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

14 **In the Matter of the Statement of Reasons  
Against:**

15 **Mark Adam, sole proprietor,**  
16 **Oceana Cardroom,**  
license no. GEOW-003180,  
17 1795 Front Street  
Oceana, California 93445

CGCC No.: CGCC-2015-0730-6E

BGC No.: BGC-HQ2015-00001AC

STATEMENT OF REASONS

18  
19 **Respondent.**

20  
21 Complainant alleges as follows:

22 PARTIES

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

26 2. On or about October 23, 2008, the California Gambling Control Commission  
27 (Commission) issued a State Gambling License, number GEOW-003180, to Mark Adam  
28

1 (Respondent), the owner and sole proprietor of Oceana Cardroom (Oceana), license number  
2 GEGE-001301.

3 3. On or about July 21, 2014, Respondent submitted to the Bureau his renewal  
4 application.

5 4. Respondent's license was to expire on July 31, 2015, unless renewed or extended.  
6 The Commission considered Respondent's application to renew his license at its July 30, 2015,  
7 meeting. The Commission voted to refer the renewal of Respondent's license to an evidentiary  
8 hearing and issued an interim renewal license valid through July 31, 2017, or the conclusion of  
9 this matter, whichever is earlier. (Cal. Code. Regs., tit. 4, §§ 12035, subd. (a)(1), & 12054, subd.  
10 (a)(2).)<sup>1</sup>

11 5. Respondent timely submitted a Notice of Defense, dated August 14, 2015.

#### 12 **FIRST CAUSE OF ACTION FOR DENIAL**

#### 13 **(Ceded Management and Control of Gambling Establishment to an Unlicensed Entity)**

14 6. Respondent's application to renew his license is subject to denial in that, on or about  
15 March 5, 2015, and for a presently unknown period of time prior thereto, Respondent  
16 relinquished intermittent management and control of the Oceana to Pacific Coast Gaming, Inc.  
17 (Pacific).<sup>2</sup> Neither Pacific nor its shareholders were or are licensed to own, manage or operate  
18 that gambling establishment. (Bus. & Prof. Code, §§ 19852, subd. (a), 19850, 19855, 19857,  
19 subds. (a) & (b), 19920 & 19922; and Pen. Code, § 337j.)

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24 <sup>1</sup> The statutes and regulations applicable to this Statement of Reasons are quoted in  
25 pertinent part in Appendix A.

26 <sup>2</sup> The shareholders of Pacific appear to be Randy Watkins, Lylan Do, Stephanie Kim  
27 Nguyen and Respondent. Respondent is only licensed as a sole proprietor and not as a  
28 shareholder of Pacific. Additionally, on or about December 19, 2014, Respondent entered into a  
purchase agreement to sell Oceana to Pacific. Respondent did not disclose that transaction to the  
Bureau until many months later.



1 who did not then hold a valid key employee work permit. (Cal. Code. Regs., tit. 4, § 12354, subd.  
2 (c)(5)(B).)

3 c. On or about June 24, 2014, and July 8, 2014, Respondent failed to have and/or  
4 maintain the required cage log. (Cal. Code. Regs., tit. 4, § 12386, subd. (a)(4).)

5 d. On or about December 10, 2015, and for an unknown period of time before  
6 then, Respondent failed to have posted the required responsible gambling messages at Oceana's  
7 entrances and exits. (Cal. Code. Regs., tit. 4, § 12461, subd. (a).)

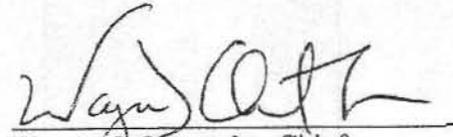
8 (Bus. & Prof. Code, §§ 19857, 19920 & 19922.)

9 **PRAYER**

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

- 12 1. Deny Mark Adam's application to renew license number GEOW-003180;  
13 2. Cancel the interim renewal license issued to Mark Adam; and,  
14 3. Take such other and further action as the Commission may deem appropriate.

15  
16  
17 Dated: January 25<sup>TH</sup>, 2016

18   
19 WAYNE J. QUINT, JR., Chief  
20 Bureau of Gambling Control  
21 California Department of Justice  
22 Complainant



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

4 4. Business and Professions Code, section 19870 provides:

5 (a) The commission, after considering the recommendation of the  
6 chief<sup>4</sup> and any other testimony and written comments as may be presented  
7 at the meeting, or as may have been submitted in writing to the commission  
8 prior to the meeting, may either deny the application or grant a license to an  
9 applicant who it determines to be qualified to hold the license.

10 (b) When the commission grants an application for a license or  
11 approval, the commission may limit or place restrictions thereon as it may  
12 deem necessary in the public interest, consistent with the policies described  
13 in this chapter.

14 (c) When an application is denied, the commission shall prepare and  
15 file a detailed statement of its reasons for the denial.

16 (d) All proceedings at a meeting of the commission relating to a  
17 license application shall be recorded stenographically or by audio or video  
18 recording.

19 (e) A decision of the commission denying a license or approval, or  
20 imposing any condition or restriction on the grant of a license or approval  
21 may be reviewed by petition pursuant to Section 1085 of the Code of Civil  
22 Procedure. Section 1094.5 of the Code of Civil Procedure shall not apply  
23 to any judicial proceeding described in the foregoing sentence, and the  
24 court may grant the petition only if the court finds that the action of the  
25 commission was arbitrary and capricious, or that the action exceeded the  
26 commission's jurisdiction.

27 5. Business and Professions Code, section 19871 provides:

28 (a) The commission meeting described in Section 19870 shall be  
conducted in accordance with regulations of the commission and as  
follows:

(1) Oral evidence shall be taken only upon oath or affirmation.

(2) Each party shall have all of the following rights:

(A) To call and examine witnesses.

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<sup>4</sup> "Chief" refers to the Chief of the Bureau. (Bus. & Prof. Code, § 19805, subd. (d).)

1 (B) To introduce exhibits relevant to the issues of the  
2 case.

3 (C) To cross-examine opposing witnesses on any  
4 matters relevant to the issues, even though the matter was  
not covered on direct examination.

5 (D) To impeach any witness, regardless of which  
6 party first called the witness to testify.

7 (E) To offer rebuttal evidence.

8 (3) If the applicant does not testify in his or her own behalf, he  
9 or she may be called and examined as if under cross-examination.

10 (4) The meeting need not be conducted according to technical  
11 rules relating to evidence and witnesses. Any relevant evidence may  
12 be considered, and is sufficient in itself to support a finding, if it is  
13 the sort of evidence on which responsible persons are accustomed to  
rely in the conduct of serious affairs, regardless of the existence of  
any common law or statutory rule that might make improper the  
admission of that evidence over objection in a civil action.

14 (b) Nothing in this section confers upon an applicant a right to  
15 discovery of the department's<sup>5</sup> investigative reports or to require  
16 disclosure of any document or information the disclosure of which is  
otherwise prohibited by any other provision of this chapter.

17 6. California Code of Regulations, title 4, section 12035, subdivision (a)(1), provides:

18 (a) The Commission shall issue an interim renewal license to an  
19 applicant for renewal of a license when:

20 (1) The Commission has elected to hold an evidentiary hearing  
pursuant to paragraph (2) of subsection (a) of Section 12054;

21 7. California Code of Regulations, title 4, section 12054, subdivision (a)(2), provides, in  
22 part:

23 (a) At a non-evidentiary hearing meeting, the Commission may  
24 take, but is not limited to taking, one of the following actions:

25 \* \* \*

26 (2) Elect to hold an evidentiary hearing in accordance with  
Section 12056 and, when for a renewal application, issue an interim

27 <sup>5</sup> "Department" refers to the Department of Justice, Bureau of Gambling Control. (Bus.  
28 & Prof. Code. § 19805, subd. (h).)

1 renewal license pursuant to Section 12035. . . .

2 Specific Statutory and Regulatory Provisions

3 8. Business and Professions Code section 19856, subdivision (a) provides, in  
4 part:

5 The burden of proving his or her qualifications to receive any license is on the  
6 applicant.

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

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

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

18 \* \* \*

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

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

Every person who, either as owner, lessee, or employee, whether for  
hire or not, either solely or in junction with others, deals, operates, carries  
on, conducts, maintains, or exposes for play any controlled game in this  
state, . . . shall apply for and obtain from the commission, and shall  
thereafter maintain, a valid state gambling license, key employee license,  
or work permit . . . . In any criminal prosecution for violation of this  
section, the punishment shall be as provided in Section 337j of the Penal  
Code.

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

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

5 (a) If the owner is a corporation, then each officer, director, and  
6 shareholder, . . . of the owner.

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

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

11 13. Business and Professions Code section 19857 provides, in part:

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

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

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

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

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

26 (b) Failure of the applicant to provide information,  
27 documentation, and assurances required by the chief, or failure of the  
28 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.

15. Business and Professions Code section 19866 provides:

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

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revoked, or is cancelled before the key employee license is approved.

20. California Code of Regulations, title 4, section 12386, subdivision (a)(4), provides, in part:

(c) The policies and procedures for all tiers shall meet or exceed the following standards for cages:

\* \* \*

(4) A log shall be maintained, either in writing or electronically, to document entry into the cage by any person not authorized access pursuant to paragraphs (2) and (3) of this subsection. . . .

21. California Code of Regulations, title 4, section 12461, subdivision (a), provides:

(a) Each licensee, by July 1, 2007, shall post or provide, at patron gambling entrances or exits, and in conspicuous places in or near gambling areas and any areas where cash or credit are available to patrons, accessible written material concerning the nature and symptoms of problem gambling and the toll-free telephone number approved by the Office of Problem Gambling (or its successors) that provides information and referral services for problem gamblers, currently "1-800-GAMBLER."

22. California Code of Regulations, title 11, section 2050, subdivision (a), provides:

(a) A gambling establishment shall have on the premises, at all times that the establishment is open to the public, an owner licensee or a key employee who shall have the responsibility and authority to ensure immediate compliance with the Act and these regulations.