

III. ISSUES

Whether the Appellant was in violation of R.I. Gen. Laws § 3-5-23 on August 19, 2016³ and if so, what sanction(s) should be imposed.

IV. MATERIAL FACTS AND TESTIMONY

Detective Jonathan Desmarais (“Desmarais”), Providence Police Department, testified on behalf of the City. He testified that he is member of the Narcotics and Organized Crime Unit and is involved in handling street level drug dealing investigations. He testified that the police had received information about narcotics activity at the Appellant and as a result, undercover detectives conducted inside and outside surveillance. He testified that they observed the manager, Theodossis Andonis (“Andonis”), engaged in narcotic transactions. He testified that subjects or patrons came to the bar for a few seconds, met with him, had some type of activity or money or something was given to them, and then would leave. He testified that this was a two (2) month investigation and as a result of the surveillance they decided to make controlled purchases from Adonis using a confidential informant. He testified that the purchases were made inside the Appellant during operational hours and the purchased material tested positive for cocaine. He testified that they obtained a search warrant so that on August 19, 2016, the police searched the Appellant, Andonis, and another patron (subsequently identified as Antonio Reverdes (“Reverdes”). He testified that when they searched Andonis, he had seven (7) grams of cocaine and two (2) empty baggies on his person. He testified that on the day of the search, Andonis was acting as the Appellant’s manager.

On cross-examination, Desmarais testified that a paid informant in July, 2016 had given information regarding narcotics trafficking at the Appellant. He testified that the surveillance showed Andonis outside and Reverdes would come up and talk to him on the sidewalk in front of

³ This date refers to when the police executed the search warrant testified to by the police officer and discussed below.

the establishment at different times of the day. He testified that they saw people arrive and park, walk in, and walk out, and that was all that he noted. He testified that he did not see any drugs being sold outside of the establishment. He testified that the police buy was limited to Andonis and Reverdes. He testified that they only found cocaine on Andonis and did not find any drug paraphernalia in the bar. He testified that he could not see using more than two (2) or three (3) grams in a day, and there were seven (7) grams. He testified that it is fair to say that people may buy a supply of cocaine for a period of time, and he has seen that, but he could not say this was all for personal use. He testified that the police case is not directed at the owner. On redirect examination, he testified that seven (7) grams seems a lot for recreational use and there were two (2) bags without cocaine residue which he felt meant that they were being used to put the cocaine in to sell since bags that have had cocaine in them would have residue. On questioning from the Board, he testified that cocaine only was seized from Andonis.

Moshe Jabai testified on behalf of the Appellant. He testified that he owns the Appellant and employed people to run it. He testified that he is familiar with Andonis who was his manager (He referred to Andonis as Theodossis Spyrides). He testified that he has known him for five (5) years and that he previously worked at Paragon, Viva, and Spats [restaurants in Providence] and had owned and operated Paragon. He testified that he would meet with Andonis to go over the numbers and ensure the numbers matched and review any employee issues and inventory. He testified that he was not aware of any drug issues. He testified that he is looking for a new manager. On cross-examination, he testified that he knew Andonis for five (5) years and that he managed the Appellant since it opened three (3) years ago. He testified that he would go to the bar about once or twice a week and also have his meetings with Andonis there.

V. DISCUSSION

A. **Legislative Intent**

The Rhode Island Supreme Court has consistently held that it effectuates legislative intent by examining a statute in its entirety and giving words their plain and ordinary meaning. *In re Falstaff Brewing Corp.*, 637 A.2d 1047 (R.I. 1994). If a statute is clear and unambiguous, “the Court must interpret the statute literally and must give the words of the statute their plain and ordinary meanings.” *Oliveira v. Lombardi*, 794 A.2d 453, 457 (R.I. 2002) (citation omitted). The Supreme Court has also established that it will not interpret legislative enactments in a manner that renders them nugatory or that would produce an unreasonable result. See *Defenders of Animals v. DEM*, 553 A.2d 541 (R.I. 1989) (citation omitted). In cases where a statute may contain ambiguous language, the Rhode Island Supreme Court has consistently held that the legislative intent must be considered. *Providence Journal Co. v. Rodgers*, 711 A.2d 1131 (R.I. 1998).

B. **The Appeal before the Department**

The hearing before the undersigned is a *de novo* hearing so that the parties start afresh during the appeal. See *AJC Enterprises v. Pastore*, 473 A.2d 269 (R.I. 1984) (as the hearing is a *de novo* hearing rather than an appellate review of what occurred at the municipal level, any alleged error of law or fact committed by the municipal agency is of no consequence). See also *Hallene v. Smith*, 201 A.2d 921 (R.I. 1964); *Cesaroni v. Smith*, 202 A.2d 292 (R.I. 1964). Thus, while there was not a totally new hearing before the Department, the proceeding before the Department is considered a *de novo* hearing. The outcome of an appeal is a decision whether to uphold, overturn, or modify a licensing board’s decision. Therefore, this appeal is not bound by the Board’s reasons for suspension but whether the Board presented its case for suspension before the undersigned.

The undersigned will make her findings on the basis of the evidence before her and determine whether that evidence justifies said suspension and penalty.

The Department reviews sanctions to ensure statewide consistency and appropriateness in the situation. It also supports progressive discipline barring the rare and extreme event where revocation may be warranted without prior discipline. It also accepts the principles of comity and deference to the local authorities and their desire to have control over their own town or city. At the same time, pursuant to R.I. Gen. Laws § 3-2-2 and R.I. Gen. Laws § 3-7-21, the Department ensures that tensions between local boards and licensees are settled in a consistent manner. Nonetheless, there is not a mechanical application of sanctions as each matter has its own sets of circumstances. See *C&L Lounge, Inc. d/b/a Gabby's Bar and Grille; Gabriel L. Lopes v. Town of North Providence*, LCA – NP-98-17 (4/30/99). At the same time, a sanction cannot be arbitrary and capricious. The unevenness of the application of a sanction does not render its application unwarranted in law but excessive variance would be evidence that an action was arbitrary and capricious. *Pakse Market Corp. v. McConaghy*, 2003 WL 1880122 (R.I. Super.) (upholding revocation for a series on infractions). See *Jake and Ella's v. Department of Business Regulation*, 2002 WL 977812 (R.I. Super.) (R.I. Super.) (overturning a revocation of a liquor license as arbitrary and capricious).

An appeal proceeding held pursuant to R.I. Gen. Laws § 3-7-21 is considered a civil proceeding. See *Board of License Commissioners of Tiverton v. Pastore*, 463 A.2d 161 (R.I. 1983). See also *Scialo v. Smith*, 210 A.2d 595 (R.I. 1965). In civil proceedings, unless otherwise specified, the burden of proof generally needed for moving parties to prevail is a fair preponderance of the evidence. *Jackson Furniture Co. v. Lieberman*, 14 A.2d 27 (R.I. 1940). See also *Parenti v. McConaghy*, 2006 WL 1314255 (R.I. Super.); and *Manny's Café, Inc. v. Tiverton*

Board of Commissioners, LCA TI-97-16 (11/10/97) (Department decision discusses burden of proof for proceedings held pursuant to R.I. Gen. Laws § 3-7-21).

C. Arguments

The City relied on its closing before the Board and before the Department. The City argued that the Appellant is responsible for what happened inside its licensed premises even if it was the manager selling drugs and not the owner and even if the owner did not know of the activity. The City argued that the detective witnessed activity consistent with narcotics trafficking and that led to a controlled buy that led to a search warrant and the search where more than a recreational amount of cocaine and baggies were found on the manager. The City relied on *Bandilli Café Corporation v. City of Pawtucket, Board of License Commissioners*, LCA-PA94-18 (12/9/94) to argue that the selling of drugs was an egregious act that warrants revocation.

The Appellant relied on its closing before the Board and the Department. It argued that it has been licensed for three (3) years with a very minor presence before the Board. The Appellant argued that the so-called evidence of drug trafficking was that the manager spoke to people outside and people went inside and would leave a few seconds later. The Appellant argued that the drug sale was part of sting and there is really no evidence of narcotics trafficking in the bar and no drug paraphernalia was found in the bar, but only on the manager. The Appellant argued that the small quantity seized could have been for personal use and was an isolated incident. The Appellant pointed out that the Board wrestled with what sanction to impose and that the 30 day suspension is excessive and not in keeping with progressive discipline. The Appellant argued that egregious acts that rise to revocation are violence or repetitive regular disorderly conduct. The Appellant argued this not a revocation case like *Bandilli Café* where the owner participated in drug sales.

D. Sanctions Prior to August 15, 2016

The Appellant was licensed on June 6, 2014 and has no previous discipline.

E. When Sanctions of License are Justified

R.I. Gen. Laws § 3-5-23 states in part as follows:

(b) If any licensed person permits the house or place where he or she is licensed to sell beverages under the provisions of this title to become disorderly as to annoy and disturb the persons inhabiting or residing in the neighborhood, or permits any gambling or unlawful gaming to be carried on in the neighborhood, or permits any of the laws of this state to be violated in the neighborhood, in addition to any punishment or penalties that may be prescribed by statute for that offense, he or she may be summoned before the board, body, or official which issued his or her license and before the department, when he or she and the witnesses for and against him or her may be heard. If it appears to the satisfaction of the board, body, or official hearing the charges that the licensee has violated any of the provisions of this title or has permitted any of the things listed in this section, then the board, body, or official may suspend or revoke the license or enter another order.

A liquor licensee has the “responsibility to control the conduct of its patrons both within and without the premises in a manner so that the laws and regulations to which the license is subject will not be violated.” *Schillers, Inc. v. Pastore*, 419 A. 2d 859 (R.I. 1980).

A liquor licensee is accountable for violations of law that occur on its premises and outside. *Vitali v. Smith*, 254 A.2d 766 (R.I. 1969). It is not a defense that a licensee is not aware of the violations or provided supervision to try to prevent violation. While such a responsibility may be onerous, a licensee is subject to such a burden by the legislature and accepted such conditions by becoming licensed. *Therault v. O’Dowd*, 223 A.2d 841 (R.I. 1966). See also *Scialo v. Smith*, 99 R.I. 738 (R.I. 1965). As the Supreme Court has found, “the responsibility of a licensee for the conduct of his patrons within the licensed premises that makes it disorderly within the meaning of the statute is established by evidence showing a toleration or acquiescence in such conduct by the

licensee.” *Cesaroni*, at 296. See also *AJC Enterprises; Schillers*; and *Furtado v. Sarkas*, 118 R.I. 218 (1977).⁴

Nonetheless, the revocation of a liquor license is a relatively rare event and is reserved for a severe infraction or a series of smaller infractions that rise to a level of jeopardizing public safety. See *Stage Bands, Inc. d/b/a Club Giza v. Department of Business Regulation*, 2009 WL 3328598 (R.I. Super.) (several disturbances and a shooting on one night justified revocation) and *Pakse Market Corp.* See also *Cardio Enterprises, d/b/a Comfort Zone Sports Bar v. Providence Board of Licenses*, DBR No.: 06-L-0207 (3/29/07) (killing of patron with incident starting inside and escalating outside justified revocation); and *PAP Restaurant, Inc. v. d/b/a Tailgate's Grill and Bar v. Town of Smithfield, Board of License Commissioners*, DBR No.: 03-L-0019 (5/8/03) (series of infractions justified revocation).

F. What Sanction is Justified

From *Cesaroni* in 1964 to *Schillers* in 1980 up until today, a liquor licensee is responsible for activities inside and outside its licensed premises. It does not matter how well a liquor licensee supervises such responsibilities since even the most responsible supervising licensee is still responsible for any violations.

As discussed above, the sanctions imposed for R.I. Gen. Laws § 3-5-23 vary depending on the type of violation.

Before the Board, the City requested revocation. When the Board members discussed the appropriate sanction, one commissioner posited that revocation was too severe, but suggested a 60 to 90 suspension with a \$2,000 administrative penalty. Another commissioner recommended a 10

⁴ For a discussion by the Department regarding how it is well settled and indisputable that under case law a liquor licensee is liable for the violative acts of his/her manager(s) and/or employee(s) regardless of the licensee's knowledge of occurrences, see *28 Prospect Hill Street, LLC d/b/a Café 28, a/k/a Café Craz v. City of Newport*, LCA-NE-01-02 (9/5/02).

day closure with a \$1,000 administrative penalty. Another commissioner supported revocation and another commissioner indicated that ten (10) days was too little but 90 days was too much. In the end, the Board voted 3 to 2 for a 30 day suspension and \$2,000 administrative penalty.

At the Department hearing, the City once again requested revocation. In support of the City's argument, the City relied on *Bandilli Café* which was cited in *28 Prospect Hill* for revoking a liquor license for drug trafficking. A review of *Bandilli Café* shows that in less than three (3) months, ten (10) undercover purchases of cocaine were made with the evidence showing that the owner was engaged in selling and most likely storing cocaine on the premises. The case does not discuss any previous discipline, but the evidence is of a high volume on-going drug trafficking with the owner even offering to sell drugs to a patron entering and not requesting any drugs.

In this matter, this is the Appellant's first offense of any kind. The evidence is that the manager sold cocaine to a police officer causing a search warrant to issue. During the search, cocaine was found on the manager. The parties dispute whether it was for personal use or for sale. The evidence was that the manager had clean baggies consistent with selling the cocaine in future. The evidence certainly is not anywhere near the level of drug trafficking at *Bandilli Café*.

The Board itself wrestled with how this violation should be treated. In the end, the Board treated it more severely than a first (non-serious) disorderly conduct violation which could result in an administrative penalty or a short suspension of liquor license. A second disorderly conduct violation depending on its seriousness would most likely not merit a 30 day suspension. While there is no mechanical grid for sanctions for disorderly conduct suspension, a review of such recent cases may be helpful by analogy.

In *JJAM Sports, Inc. d/b/a LaCabana Night Club Sports Bar and Grille, Inc. v. Lincoln Board of License Commissioners*, LCA-LI-99-05 (12/27/99), the Department upheld a two (2) day

suspension for a fight inside the bar and a second fight outside in the parking lot with the patrons refusing to leave and police (including from the adjoining community) being called to clear the patrons and a police officer had a beer bottle thrown at him. More recently, in *DL Enterprises d/b/a East Bay Tavern v. East Providence City Council*, DBR No. 14LQ009 (4/28/14), the Department reduced a revocation to a 14 day suspension for fighting inside the bar where there was a physical altercation and a stabbing but no positive identification of a weapon. In *Moe's Place, Inc. d/b/a D'Noche v. City of Providence, Board of Licenses*, DBR No. 14LQ022 (6/24/14), the licensee received a two (2) day suspension for disorderly conduct when two (2) drunk patrons that had fought inside (but not physically) were escorted outside where they were belligerent but not physical. That licensee had recently had a five (5) day suspension for nuisance and a seven (7) day suspension for various violations such as overcapacity and drinks advertising and a disturbance so that a two (2) day suspension was imposed for the disorderly conduct despite it not being physical. Subsequently, the licensee had its fourth disorderly conduct violation in less than two (2) years when a patron brought a knife inside the premises despite security pat-downs and stabbed another patron. As a result, the Class B license was suspended for 60 days and the Class BX license was revoked. See In *Moe's Place, Inc. d/b/a D'Noche v. City of Providence, Board of Licenses*, DBR No. 14LQ054 (12/3/14). In *Curbside, Inc. v. Cumberland Town Council*, DBR No. 09-L-0086 (9/17/09), a two (2) day suspension was imposed on a disturbance where a patron was thrown out after being verbally loud inside and then outside pushed and shoved other patrons. In *Ocean State Hospitality, Inc. d/b/a Fatt Squirrel v. Providence Board of Licenses*, DBR No.: 16LQ002 (3/31/16), a 14 day suspension was imposed for the shooting outside (which did not hit anyone) and the punching of a patron.

In addition, the Department recently had cause to review its approach to underage drinking which is a violation of R.I. Gen. Laws § 3-5-23 (permitting a violation of law). In that case,⁵ the Department reiterated that it has consistently imposed progressive discipline except for egregious violations under the disorderly conduct statutory provisions such as in *Stage Bands*. For example, the Department imposed progressive discipline in *Eagle Social Club d/b/a Ava's Wrath v. Providence Board of Licenses*, DBR Nos. 14LQ021; 14LQ023 (7/29/14) ("Eagle I") where the local authority had revoked a liquor license without imposing progressive discipline. In that matter, the licensee previously had an eight (8) day suspension for four (4) different instances of underage drinking, and the Board imposed a revocation after more underage drinking violations. Instead of revocation, the Department in Eagle I reduced the revocation to 45 days and imposed a 60 day suspension for a further underage violation. In *Eagle Social Club d/b/a Ava's Wrath v. Providence Board of Licenses*, DBR No. 14LQ056 (12/23/14) ("Eagle II"), the Department upheld the revocation of the license after the fourth underage violation in one (1) year. As in *Pakse*, the Department and the local authority concluded in *Eagle II* that progressive discipline was ineffective as the licensee had continuous violations in one (1) year. The same analysis was used in *Dacosta Liquors, Inc. v. City of Providence, Board of Licenses*, DBR No. 14LQ038 (11/20/14), in which the licensee had various underage violations between 2012 and 2015 and received an administrative penalty, a three (3) day suspension, another administrative penalty, a 20 day suspension, another administrative penalty, and finally revocation. See also *Bourbon Street, Inc. d/b/a Senor Frogs v. Newport Board of License Commissioners*, 1999 WL 1335011 (R.I. Super).⁶

⁵ The case is *In the Matter of: P.B. Management Inc. and Peter Buonanni d/b/a Cornerstone Pub*, DBR No.: 14LQ003 (6/1/16) which was a Departmental liquor prosecution; however, the issue of discipline and sanctions are the same as in a liquor licensing appeal.

⁶ Superior Court upheld decision to revoke the liquor license after a series of progressive discipline over a year for serious overcrowding on different nights, 18 arrests for underage drinking, illegal drinks promotion, two (2) different disorderly conduct violations, and finally another three (3) incidents of underage drinking.

In this matter, this is the Appellant's first offense of any kind. The violation of law while serious – involving the sale of drugs - is not anywhere near the violations contained in *Bandilli Café*. The evidence does not merit a revocation of license. The Board ended up compromising at a 30 day suspension after discussing a 10, 60, or 90 day suspension or revocation of License. In reviewing the sanctions imposed for first time disorderly conduct and for permitting violations of law and in the context of this first time violation, the Appellant's License shall be suspended for 15 days.

H. Administrative Penalties

The Appellant raised the issue of the administrative penalties imposed by the Board. Pursuant to R.I. Gen. Laws § 3-7-21, the Department does not have authority to hear appeals of fines. However, the Superior Court found that the Department has implied jurisdiction to review administrative fines imposed by local boards pursuant to R.I. Gen. Laws § 3-5-21. See *The Rack, Inc. d/b/a Smoke v. Providence Board of Licenses*, et al. CA No. PC 2011-5909 (7/22/13). The Court found that the Department did not have to apply a *de novo* standard of review to appeals of administrative fines but that the Department must review the record and articulate and document a substantial, non-arbitrary rationale for invoking its discretion to dismiss appeals of fines imposed by local licensing boards and that the exercise of such discretion must be reasonable. The Court further found that if the monetary fine imposed on a licensee by a local liquor licensing board is within statewide limits set by statute then such a finding by the Department may be sufficient basis for the Department to dismiss a licensee's appeal. *Id.* at pp. 14-17.

R.I. Gen. Laws § 3-5-21(b)⁷ provides that a first offense by a liquor licensee shall be fined \$500 with the fine for each subsequent offence not to exceed \$1,000. R.I. Gen. Laws § 3-5-21

⁷ R.I. Gen. Laws § 3-5-21 states in part as follows:

Revocation or suspension of licenses – Fines for violating conditions of license. – (a) Every license is subject to revocation or suspension and a licensee is subject to fine by the board, body or official issuing the license, or by the department or by the division of taxation, on its own motion, for

establishes minimum fines for violations. Thus, the first offense is for any offense of the liquor licensing law and the subsequent offense is for any subsequent offense of the liquor licensing laws rather than pinpointing whether the violation is the first or subsequent offense of a specific statutory or regulatory violation. This interpretation is supported by the fact that the statute provides for a clean slate for all offenses if the licensee has not had any offenses for three (3) years. In other words, the first offense of the liquor statute cannot be fined more than \$500 with each subsequent offense of the liquor licensing law not being fined more than \$1,000 but if the licensee has no offenses for three (3) years, the clock is re-set and any violation would be considered a first offense.

The Appellant violated R.I. Gen. Laws § 3-5-23 which is its first offense. Therefore, the statutorily maximum penalty is \$500. The \$2,000 administrative penalty is reduced to \$500.

VI. FINDINGS OF FACT

1. On or about September 26, 2016, the Board notified the Appellant that its License had been suspended for 30 days by Providence and an administrative penalty of \$2,000 imposed.
2. Pursuant to R.I. Gen. Laws § 3-7-21, the Appellant appealed this decision to the Director of the Department.
3. On October 6, 2016, the Department issued a conditional stay of the Board's revocation of License.
4. Pursuant to R.I. Gen. Laws § 3-7-21(c), the parties agreed to base the appeal on the record before the Board.
5. Oral closings were held on November 1, 2016.

breach by the holder of the license of the conditions on which it was issued or for violation by the holder of the license of any rule or regulation applicable, or for breach of any provisions of this section.

(b) Any fine imposed pursuant to this section shall not exceed five hundred dollars (\$500) for the first offense and shall not exceed one thousand dollars (\$1,000) for each subsequent offense. For the purposes of this section, any offense committed by a licensee three (3) years after a previous offense shall be considered a first offense.

6. The facts contained in Section IV and V are reincorporated by reference herein.

VII. CONCLUSIONS OF LAW

Based on the testimony and facts presented:

1. The Department has jurisdiction over this matter pursuant to R.I. Gen. Laws § 3-2-2, R.I. Gen. § 3-5-1 *et seq.*, R.I. Gen. Laws § 3-7-1 *et seq.*, R.I. Gen. Laws § 42-14-1 *et seq.*, and R.I. Gen. Laws § 42-35-1 *et seq.*

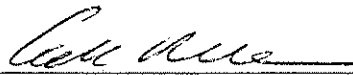
2. The Appellant violated R.I. Gen. Laws § 3-5-23 on August 19, 2016.

3. In this *de novo* hearing, a showing was made to reduce the 30 day suspension to 15 days and to reduce the administrative penalty from \$2,000 to \$500.

VIII. RECOMMENDATION

Based on the above analysis, the Hearing Officer recommends that the decision of the Board be modified so that the 30 day suspension of License is reduced to 15 days and that the administrative penalty of \$2,000 be reduced to \$500. The penalty shall be paid by the 31st day subsequent to the issuance of this decision. The suspension shall be served beginning on the 31st day subsequent to the issuance of this decision.

Dated: 12/6/16

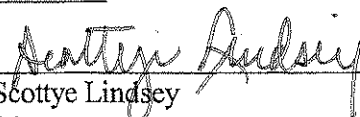

Catherine R. Warren
Hearing Officer

ORDER

I have read the Hearing Officer's Decision and Recommendation in this matter, and I hereby take the following action with regard to the Decision and Recommendation:

ADOPT
 REJECT
 MODIFY

Dated: 12/8/16


Scottye Lindsey
Director

NOTICE OF APPELLATE RIGHTS

THIS DECISION CONSTITUTES A FINAL ORDER OF THE DEPARTMENT OF BUSINESS REGULATION PURSUANT TO R.I. GEN. LAWS § 42-35-12. PURSUANT TO R.I. GEN. LAWS § 42-35-15, THIS ORDER MAY BE APPEALED TO THE SUPERIOR COURT SITTING IN AND FOR THE COUNTY OF PROVIDENCE WITHIN THIRTY (30) DAYS OF THE MAILING DATE OF THIS DECISION. SUCH APPEAL, IF TAKEN, MUST BE COMPLETED BY FILING A PETITION FOR REVIEW IN SUPERIOR COURT. THE FILING OF THE COMPLAINT DOES NOT ITSELF STAY ENFORCEMENT OF THIS ORDER. THE AGENCY MAY GRANT, OR THE REVIEWING COURT MAY ORDER, A STAY UPON THE APPROPRIATE TERMS.

CERTIFICATION

I hereby certify on this 9th day of December, 2016 that a copy of the within Order was sent by email and first class mail, postage prepaid, to the following: Mario Martone, Esquire, City of Providence Law Department, 444 Westminster Street, Suite 220, Providence, RI 02903 and George J. West, Esquire, George J. West & Associates, One Turks Head Place, Ste. 312, Providence, RI 02903 and by hand-delivery to Maria D'Alessandro, Deputy Director, Department of Business Regulation, Pastore Complex, 1511 Pontiac Avenue, Building 69-1, Cranston, RI 02920

