, May Chung and Larry Chung. That same evening in the Asian games section, at the
6 direction of Bob Yuen, the Oaks patron/informant paid back \$4,500 of the illegal loan balance
7 using Oaks gambling chips to May Chung near the Asian games podium.

8 32. On or about October 28, 2009, an illegally usurious loan made by Bob Yuen to the
9 Oaks patron/informant, and that had originated at the Oaks, was repaid at Artichoke Joe's. While
10 on duty at the Oaks, Larry Chung directly contacted Kai Ng, a shift manager who was on duty at
11 Artichoke Joes, regarding accepting the loan repayment from the Oaks [and Artichoke Joe's]
12 patron/informant. The repayment of the loan was made with the knowing assistance of Kai Ng
13 and John Chew, an on-duty floorman at Artichoke Joe's. The Oaks [and Artichoke Joe's]
14 patron/informant repaid \$6,500 on the loan to John Chew, who counted the money, attached a
15 note to it, and placed it in the Pai Gow podium drawer at Artichoke Joe's for forwarding to the
16 member of the criminal loan-sharking organization who had originated the loan to the
17 patron/informant. At the time of the loan repayment, Kin Kwong, an on-duty Artichoke Joe's
18 floorman, and Kee Leung, another on-duty Artichoke Joe's floorman, were in the immediate
19 vicinity of the transaction and witnessed it.

20 33. On or about January 11, 2010, at the Oaks in the Asian games section, an illegal loan
21 of \$10,000 was made by Larry Chung to the to the Oaks patron/informant. The interest rate on
22 this illegal loan was 10% per week. This loan was transacted in Oaks gambling chips.

23 34. On or about May 13, 2010, at the Oaks dining area, an illegal loan of \$5,000 was
24 made by Bob Yuen to the Oaks patron/informant. In attempting to secure this loan, the Oaks
25 patron/informant had initially sought the assistance of Kwan Chiu, an on-duty Oaks floorman,
26 who provided Yuen's phone number to the Oaks patron/informant. The interest rate on this
27 illegal loan was 5% if it was paid back that same day, or 10% per week. This loan was transacted
28 in Oaks gambling chips.

1 35. On or about May 20, 2010, at the Oaks in the Asian games section, the Oaks
2 patron/informant contacted an on-duty Oaks employee to determine the whereabouts of "Bob
3 [Yuen]," to whom the Oaks patron/informant was to repay an illegally usurious loan. The Oaks
4 employee, having apparent familiarity with Yuen, responded by directing the Oaks
5 patron/informant to Kim Tsang, an on-duty Oaks floorman in the Asian games section, for
6 assistance. Tsang offered to take repayment of the loan; but after the Oaks patron/informant
7 contacted Bob Yuen by cell phone, at Yuen's direction, the Oaks patron/informant repaid the
8 \$5,500 to Trinh Chu (aka Sai Sing), an on-duty Oaks floorman, who attached a note to the
9 payment and placed it in the Oaks podium drawer in the Asian games section. Later that same
10 evening at the Oaks in the Asian games section, the Oaks patron/informant telephonically
11 contacted Bob Yuen to obtain another loan. Immediately thereafter, on-duty Oaks floorman
12 Trinh Chu approached on-duty chip runner May Chung and gave her \$3,000 in cash. May Chung
13 exchanged the cash for \$3,000 in Oaks gambling chips, and gave the chips to the Oaks
14 patron/informant.

15 36. On or about May 26, 2010, at the Oaks in the Asian games section, the Oaks
16 patron/informant contacted Oaks floorman Kim Tsang near the Asian games podium to make
17 repayment of a loan to "Bob [Yuen]." Tsang called Quang Tran, another Oaks floorman, over to
18 the podium, and Tran accepted the payment of \$3,300 from the Oaks patron/informant, attached a
19 note to it, and placed it in the drawer of the Asian games section podium.

20 37. On or about July 29, 2010, at the Oaks in the Asian games section, the Oaks
21 patron/informant requested a loan of \$10,000 from Bob Yuen. Yuen agreed and called over Oaks
22 chip runner Pik Chang, and instructed Chang to give the Oaks patron/informant \$10,000, in Oaks
23 gambling chips. In response, Chang obtained the \$10,000 in gambling chips and gave them to the
24 Oaks patron/informant. Later that same evening in the Asian games section of the Oaks, the Oaks
25 patron/informant repaid the loan to Jin Tan, a member of the criminal loan-sharking organization,
26 in the amount of \$10,000 plus \$1,000 in interest.

27 38. On or about August 2, 2010, at the Oaks in the Asian games section, the Oaks
28 patron/informant requested a loan of \$10,000 from Bob Yuen. Yuen agreed and gave the Oaks

1 patron/informant two Oaks gambling chips, each having a value of \$5,000. Later that same
2 evening, at the Oaks, the Oaks patron/informant obtained another \$10,000 from Yuen in the form
3 of two Oaks gambling chips, each having a value of \$5,000.

4 39. Currently, members of the illegal loan-sharking organization are aggressively seeking
5 repayment of outstanding loan and interest payments from the Oaks patron/informant for illegal
6 loans made at the Oaks.

7 SECOND CAUSE FOR DISCIPLINE

8 **(Violations of Business and Professions Code Section 19920 and 19922—**
9 **Operation in a Manner Inimical to the Public Health, Safety, and General**
10 **Welfare of the Residents of the State; Willful or Persistent Use or**
11 **Toleration of Methods of Operation Deemed Unsuitable and Violation of**
12 **Commission Regulations—Negotiation for Sale and Sale of Illegal Drugs)**

13 40. Complainant incorporates by this reference each and every allegation contained in
14 paragraphs 1 through 39 above, as though set forth herein in full.

15 41. On or about October 7, 2009, at the Oaks, the Oaks patron/informant discussed with
16 an on-duty Oaks floorman, Larry Chung, the possibility of buying the illegal drug ecstasy. Based
17 upon that discussion, later that same evening, while still on duty, Larry Chung provided to the
18 Oaks patron/informant a sample of nine ecstasy pills in a small paper envelope. The ecstasy pills
19 were slipped into the Oaks patron's/informant's jacket pocket by Larry Chung while the patron
20 was sitting at the Oaks Pai Gow Tiles table in the Asian games section of the Oaks.

21 42. On or about October 14, 2009, at the Oaks in the Asian Games section, the Oaks
22 patron/informant negotiated and purchased from Larry Chung, while Chung was on duty at the
23 Oaks, 98 pills of the illegal drug ecstasy for \$500. Payment for the illegal drug purchase was
24 transacted in Oaks gambling chips, and the drug was given by Larry Chung to the Oaks
25 patron/informant while the patron/informant was gambling at the Oaks Pai Gow Tiles table in the
26 Asian games section of the Oaks.

27 43. On or about October 20, 2009, at the Oaks in the Asian games section, the Oaks
28 patron/informant inquired of on-duty floorman Larry Chung as to where the patron/informant
could obtain more of the illegal drug ecstasy. In response, Chung took the patron to another area

1 of the cardroom and introduced the patron/informant to an ostensible ecstasy dealer, Chea Bou,
2 also an Oaks employee who was dealing cards at an Oaks gaming table. At the end of that
3 evening at the Oaks, it was determined between the Oaks patron/informant and Larry Chung that
4 the purchase of the ecstasy would occur the next day.

5 44. On or about October 21, 2009, the Oaks patron/informant telephonically made further
6 arrangements with Larry Chung, who was on duty as a floorman at the Oaks, to purchase 1,000
7 pills of the illegal drug ecstasy for \$3,000. Later that evening, in the Oaks parking lot, Larry
8 Chung sold 1,000 pills of the illegal drug ecstasy to the patron for \$3,000.

9 45. On or about January 11, 2010, the Oaks patron/informant telephonically made
10 arrangements with Larry Chung, while Chung was on duty at the Oaks, to purchase the illegal
11 drug ecstasy. On or about January 13, 2010, in the Oaks parking lot, Larry Chung sold 440 pills
12 of the illegal drug ecstasy to the Oaks patron/informant for \$1,320.

13 46. On or about March 9, 2010, at the Oaks, the Oaks patron/informant met with Larry
14 Chung and bargained over a price for purchase of the illegal drug ecstasy. In that conversation,
15 Chung offered to sell the Oaks patron/informant 10,000 pills of the illegal drug ecstasy at \$2.80
16 per pill, but the patron/informant advised Chung that the patron/informant could only buy 2,000
17 pills at that price.

18 **THIRD CAUSE FOR DISCIPLINE**

19 **(Violations of Business and Professions Code Section 19920—Operation**
20 **in a Manner Inimical to the Public Health, Safety, and General Welfare**
21 **of the Residents of the State; Willful or Persistent Use or Toleration of**
22 **Methods of Operation Deemed Unsuitable—Failure to Report Large or**
23 **Suspicious Cash Transactions)**

24 47. Complainant incorporates by this reference each and every allegation contained in
25 paragraphs 1 through 46 above, as though set forth herein in full.

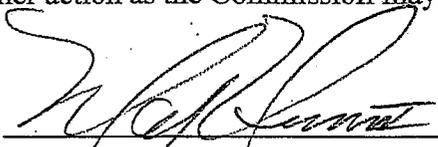
26 48. With respect to all of the monetary and gambling chip transactions described
27 paragraphs 30 through 38 above, at no time did any Oaks employees with the knowledge of, or
28 involvement in, the transactions, or the Oaks itself, report the transactions to appropriate federal
authorities as suspicious transactions or large cash transactions.

1 1. Revoking or suspending the gambling enterprise license issued to Respondent Oaks
2 Card Club, and imposing a monetary fine and/or penalty upon Respondent, for each violation
3 found to constitute cause for disciplinary action;

4 2. Awarding Complainant, pursuant to Business and Professions Code section 19930,
5 subdivisions (d) and (f), the reasonable costs of investigation and the costs of preparation and
6 prosecution of the case before the Commission, in a sum according to proof; and,

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

8
9 Dated: March 4, 2011



MARTIN HORAN, JR.
Acting Chief of the Bureau of Gambling Control
California Department of Justice
Complainant

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