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10 **BEFORE THE**

11 **CALIFORNIA GAMBLING CONTROL COMMISSION**

12 **STATE OF CALIFORNIA**

14 **In the Matter of the Accusation Against:**

BGC Case No. _____

16 **DOG NAMED BLUE, INC., DBA
CALIFORNIA GAMING CONSULTANTS**

OAH No. _____

18 **License Number TPPP-000013,**

ACCUSATION

19 **Respondent.**

21 Jacob A. Appelsmith, Complainant herein, alleges as follows:

22 **PARTIES**

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

26 2. Dog Named Blue, Inc., dba California Gaming Consultants ("Respondent Company")
27 is licensed by the California Gambling Control Commission ("Commission") as a Third-Party
28

1 Provider of Proposition Player Services, and has been so licensed since February 21, 2008. This
2 license will expire on February 28, 2011, unless renewed. From April 21, 2004, through February
3 20, 2008, Respondent Company operated as a registered Third-Party Provider of Proposition
4 Player Services under the Act.

5 **JURISDICTION**

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

8 4. Section 19811 provides in pertinent part:

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

12 5. Section 19823 provides in pertinent part:

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

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

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

26 (b) For the purposes of this section, "unqualified person"
27 means a person who is found to be unqualified pursuant to the
28 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.

6. Section 19824 provides in part as follows:

The commission shall have all powers necessary and proper to
enable it fully and effectually to carry out the policies and purposes

1 of this chapter, including, without limitation, the power to do all of
2 the following:

3 * * *

4 (b) For any cause deemed reasonable by the commission, deny
5 any application for a license, permit, or approval provided for in this
6 chapter or regulations adopted pursuant to this chapter, limit,
7 condition, or restrict any license, permit, or approval, or impose any
8 fine upon any person licensed or approved.

9 * * *

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

13 7. Section 19825 provides as follows:

14 The commission may require that any matter that the commission
15 is authorized or required to consider in a hearing or meeting of an
16 adjudicative nature regarding the denial, suspension, or revocation of
17 a license . . . , be heard and determined in accordance with Chapter 5
18 (commencing with section 11500) of Part I or Division 3 of Title 2
19 of the Government Code.

20 8. Section 19826 provides as follows:

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

23 * * *

24 (b) To monitor the conduct of all licensees and other persons
25 having a material involvement, directly or indirectly, with a
26 gambling operation or its holding company, for the purpose of
27 ensuring that licenses are not issued or held by, and that there is no
28 direct or indirect material involvement with, a gambling operation or
29 holding company by ineligible, unqualified, disqualified, or
30 unsuitable persons, or persons whose operations are conducted in a
31 manner that is inimical to the public health, safety or welfare.

32 (c) To investigate suspected violations of this chapter or laws
33 of this state relating to gambling, including any activity prohibited
34 by Chapter 9 (commencing with Section 319) or Chapter 10
35 (commencing with Section 330) of Title 9 of Part 1 of the Penal
36 Code.

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(d) To investigate complaints that are lodged against licensees, or other persons associated with a gambling operation; by members of the public.

(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.

9. Section 19840 states:

The commission may adopt regulations for the administration and enforcement of this chapter. To the extent appropriate, regulations of the commission and the department shall take into consideration the operational differences of large and small establishments.

10. Section 19930 provides in pertinent part as follows:

(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.

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

(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 division 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.

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

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

8 (e) Notwithstanding any other provision of law, all costs
9 recovered under this section shall be deposited in the fines and
10 penalties account, a special account described in subdivision (a) of
Section 19950.

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

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

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

16 11. Unless otherwise stated, all references to Commission Regulations are to title 4 of the
17 California Code of Regulations. Commission Regulation 12200.18 states in part:

18 The Commission may revoke a registration or license, upon any
19 of the following grounds, after a hearing conducted pursuant to the
20 same procedures applicable to the revocation of a gambling
establishment license:

21 (a) The registrant or licensee committed, attempted to commit,
22 or conspired to commit any acts prohibited by the Act or this
chapter.

23 (b) Any act or omission by the registrant that would disqualify
24 the registrant from obtaining registration under this chapter. Any act
25 or omission by the licensee that would disqualify the licensee from
obtaining licensing under this chapter.

26 (c) The registrant or licensee engaged in any dishonest,
27 fraudulent, or unfairly deceptive activities in connection with
28 controlled gambling, including any violation of laws related to
cheating.

1 (d) The registrant or licensee failed or refused to comply with
2 the requirements of [Commission Regulation] Section 12200.16
(Inspections and Investigations).

3 (e) The registrant or licensee failed or refused to comply with
4 the requirements of [Commission Regulation] Section 12200.14
(Organization Chart and Employee Report).

5 (f) The registrant or licensee concealed or refused to disclose
6 any material fact in any inquiry by the Bureau or the Commission.

7 (g) The registrant or licensee committed, attempted, or
8 conspired to commit any embezzlement or larceny against a
gambling licensee or proposition player registrant or on the premises
of a gambling establishment.

9 (h) The registrant or licensee has been lawfully excluded from
10 being present upon the premises of any licensed gambling
establishment for any reason relating to cheating or any violation of
the Act by the registrant or licensee.

11 (i) The registrant or licensee buys or sells chips other than to
12 or from the house, except for exchanging with a patron chips of one
denomination for chips of another denomination.

13 (j) The registrant or licensee lends money or chips to gambling
14 establishment patrons, except for exchanging with a patron chips of
one denomination for chips of another denomination.

15 (k) The registrant or licensee made wagers that were not
16 specifically authorized by the game rules approved by the Bureau.

17 (l) Any owner knowingly permitted one or more of the
18 owner's supervisors or players to commit any act described in
subsections (a) to (k), inclusive.

19 (m) Any owner knew, or failed to implement reasonable
20 oversight procedures that would have apprised the owner, that one or
more of the registrants or licensees was in violation of one or more
21 provisions of this chapter or of the Act and failed or refused to take
action to prevent the recurrence of the violation or violations.

22 (n) The registrant or licensee provided proposition player
23 services to a gambling establishment without a Bureau-approved
contract on and after April 30, 2004.

24
25 **OTHER PERTINENT STATUTES AND ORDINANCES**

26 12. Section 19805 provides as follows:

27 As used in this chapter [Gambling Control Act], the following definitions shall apply:

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* * *

(d) "Chief" means the head of the entity within the department that is responsible for fulfilling the obligations imposed upon the department by this chapter.

(e) "Commission" means the California Gambling Control Commission.

* * *

(h) "Department" means the Department of Justice.

* * *

(ae) "Person," unless otherwise indicated, includes a natural person, corporation, partnership, limited partnership, trust, joint venture, association, or any other business organization.

13. Section 19841 provides in pertinent part as follows:

The regulations adopted by the commission shall do all of the following:

* * *

(o) Restrict, limit, or otherwise regulate any activity that is related to the conduct of controlled gambling, consistent with the purposes of this chapter.

14. Section 19857 provides in part as follows:

No gambling license shall be issued unless, based on all of 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 . . . 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.

15. Section 19870 provides in part as follows:

(b) When the commission grants an application for a license or approval, the commission may limit or place restrictions thereon as it may deem necessary in the public interest.

16. Section 19859 provides in part as follows:

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

1 * * *

2 (b) Failure of the applicant to provide information,
3 documentation, and assurances required by this chapter or requested
4 by the chief, or failure of the applicant to reveal any fact material to
5 qualification . . .

6 17. Section 19920 provides as follows:

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

16 18. Section 19923 provides as follows:

17 No owner licensee shall operate a gambling enterprise in
18 violation of any governing local ordinance.

19 19. Section 19984 provides as follows:

20 Notwithstanding any other provision of law, a licensed gambling
21 enterprise may contract with a third party for the purpose of
22 providing proposition player services at a gambling establishment,
23 subject to the following conditions:

24 (a) Any agreement, contract, or arrangement between a
25 gambling enterprise and a third-party provider of proposition player
26 services shall be approved in advance by the department, and in no
27 event shall a gambling enterprise or the house have any interest,
28 whether direct or indirect, in funds wagered, lost, or won.

(b) The commission shall establish reasonable criteria for,
and require the licensure and registration of, any person or entity that
provides proposition player services to gambling establishments
pursuant to this section, including owners, supervisors, and players.
Those employed by a third-party provider of proposition player
services, including owners, supervisors, observers, and players, shall
wear a badge which clearly identifies them as proposition players
whenever they are present within a gambling establishment. The
commission may impose licensing requirements, disclosures,
approvals, conditions, or limitations as it deems necessary to protect
the integrity of controlled gambling in this state, and may assess and

1 collect reasonable fees and deposits as necessary to defray the costs
2 of providing this regulation and oversight.

3 (c) The department, pursuant to regulations of the
4 commission, is empowered to perform background checks, financial
5 audits, and other investigatory services as needed to assist the
6 commission in regulating third party providers of proposition player
7 services, and may assess and collect reasonable fees and deposits as
8 necessary to defray the costs of providing this regulation and
9 oversight. The department may adopt emergency regulations in
10 order to implement this subdivision.

11 (d) No agreement or contract between a licensed gambling
12 enterprise and a third party concerning the provision of proposition
13 player services shall be invalidated or prohibited by the department
14 pursuant to this section until the commission establishes criteria for,
15 and makes determinations regarding the licensure or registration of,
16 the provision of these services pursuant to subdivision (b).

17 20. Penal Code section 330.11 limits the definition of an illegal banking game as follows:

18 "Banking game" or "banked game" does not include a controlled
19 game if the published rules of the game feature a player-dealer
20 position and provide that this position must be continuously and
21 systematically rotated amongst each of the participants during the
22 play of the game, ensure that the player-dealer is able to win or lose
23 only a fixed and limited wager during the play of the game, and
24 preclude the house, another entity, a player, or an observer from
25 maintaining or operating as a bank during the course of the game.
26 For purposes of this section it is not the intent of the Legislature to
27 mandate acceptance of the deal by every player if the division finds
28 that the rules of the game render the maintenance of or operation of
a bank impossible by other means. The house shall not occupy the
player-dealer position.

21 21. Penal Code section 337j states in part as follows:

22 (a) It is unlawful for any person, as owner, lessee, or employee,
23 whether for hire or not, either solely or in conjunction with others, to do
24 any of the following without having first procured and thereafter
25 maintained in effect all federal, state, and local licenses required by
26 law:

27 (1) To deal, operate, carry on, conduct, maintain, or
28 expose for play in this state any controlled game.

22 22. Commission Regulation section 12200 provides in part as follows:

23 (a) Except as otherwise provided in [Commission Regulation]
24 Section 12002 and in subsection (b) of this regulation, the definitions in

1 Business and Professions Code section 19805 shall govern the
2 construction of this chapter.

3 (b) As used in this chapter:

4 (1) "Additional Badge" means a badge issued by
5 the Commission pursuant to [Commission Regulation]
6 Section 12200.6, which authorizes an individual
7 registrant or licensee to be simultaneously employed
8 by more than one primary owner.

9 (2) "Applicant" means an applicant for registration
10 or licensing under this chapter, including in the case of
11 an owner that is a corporation, partnership, or any other
12 business entity, all persons whose registrations or
13 licenses are required to be endorsed upon the primary
14 owner's registration or license certificate.

15 (3) "Authorized player" means an individual
16 associated with a particular primary owner whose
17 badge authorizes play in a controlled game on behalf of
18 the primary owner, including the primary owner, all
19 other owners, all supervisors, and all players. Only
20 authorized players may perform the functions of a
21 supervisor or player.

22 (4) "Badge" means a form of identification issued
23 by the Commission identifying a registrant or licensee.

24 * * * *

25 (12) "License" means a license issued by the
26 Commission pursuant to Article 3 of this chapter.

27 (A) There are four license categories
28 entitling the holder to provide third-party
proposition player services:

1. Primary owner,
2. Owner,
3. Supervisor, and
4. Player.

(B) All "other employees" (as defined in
this section) of the primary owner who are
present in the gambling establishment during
the provision of proposition player services
under the primary owner's proposition player
contract shall be licensed as "other employee"
and shall be required to submit an application
and be approved or denied based upon the same

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criteria that apply to a player.

(C) A primary owner and an owner may also perform the functions of a supervisor or player, and the holder of a supervisor's license may also perform the functions of a player.

(D) No licensee, other than an owner, supervisor, or player, may possess, direct, or otherwise control currency, chips, or other wagering instruments used for play in the performance of a proposition player contract.

(13) "Licensee" means a person having a valid license.

(14) "Organization chart" means a chart that identifies the names and titles of all owners, as defined in [Commission Regulation] Section 12200, supervisors, and any persons having significant influence over the operation of the entity or provision of proposition player services; the percentage of ownership, if any, held by each identified individual or entity; the reporting relationship for each identified individual or entity; and the job title and number of persons in each of the job titles that report to each individual or entity identified on the organization chart.

(15) "Other employee" means an individual employed by a primary owner who is not authorized to provide proposition player services. "Other employee" does not include any owner, any supervisor, or any officer or director of a primary owner that is a corporation. An individual registered or licensed, as an "other employee" may not function as a player unless and until that individual applies for and obtains registration or licensure as a player.

(16) "Owner" includes all of the following:

(A) A sole proprietor, corporation, partnership, or other business entity that provides or proposes to provide third party proposition player services as an independent contractor in a gambling establishment,

(B) Any individual specified in Business and Professions Code section 19852, subdivisions (a) through (h), and

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(C) Any funding source.

(17) "Playing Book" means a record documenting each session of play by a third-party proposition player.

(18) "Primary Owner" means the owner specified in subparagraph (A) of paragraph (16) of this subsection.

(19) "Proposition player" or "player" means an individual other than an owner or a supervisor who provides third-party proposition player services in a controlled game.

(20) "Proposition player contract" or "contract" means a written contract, the terms of which have been reviewed and approved by the Bureau, between the holder of a state gambling license and a primary owner acting as an independent contractor for the provision of third-party proposition player services in the gambling establishment.

(21) "Rebate" means a partial return by an authorized proposition player of chips or money to a patron who has lost the chips or money to the authorized player through play in a controlled game at a gambling establishment.

(22) "Registrant" means a person having a valid registration.

(23) "Registration" means a registration issued by the Commission pursuant to this chapter.

(A) There are four registration categories entitling the holder to provide third-party proposition player services: primary owner, owner, supervisor, and player.

(B) All other employees of the primary owner who are present in the gambling establishment during the provision of proposition player services under the primary owner's proposition player contract shall be registered as "other employee" and shall be required to submit an application, which application shall be approved or denied based upon the same criteria that apply to a player.

(C) A primary owner and an owner may also perform the functions of a supervisor or player, and the holder of a supervisor's registration or license may also perform the

1 functions of a player. No registrant, other than
2 an owner, supervisor, or player, may possess,
3 direct, or otherwise control currency, chips, or
4 other wagering instruments used for play in the
5 performance of a proposition player contract.

6 (24) "Reinstatement Badge" means a badge issued
7 by the Commission to a player, a supervisor, or an
8 "other employee" pursuant to [Commission
9 Regulation] Section 12200.6 which authorizes an
10 individual registrant or licensee who has ceased to be
11 employed by a primary owner to return to work for
12 that primary owner.

13 (25) "Session of play" as used in [Commission
14 Regulation] Section 12200.13 ("Playing Book")
15 means a continuous work shift of third-party
16 proposition player services provided by an individual
17 proposition player.

18 (26) "Supervisor" means an individual who, in
19 addition to any supervisory responsibilities, has
20 authority, on behalf of the primary owner, to provide
21 or direct the distribution of currency, chips, or other
22 wagering instruments to players engaged in the
23 provision of third-party proposition player services in
24 a gambling establishment.

25 (27) "Supplemental information package" means
26 all of the documentation and deposits required by
27 each of the following forms (which are hereby
28 incorporated by reference) to be submitted to the
Commission in response to a summons issued by the
Bureau pursuant to [Commission Regulation] Section
12205.1:

(A) Owners, as defined in [Commission
Regulation] Section 12200, that are a natural
person shall complete the form Level III
Supplemental Information-Individual (BGC-
APP-034A (Rev. 11/07)) for a level III
investigation.

(B) Owners, as defined in [Commission
Regulation] Section 12200 that are not a natural
person shall complete the form Level III
Supplemental Information-Business (BGC-
APP-034B (Rev. 11/07)) for a level III
investigation.

(C) Supervisors, as defined in
[Commission Regulation] Section 12200, shall
complete the form Level II Supplemental

1 Information (BGC-APP-033 (Rev. 11/07)) for a
2 level II investigation.

3 (D) Other employees and players, as
4 defined in [Commission Regulation] Section
5 12200, shall complete the form Level I
6 Supplemental Information (BGC-APP-032
7 (Rev. 11/07)) for a level I investigation.

8 (28) "Third-party proposition player services" or
9 "proposition player services" means services
10 provided in and to the house under any written, oral,
11 or implied agreement with the house, which services
12 include play as a participant in any controlled game
13 that has a rotating player-dealer position as permitted
14 by Penal Code section 330.11. "Proposition player
15 services" also includes the services of any
16 supervisors, as specified in paragraph (26) of this
17 subsection.

18 (29) "TPP" means "third party proposition." This
19 abbreviation is used in [Commission Regulation]
20 Section 12200.3 and in prescribing titles to be used
21 on registrant and licensee badges, for example, "TPP
22 Player Registrant."

23 (30) "Transfer Badge" means a badge issued by
24 the Commission pursuant [Commission Regulation]
25 Section 12200.6 which authorizes an individual
26 registrant or licensee to work for a subsequent
27 primary owner after having ceased to work for an
28 initial primary owner.

23. Commission Regulation section 12200.3 provides in part:

(a) All individuals licensed or registered as primary owners,
owners, supervisors, players, or other employees of the primary
owner shall wear in a prominently visible location a numbered badge
issued by the Commission when present in a gambling establishment
during the provision of proposition player services under the
proposition player contract that covers the licensee or registrant.

(b) A badge authorizing play in a controlled game shall be of
a distinctly different color than a badge that identifies a registrant or
licensee, but does not authorize play. If an individual ceases to be
employed by or affiliated with a particular primary owner, that
individual shall surrender his or her badge to the primary owner.
The primary owner shall notify the Commission and the Bureau in
writing within ten (10) days of the change in status using the Change
in Status Form for a Third Party Proposition Player Services
Registration (CGCC-441 (Rev. 09/04)), which is hereby
incorporated by reference; with this form, the primary owner shall

1 submit the registrant's or licensee's badge.

2 (c) The words "TPP PLAYER REGISTRANT," "NON-
3 PLAYER TPP REGISTRANT," "TPP PLAYER LICENSEE," OR
4 "NON-PLAYER TPP PLAYER LICENSEE" in capital letters shall
5 be prominently displayed on the front of the badge. The first name
6 of the registrant or licensee shall appear on the front of the badge.
7 The full name of the registrant or licensee shall be printed on the
8 reverse side of the badge, together with the registrant's or licensee's
9 category of registration or licensing as an owner, supervisor, player,
10 or other employee.

11 24. Commission regulation section 12200.7 provides in part:

12 (b) Each proposition player contract shall specifically require
13 all of the following to be separately set forth at the beginning of the
14 contract in the following order:

15 * * * *

16 (13) The form to be used for the playing book record
17 and the initial number that will be used for the
18 sequentially numbered forms.

19 25. Commission regulation 12200.9 states in part:

20 (a)(1) Proposition player services shall not be provided except
21 pursuant to a written proposition player contract approved in advance
22 by the Bureau. . . .

23 26. Commission regulation section 12200.13 provides in part:

24 (a) The primary owner shall be responsible for assuring that
25 its players maintain accurate, complete, and up-to-date playing
26 books for all sessions of play worked in conformity with regulations
27 of the Commission. The information in the playing-book record
28 shall be transferred to the primary owner, or a supervisor designated
by the primary owner at the end of each session of play. The
primary owner shall maintain this information in English at a single
location in the State of California, and shall maintain the original
playing book records in the State of California, for at least five
years. The location or locations where the records of this
information and the original playing book records are maintained,
and any change therein, shall be disclosed to the Commission and
Bureau by written notice, mailed or delivered within five business
days after establishing or changing such a location.

(b) The playing book shall be prepared and maintained as
follows:

(1) The playing book form shall be reviewed and
approved or disapproved during the review of the
contract by the Bureau.

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(2) Each form in the playing book shall be recorded in ink and include, but not be limited to, the following information:

(A) Sequential numbers. Any unused form shall be voided and maintained in the playing book.

(B) The name of the gambling establishment where play occurred.

(C) The date and approximate time when play occurred.

(D) Beginning and ending balances.

(E) Individual identification of all fills and credits affecting the balance.

(F) The printed full name and badge number of the proposition player, which includes owners, supervisors, and/or players.

(G) The table number assigned by the gambling establishment.

(H) The specific name of the Bureau-approved gaming activity.

(I) The name of the primary owner.

(3) The form for each session of play shall be time-stamped, dated, and signed under penalty of perjury by the person who prepared it and shall include a declaration in the following form: "I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct."

27. Commission Regulation section 12218 provides in part:

(a) A request to convert a registration to a license shall be submitted to the Commission only in response to a written summons from the Bureau to a primary owner pursuant to [Commission Regulation] Section 12205.1. Each primary owner's request shall be accompanied by the requests of all affiliated owners, supervisors, players, and other employees.

28. Commission Regulation section 12218.1 provides in part:

After a primary owner is licensed, the summons previously issued to that primary owner by the Bureau shall be deemed to apply to all subsequent registrants who become affiliated with that primary owner

1 subsequent to licensure.

2 29. Commission Regulation section 12220.13 provides in part:

3 (a) The primary owner shall be responsible for assuring that
4 its players maintain accurate, complete, and up-to-date playing
5 books for all sessions of play worked in conformity with regulations
6 of the Commission. The information in the playing-book record
7 shall be transferred to the primary owner, or a supervisor designated
8 by the primary owner at the end of each session of play. The
9 primary owner shall maintain this information in English at a single
10 location in the State of California, and shall maintain the original
11 playing book records in the State of California for at least five years.
12 The location or locations where the records of this information and
13 the original playing book records are maintained, and any change
14 therein, shall be disclosed to the Commission and Bureau by written
15 notice, mailed or delivered within five business days after
16 establishing or changing such a location.

17 (b) The playing book shall be prepared and maintained as
18 follows:

19 (1) The playing book form shall be reviewed and
20 approved or disapproved by the Bureau during the
21 review of the primary owner's registration or license
22 application.

23 (2) Each form in the playing book shall be recorded
24 in ink and include, but not be limited to, the following
25 information:

26 (A) Sequential numbers. Any unused form
27 shall be voided and maintained in the playing
28 book.

 (B) The name of the gambling
 establishment where play occurred.

 (C) The date and approximate time when
 play occurred.

 (D) Beginning and ending balances.

 (E) Individual identification of all fills and
 credits affecting the balance.

 (F) The printed full name and badge
 number of the player, which includes owners,
 supervisors, and/or players.

 (G) The table number assigned by the
 gambling establishment.

 (H) The specific name of the Bureau-
 approved gaming activity.

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(I) The name of the primary owner.

(3) The form for each session of play shall be time-stamped, dated, and signed under penalty of perjury by the person who prepared it and shall include a declaration in the following form: "I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct."

30. Commission Regulation section 12225.1 provides in part:

(a) The Bureau shall summon persons registered as primary owners, owners, supervisors, players, and other employees for the purpose of applying for licenses under this chapter. The Bureau shall summon primary owners, owners, supervisors, players, and other employees as expeditiously as possible in light of available program resources. The registration of any registrant that fails or refuses to submit the applicable Application for Gambling Business License for Business Entities and Owners (CGCC-533, (New 05/09)) or Application for Gambling Business License for Supervisor, Player or Other Employee (CGCC-534, (New 05/09)), which are hereby incorporated by reference, including any fees to the Commission within 30 days of receiving a summons from the Bureau shall expire by operation of law on the following day. Prior to and during review of a request to convert a registration to a license, a registration shall remain valid and may be renewed by the registrant as necessary, upon application and approval of renewal of registration.

31. Commission Regulation section 12233.13 provides in part:

(a) A request to convert a registration to a license shall be submitted to the Commission only in response to a written summons from the Bureau to a primary owner pursuant to [Commission Regulation] Section 12225.1. Each primary owner's request shall be accompanied by the requests of all affiliated owners, supervisors, players, and other employees.

FIRST CAUSE FOR DISCIPLINE

(Failure to Maintain Accurate and Complete Playing Books)

(Failure to Wear Appropriate Proposition Player Badges)

32. The Proposition Player Contract between Respondent Company and Casino Royale, a licensed gambling establishment, was effective on December 1, 2008. On or about February 18, 2009, the Bureau made a request that Respondent Company provide copies of its playing book forms for its contracting cardrooms. In response to this request, Respondent Company submitted

1 its playing book forms for the Casino Royale for the week of December 25, 2008, through
2 December 31, 2008.

3 33. Based upon a review of these playing book forms by Bureau staff, the following
4 violations were discovered:

5 a. The forms provided by Respondent Company for Casino Royale were not
6 sequentially numbered and unused form books were not maintained in a way that Bureau staff
7 could determine whether any pages from the playing book forms were missing in violation of
8 Commission Regulation section 12200.13, subsection (b)(2)(A).

9 b. Four of the reviewed playing book forms did not include a complete time, other
10 forms provided no date, and other forms provided time information without an a.m. or p.m.
11 designation, all in violation of Commission Regulation section 12200.13, subsection (b)(2)(C).

12 c. One of the reviewed playing book forms did not include an ending balance as
13 required by Commission Regulation section 12200.13, subsection (b)(2)(D).

14 d. On seven forms, incomplete employee badge numbers were provided, other
15 required functional identifiers were omitted, and incomplete employee names were provided in
16 violation of Commission Regulation section 12200.13, subsection (b)(2)(F).

17 e. On two playing book forms, no table numbers were provided in violation of
18 Commission Regulation section 12200.13, subsection (b)(2)(G).

19 f. A substantial number of the forms provided information as to more than one
20 game, and in 67 instances the playing book forms did not include the complete specific name of
21 the Bureau-approved gaming activity in violation of Commission Regulation section 12200.13,
22 subsection (b)(2)(H).

23 g. Seventy-five of the playing book forms were not verified under penalty of
24 perjury in violation of Commission Regulation section 12200.13, subsection (b)(3).

25 h. The playing book forms used by Respondent Company did not employ the
26 pagination system for its playing book forms required by its Proposition Player Contract in
27 violation of Commission Regulation section 12200.7, subsection (b)(13).

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1 **THIRD CAUSE FOR DISCIPLINE**

2 **(Failure of Registrants to Timely Request Conversion to Licensees)**

3 38. On February 21, 2008, a Third-Party Provider of Proposition Player Services license
4 was issued to Respondent Company and its owners. Under the authority of the license issued to
5 Respondent Company, proposition player registration badges were issued to five employees of
6 Respondent Company on June 17, 2009 (two registrations); June 24, 2009, August 5, 2009, and
7 August 6, 2009. The five employees failed to submit requests to convert their registrations to
8 licenses within thirty days of registration rendering their registrations expired by operation of law.
9 Nonetheless, Respondent Company continued to employ them as proposition players after such
10 expiration.

11 39. The continued employment of these individuals is not authorized and violates
12 Commission Regulation section 12200, subsection (b)(3) and Regulation section 12200.7,
13 subsection (b)(9). The continued employment of these individuals by Respondent Company is
14 grounds for revocation of Respondent Company's license under Commission regulation 12200.18,
15 subsection (m). On September 30, 2009, the Bureau issued a warning letter to Respondent
16 Company citing the above violations. A true and correct copy of the Bureau's September 30,
17 2009, warning letter is attached hereto as Exhibit C.

18 **FOURTH CAUSE FOR DISCIPLINE**

19 **(Failure to Maintain Accurate and Complete Playing Books)**
20 **(Violation of Proposition Player Contract)**
21 **(Failure of Registrants to Timely Request Conversion to Licensees)**

22 40. The Proposition Player Contract between Respondent Company and Lucky Derby, a
23 licensed gambling establishment, was effective on January 2, 2007, to be renewed annually. On or
24 about April 20, 2010, the Bureau made an unannounced site visit at the Lucky Derby and
25 inspected Respondent Company's playing book forms for the period from April 16, 2010, through
26 April 19, 2010. Based upon this examination it was discovered:

1 a. In 31 instances the playing book forms incorrectly denominated the game being
2 played at two of the tables in violation of Commission Regulation section 12200.13, subsection
3 (b)(2)(H).

4 b. In 24 instances, the required verifications of the playing book forms did not
5 include the required time-stamp on the verifications in violation of Commission Regulation section
6 12200.13, subsection (b)(3).

7 41. The Proposition Player Contract between Respondent Company and Casino Royale, a
8 licensed gambling establishment, was effective on December 1, 2008. On or about April 20, 2010,
9 the Bureau made an unannounced site visit at the Casino Royale and inspected Respondent
10 Company's playing book forms for the period from April 16, 2010, through April 19, 2010. Based
11 upon this examination, it was discovered in 47 instances, the required verifications of the playing
12 book forms did not include the required time-stamp on the verifications in violation of
13 Commission Regulation section 12200.13, subsection (b)(3).

14 42. The Proposition Player Contract between Respondent Company and the Phoenix
15 Casino & Lounge, a licensed gambling establishment, was effective on December 22, 2009. On or
16 about March 3, 2010, the Bureau made an unannounced site visit at the Phoenix Casino & Lounge
17 and inspected Respondent Company's playing book forms for the period from February 17, 2010,
18 through March 2, 2010. Based upon this examination it was discovered that:

19 a. In 11 instances, the badge numbers provided on the playing book forms were
20 incomplete, and other required functional identifiers were omitted in violation of Commission
21 Regulation section 12200.13, subsection (b)(2)(F).

22 b. In three instances, the playing book forms did not include the game being played
23 at the tables in violation of Commission Regulation section 12200.13, subsection (b)(2)(H).

24 c. In 113 instances, the required verifications of the playing book forms did not
25 include the required time-stamp on the verifications in violation of Commission Regulation section
26 12200.13, subsection (b)(3).

27 43. During the site visit at the Lucky Derby, Bureau staff observed Respondent Company
28 providing proposition player services for a game that was not authorized under its Proposition

1 Player Contract with the Lucky Derby in violation of Commission Regulation sections 12200.7,
2 subsection (b)(3) and 12200.8, subsection (a)(1).

3 44. The playing book forms used by Respondent Company at the Lucky Derby did not
4 employ the pagination system for its playing book forms required by its Proposition Player
5 Contract in violation of Commission Regulation sections 12200.7, subsection (b)(13) and 12200.9,
6 subsection (a)(1).

7 45. Under the authority of the license issued to Respondent Company, proposition player
8 registration badges were issued to four employees of Respondent Company on January 7, 2010
9 (three registrations) and January 11, 2010. The four employees failed to submit a request to
10 convert their registrations to licenses within thirty days of registration rendering their registrations
11 expired by operation of law. Nonetheless, Respondent Company continued to employ them as
12 proposition players after such expiration.

13 46. The continued employment of these individuals is not authorized and violates
14 Commission Regulation section 12200, subsection (b)(3) and Regulation section 12200.7,
15 subsection (b)(9). The continued employment of these individuals by Respondent Company is
16 grounds for revocation of the Respondent Company's license under Commission Regulation
17 section 12200.18, subsection (m).

18 47. By failing to provide adequate oversight procedures regarding the above violations,
19 Respondent Company's license as a Third-Party Provider of Proposition Player Services is subject
20 to revocation under Commission Regulation section 12200.18, subsection (m). On April 23, 2010,
21 the Bureau issued a warning letter to Respondent Company citing the above violations. A true and
22 correct copy of the Bureau's April 23, 2010, warning letter is attached hereto as Exhibit D.

23 **FIFTH CAUSE FOR DISCIPLINE**

24 **(Violation of Local Laws and Ordinances)**

25 48. On or about February 21, 2008, representatives of Respondent Company appeared at a
26 meeting of the Commission in the context of the Commission's consideration of Respondent
27 Company's suitability for converting its status as a registrant to a licensed Third-Party Provider of
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1 Proposition Player Services under the Act. At that meeting, one of the Commissioners expressed
2 concern with Respondent Company having had a history of non-compliance with local ordinances
3 requiring business licenses and/or business tax certificates in order to operate as a business in a
4 local jurisdiction. At that meeting, Richard Baldaramos, the then Chief Executive, Chief Financial
5 Officer, Secretary, and Director of Respondent Company assured the Commission that Respondent
6 Company would be in compliance with such local ordinances. In reliance upon this assurance, the
7 Commission issued Respondent Company a license as a Third-Party Provider of Proposition
8 Player Services.

9 49. At all times relevant herein, by local ordinance or law, the Cities of Sacramento,
10 Gilroy, Manteca, Marina, and Turlock required a business to pay a tax or a fee for a business
11 license and/or business tax certificate in order to operate as a business in a local jurisdiction.

12 50. From December 1, 2008, through June 21, 2010, Respondent Company unlawfully
13 operated as business providing proposition player services to the Casino Royale, a licensed
14 gambling establishment in the City of Sacramento, without the required business license or tax
15 certificate and without paying the attendant fees and/or taxes required.

16 51. From December 18, 2009, through June 21, 2010, Respondent Company unlawfully
17 operated as business providing proposition player services to the Limelight, a licensed gambling
18 establishment in the City of Sacramento, without the required business license or tax certificate
19 and without paying the attendant fees and/or taxes required.

20 52. From January 29, 2010 through June 28, 2010, Respondent Company unlawfully
21 operated as business providing proposition player services to the Garlic City Casino, a licensed
22 gambling establishment in the City of Gilroy, without the required business license or tax
23 certificate and without paying the attendant fees and/or taxes required.

24 53. From December 18, 2009 through June 28, 2010, Respondent Company unlawfully
25 operated as business providing proposition player services to the Casino Real, a licensed gambling
26 establishment in the City of Manteca, without the required business license or tax certificate and
27 without paying the attendant fees and/or taxes required.

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1 application to convert the registration to a license and ceased its operation as a "Gambling
2 Business." On or about July 8, 2010, the Commission granted the request to withdraw with
3 prejudice.

4 59. Based upon the grounds for denial set forth in the Bureau's report (Exhibit E),
5 Respondent Company engaged in acts or omissions that would disqualify it from licensure and its
6 license is subject to revocation under Commission Regulation section 12200.18, subsection (b).

7 **PRAYER**

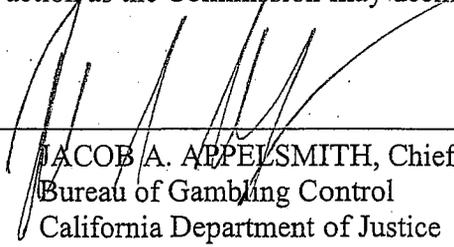
8 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,
9 and that following the hearing, the Commission issue a decision:

10 1. A penalty on Respondent Dog Named Blue, Inc. under the foregoing applicable
11 statutes and regulations that may include a license suspension or revocation, and/or a monetary
12 fine;

13 2. Awarding Complainant, pursuant to subdivisions (d) and (f) of Business and
14 Professions Code section 19930, the costs of investigation and costs of preparation and
15 prosecution of this Accusation before the Commission, in a sum according to proof;

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

17
18 Dated: November 5, 2010

19 
20 _____
21 JACOB A. APPELSMITH, Chief
22 Bureau of Gambling Control
23 California Department of Justice

24 Complainant