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

14 **In the Matter of the First Amended
Statement of Issues Against:**

16 **JON STRECKER**



18 **Key Employee License No. GEKE-001413**

20 **Respondent.**

BGC No. BGC-HQ2015-00023SL

CGCC No. CGCC-2016-1119-9D

OAH No. 2016100285

**FIRST AMENDED STATEMENT OF
ISSUES**

23 **PARTIES**

24 1. Wayne J. Quint, Jr., brings this First Amended Statement of Issues solely in his
25 official capacity as the Director¹ of the California Department of Justice, Bureau of Gambling
26 Control (Bureau).

27 ¹ Wayne J. Quint, Jr.'s title has been changed from "Chief" to "Director" during the
28 pendency of this action.

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

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

14 **LOUIS SARANTOS, JR.**
15 **dba CLOVIS 500 CLUB**

16 **LICENSE NUMBER GEOW-002381**

17 **Respondent.**

Case No. HQ2015-00003AC

OAH No. 2015090347

18 **In the Matter of the Application for**
19 **Renewal of Key Employee Portable**
Personal License Regarding:

20 **LEON BERNARDI**

21 **Key Employee License No. GEKE-001408**

22 **Respondent.**

Case No. BGC-HQ2013-00003AC

OAH No. 2016030545

23 **In the Matter of the Statement of Issues**
24 **Against:**

25 **JOSEPH FREDERICK CAPPS**

26 **License No. TPPL-006948**

27 **Respondent.**

Case No. BGC-HQ2015-00024SL

OAH No. 2016100308

1 2. On or about November 25, 2008, the California Gambling Control Commission
2 (Commission) issued an initial gambling establishment key employee license number GEKE-
3 001413 to Jon Strecker (Respondent). Respondent has continuously held a key employee license
4 since then.

5 3. On or about May 30, 2012, Respondent filed a notification of change of employment
6 status, terminating his employment by Club One Casino on May 21, 2012, and starting
7 employment at the Clovis 500 Club on May 22, 2012.

8 4. On or about August 31, 2014, Respondent filed a license renewal application. On
9 September 15, 2015, the Bureau recommended denial of renewal. On November 19, 2015, the
10 Commission did not deny Respondent's application for a key employee license, nor did it renew
11 Respondent's key employee license. Rather, it referred the determination of Respondent's
12 suitability for continued licensure to an evidentiary hearing before an administrative law judge of
13 the Office of Administrative Hearings, sitting on behalf of the Commission, pursuant to
14 California Code of Regulations, title 4, section 12058.²

15 5. Respondent's key employee license expired on November 30, 2015. However, on
16 November 19, 2015, the Commission issued Respondent an interim renewal license which is
17 valid pending the outcome of this matter, or until November 30, 2017, whichever is earlier. (Cal.
18 Code Regs., tit. 4, § 12035, subd. (b)(2).)

19 **STATEMENT OF THE CASE**

20 6. On or about November 11, 2011, Respondent entered into a joint venture agreement
21 facilitated by, and through the agency of, John Cardot under which Respondent and others,
22 including Cardot, would lend a total of approximately \$1,500,000 to licensee Louis Sarantos,
23 owner of the Clovis 500 Club Casino, for the purpose of financing the relocation of the Clovis
24 500 Club Casino, including tenant improvements associated therewith. In consideration of this
25 aggregate loan, the participants in the joint venture, including Respondent, were to receive both
26 interest payments and options to purchase certain percentage interests in the Clovis 500 Club

27 ² The statutes and regulations applicable to this Statement of Issues are quoted in
28 pertinent part in Appendix A.

1 Casino after the improvements had been completed, the relocated club was operating, and a
2 corporation had been formed to facilitate the transfer of the percentage interests to the joint
3 venture participants. By acting in the manner herein alleged, Respondent acquired a financial
4 interest in the Clovis 500 Club Casino.

5 7. During the pendency of this action, Complainant developed evidence that Louis
6 Sarantos, Jr., was, and is, permitting Shawn Sarantos, an unlicensed person, to act as a manager
7 and supervisor at the Clovis 500 Club Casino. Respondent knew, or should have known, of this
8 unlawful management activity, and failed to disclose it to the Bureau as required under the
9 Gambling Control Act.

10 **FIRST CAUSE FOR DENIAL**

11 **(Failure to Disclose Financial Interest)**

12 8. By acting in the manner alleged, Respondent acquired a financial interest in the
13 Clovis 500 Club. At no time subsequent to November 11, 2011, including at the time(s) of
14 Respondent's periodic license renewal applications, did Respondent disclose his financial interest
15 in the Clovis 500 Club Casino. By acting in the manner herein alleged, Respondent conspired
16 with the other participants in the joint venture, including Louis Sarantos, to conceal from the
17 Bureau and Commission the sources of financing for the relocation of the Clovis 500 Club
18 Casino, and thus precluded the Bureau's investigation of the funding sources and the
19 Commission's discretionary licensing thereof pursuant to the Act.

20 9. Because Respondent acted in the manner herein alleged, Respondent's key employee
21 license application is subject to denial pursuant to Business and Professions Code sections 19854,
22 19857, subdivisions (a) and (b), 19859, subdivision (b), 19866, and California Code of
23 Regulations, title 11, section 2052, subdivision (c).

24 **SECOND CAUSE FOR DENIAL**

25 **(Failure to Report Violations of Gambling Control Act)**

26 10. On or about November 11, 2011, and thereafter, Respondent failed to report to the
27 Bureau and Commission the actions of others taken in furtherance of the joint venture described
28 in paragraph 6, above, including, but not limited to the actions of licensees Louis Sarantos, Jr.,

1 Leon Bernardi, Joseph Capps, Edward Mason, and Dusten Perry, despite having knowledge
2 thereof. Nor did Respondent disclose to the Bureau or Commission the participation of other
3 licensees in the joint venture and their respective acquisitions of financial interests in the Clovis
4 500 Club Casino, despite Respondent's knowledge thereof.

5 11. Because Respondent acted in the manner herein alleged, Respondent's key employee
6 license application is subject to denial pursuant to Business and Professions Code sections 19854,
7 19857, subdivisions (a) and (b), 19859, subdivision (b), California Code of Regulations, title 11,
8 section 2052, subdivision (c), and California Code of Regulations, title 4, section 12395,
9 subdivision (a) (3) (B).

10 **THIRD CAUSE FOR DENIAL**

11 **(Failure to Report Violations of the Gambling Control Act)**

12 12. At all times from approximately 2010 to the present, Shawn Sarantos, an unlicensed
13 person, has, in an open and notorious way, acted in a supervisory capacity and performed duties
14 within the Clovis 500 Club that involve making discretionary decisions that regulate gambling
15 operations, including the supervision and direction of Clovis 500 Club employees, determining
16 when to open or close games, dealing with patron disputes, issuing credit to players, and
17 accessing the restricted count room and cage areas of the Clovis 500 Club.

18 13. At all times relevant herein, a person performing the acts and duties described in
19 paragraph 26, above, was required to hold and maintain a "key employee license" as defined in
20 Business and Professions Code section 19805, subdivisions (x) and (y), and required by Business
21 and Professions Code section 19854, subdivision (a).

22 14. At no time relevant herein did Shawn Sarantos apply for, obtain, or maintain a state
23 key employee license, or any state gambling license.

24 15. At all times relevant herein, the fact that Shawn Sarantos was performing, but was not
25 licensed to perform, managerial or supervisory acts at the Clovis 500 Club was known to, or
26 reasonably should have been known to, Respondent. At no time relevant herein, did Respondent
27 report the above described unlawful activities of Shawn Sarantos to the Bureau as required by
28

1 California Code of Regulations, title 11, section 2052, subdivision (c), and California Code of
2 Regulations, title 4, section 12395, subdivision (a) (3) (B).

3 16. At all times relevant herein, the fact that Louis Sarantos, Jr., was unlawfully
4 permitting Shawn Sarantos to perform managerial or supervisory tasks or acts at the Clovis 500
5 Club without the required key employee license, was known to, or reasonably should have been
6 known to, Respondent. By authorizing or permitting Shawn Sarantos to act in the manner alleged
7 herein, Louis Sarantos, Jr., persistently operated a gambling enterprise in violation of the
8 gambling laws of the State of California. (Bus. & Prof. Code, §§ 19805, subds. (x) & (y), 19850,
9 19854, subd. (a), 19855, 19866, 19922, 19923; Cal. Code Regs., tit. 11, § 2052.)

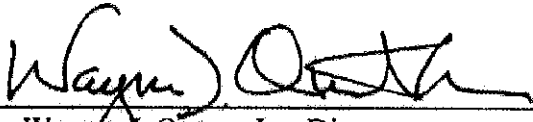
10 17. At no time relevant herein, did Respondent report the above described unlawful
11 activities of Louis Sarantos, Jr., to the Bureau as required by Business and Professions Code
12 section 19866, California Code of Regulations, title 11, section 2052, subdivision (c), and by
13 California Code of Regulations, title 4, section 12395, subdivision (a) (3) (B).

14 **PRAYER**

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

- 17 1. Deny the renewal of key employee license No. GEKE-001413, issued to Respondent
18 Jon Strecker;
- 19 2. Order the Respondent to pay the department the reasonable costs of investigation and
20 prosecution of the case pursuant to Business and Professions Code section 19930; and
- 21 3. Take such other and further action as the Commission may deem appropriate.

22
23 Dated: June 29TH, 2017

24 
25 WAYNE J. QUINT, JR., Director,
26 Bureau of Gambling Control
27 California Department of Justice
28 Complainant

1 **APPENDIX A**

2 **Jurisdiction**

- 3 1. Business and Professions Code section 19811, subdivision (b), provides:

4 Jurisdiction, including jurisdiction over operation and
5 concentration, and supervision over gambling establishments in this
6 state and over all persons or things having to do with the operation of
7 gambling establishments is vested in the commission.

- 8 2. Business and Professions Code section 19823 provides:

9 (a) The responsibilities of the commission include, without
10 limitation, all of the following:

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

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

21 (b) For the purposes of this section, "unqualified person" means
22 a person who is found to be unqualified pursuant to the criteria set forth
23 in Section 19857, and "disqualified person" means a person who is found
24 to be disqualified pursuant to the criteria set forth in Section 19859.

- 25 3. Business and Professions Code section 19824 provides in part:

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

(b) For any cause deemed reasonable by the commission, deny
any application for a license, permit, or approval provided for in this
chapter or regulations adopted pursuant to this chapter, limit, condition,
or restrict any license, permit, or approval, or impose any fine upon any
person licensed or approved. The commission may condition, restrict,
discipline, or take action against the license of an individual owner
endorsed on the license certificate of the gambling enterprise whether or
not the commission takes action against the license of the gambling
enterprise.

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

4. Business and Professions Code section 19854, subdivisions (a) and (b), provide:

(a) Every key employee shall apply for and obtain a key employee license.

(b) No person may be issued a key employee license unless the person would qualify for a state gambling license.

5. California Code of Regulations, title 4, section 12035, provides, in part:

(b) (2) An interim renewal license shall be valid for a period of two years from the date the previous license expires, or until a decision is final under Section 12066, whichever is earlier, and is not subject to renewal. The Commission may issue additional interim renewal licenses if the hearing process has not been, or will not be, included by the expiration date of the current interim renewal license.

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

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

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

(c) A Statement of Issues shall be prepared and filed in according to Government Code section 11504 by the complainant.

7. California Code of Regulations, title 4, section 12335, provides, in part:

(a) Except as otherwise provided in subsection (c) of Section 12003 of these regulations, the definitions in Business and Professions Code section 19805 shall govern the construction of this chapter.

1 **Costs**

2 8. Business and Professions Code section 19930, subdivision (d), provides, in part:

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

8 (1) The costs assessed pursuant to this subdivision shall
9 be fixed by the administrative law judge and may not be
10 increased by the commission. When the commission does not
11 adopt a proposed decision and remands the case to the
12 administrative law judge, the administrative law judge may not
13 increase the amount of any costs assessed in the proposed
14 decision.

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

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

23 * * *

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

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

27 (2) The preparation and prosecution of the case by the
28 Office of the Attorney General.

Specific Statutory and Regulatory Provisions

9. Business and Professions Code, section 19805 provides, in part:

(x) "Key employee" means any natural person employed in the
operation of a gambling enterprise in a supervisory capacity or
empowered to make discretionary decisions that regulate gambling
operations, including, without limitation, pit bosses, shift bosses, credit
executives, cashier operations supervisors, gambling operation managers
and assistant managers, managers or supervisors of security employees,

1 or any other natural person designated as a key employee by the
2 department for reasons consistent with the policies of this chapter.

3 (y) "Key employee license" means a state license authorizing the
4 holder to be employed as a key employee.

5 10. Business and Professions Code section 19850 provides:

6 Every person who, either as owner, lessee, or employee, whether for
7 hire or not, either solely or in conjunction with others, deals, operates,
8 carries on, conducts, maintains, or exposes for play any controlled game
9 in this state, or who receives, directly or indirectly, any compensation or
10 reward, or any percentage or share of the money or property played, for
11 keeping, running, or carrying on any controlled game in this state, shall
12 apply for and obtain from the commission, and shall thereafter maintain,
a valid state gambling license key employee license, or work permit, as
specified in this chapter. In any criminal prosecution for violation of this
section, the punishment shall be provided in Section 337j of the Penal
Code.

13 11. Business and Professions Code, section 19855 provides:

14 Except as otherwise provided by statute or regulation, every
15 person who, by statute or regulation, is required to hold a state
16 license shall obtain the license prior to engaging in the activity or
17 occupying the position with respect to which the license is
18 required. Every person who, by order of the commission, is
required to apply for a gambling license or a finding of suitability
shall file the application within 45 calendar days after receipt of
the order.

19 12. Business and Professions Code section 19856, subdivision (a) provides in part:

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

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

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

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

26 (b) A person whose prior activities, criminal record, if any,
27 reputation, habits, and associations do not pose a threat to the public
28 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

1 controlled gambling or in the carrying on of the business and financial
2 arrangements incidental thereto.

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

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

6 * * *

7 (b) Failure of the applicant to provide information,
8 documentation, and assurances required by this chapter or requested by
9 the chief, or failure of the applicant to reveal any fact material to
10 qualification, or the supplying of information that is untrue or misleading
11 as to a material fact pertaining to the qualification criteria.

12 15. Business and Professions Code section 19866 provides:

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

17 16. Business and Professions Code, section 19922 provides:

18 No owner licensee shall operate a gambling enterprise in
19 violation of any provision of this chapter or any regulation adopted
20 pursuant to this chapter.

21 17. Business and Professions Code, section 19923 provides:

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

24 18. Business and Professions Code section 19971 provides:

25 This act [Gambling Control Act] is an exercise of the police power
26 of the state for the protection of the health, safety, and welfare of the
27 people of the State of California, and shall be liberally construed to
28 effectuate those purposes.

29 19. California Code of Regulations, title 11, section 2052 provides, in part:

30 (c) Within five days of any owner licensee or key employee
31 obtaining knowledge or notice of any possible violation of the Act or
32 these regulations, a written report shall be submitted to the Bureau, which
33 details the nature of the violation, the identities of those persons involved

1 in the violation, and describes what actions have been taken to address the
2 violation.

3 20. California Code of Regulations, title 4, section 12058, subdivision (b) provides:

4 The burden of proof is on the applicant to prove, his, her, or its
5 qualifications to receive any license or other approval under the Act.

6 21. California Code of Regulations, title 4, section 12395, provides in part:

7 (a) The policies and procedures for all Tiers shall meet or exceed
8 the following standards for security:

9 * * *

10 (3) Licensees shall file an incident report with the
11 Bureau's Criminal Intelligence Unit within five business days
of either of the following:

12 (A) Any owner or key employee contacting a
13 local law enforcement agency, pursuant to the provisions
14 of the licensee's security plan, regarding any reasonably
15 suspected violation of the Act, this division, Division 3 of
16 Title 11 of the California Code of Regulations, any
17 statute set forth in sections 330 through 337z of the Penal
18 Code that pertains to gambling, section 1916-3(b) of the
19 Civil Code (loan-sharking), chapter 1 (commencing with
20 section 11000) of division 10 of the Health and Safety
21 Code (illegal possession or distribution of controlled
22 substances), section 4022 of the Business & Professions
23 Code (illegal possession or distribution of dangerous
drugs), or any violation of the following Penal Code
sections: 186.10 (money laundering), 211 (robbery), 245
(assault with deadly weapon), 266h (pimping), 266i
(pandering), 459 (burglary), 470 (forgery), 476 (fraud),
487 (grand theft), 488 (petty theft), 503 (embezzlement),
518 (extortion), 641.3 (commercial bribery), 648
(counterfeit currency), 653.22 (loiter for prostitution),
653.23 (pimping), or 647(b) (prostitution).

24 (B) Any owner or key employee obtaining
25 knowledge or notice of any reasonably suspected
26 violation listed in subparagraph (A).

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

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

14 **LOUIS SARANTOS, JR.**
15 **dba CLOVIS 500 CLUB**

16 **LICENSE NUMBER GEOW-002381**

17 **Respondent.**

Case No. HQ2015-00003AC

OAH No. 2015090347

18 **In the Matter of the Application for**
19 **Renewal of Key Employee Portable**
Personal License Regarding:

20 **LEON BERNARDI**

21 **Key Employee License No. GEKE-001408**

22 **Respondent.**

Case No. BGC-HQ2013-00003AC

OAH No. 2016030545

23 **In the Matter of the Statement of Issues**
24 **Against:**

25 **JOSEPH FREDERICK CAPPS**

26 **License No. TPPL-006948**

27 **Respondent.**

Case No. BGC-HQ2015-00024SL

OAH No. 2016100308

1 **In the Matter of the Statement of Issues**
2 **Against:**

3 **EDWARD GLEN MASON**

4 **Key Employee License No. GEKE-001212**

5 **Respondent.**

Case No. BGC-HQ2015-00022SL

OAH No. 2016100288

6 **In the Matter of the Statement of Issues**
7 **Against:**

8 **JON STRECKER**

9 **Key Employee License No. GEKE-001413**

10
11 **Respondent.**

Case No. BGC-HQ2015-00023SL

OAH No. 2016100285

12
13 * * * * *

14
15
16 **In the Matter of the Second Amended**
Accusation Against:

17 **LOUIS SARANTOS, JR.**

18 **Sole Proprietor, d.b.a.**

19 **CLOVIS 500 CLUB**

20 **771 W. Shaw Avenue, Suites 101-108**

21 **Clovis, California 95312**

22 **LICENSE NUMBER GEOW-002381**

23 **Respondent.**

BGC Case No. HQ2015-00003AC

OAH No. 2015090347

SECOND AMENDED ACCUSATION
AND STATEMENT OF ISSUES

Hearing Date: July 17, 2016
9:00 a.m.

Place: Office of Administrative Hearings
2349 Gateway Oaks Drive, Suite 200
Sacramento, CA 95833

24 ///

25 ///

26 ///

27
28

1 Complainant alleges as follows:

2 **PARTIES**

3 1. Wayne J. Quint, Jr. (Complainant) brings this Second Amended Accusation and
4 Statement of Issues solely in his official capacity as Director¹ of the California Department of
5 Justice, Bureau of Gambling Control (Bureau).

6 2. On October 1, 2013, the California Gambling Control Commission (Commission)
7 issued an Owner's Gambling License, license number GEOW-002381, to Louis Sarantos, Jr.
8 (Respondent). Respondent owns and operates the Clovis 500 Club, license number GEGE-
9 001013, as a sole proprietor. Respondent's Owner's Gambling License and the Clovis 500
10 Club's gambling establishment license was set to expire on September 30, 2015, unless renewed.

11 3. On September 24, 2015, while the original Accusation in this action was pending, the
12 Commission issued Respondent an Interim Renewal License valid through September 30, 2017,
13 and referred the matter of the renewal of Respondent's Owner's Gambling License, license
14 number GEOW-002381, to an evidentiary hearing to be consolidated with the Accusation
15 previously filed in this proceeding.

16 4. On October 27, 2016, this matter was consolidated with the above captioned
17 Bernardi,² Capps, Mason, and Strecker matters for purposes of hearing.

18 **FIRST CAUSE OF ACTION FOR DISCIPLINE**

19 **(Violation of Duty to Disclose Financial Interest Holder and Terms of Indebtedness)**

20 5. Respondent's Owner's Gambling License is subject to discipline in that, on or about
21 November 15, 2011, Respondent entered into a written agreement with John M. Cardot (Cardot),
22 an unlicensed person, under which Respondent granted to Cardot an irrevocable right to purchase
23 approximately a 50-percent interest in the Clovis 500 Club. Cardot provided a loan of
24 approximately \$1.5 million to Respondent for the purpose of constructing tenant improvements

25 ¹ Wayne J. Quint, Jr., title has changed from "Chief" to "Director" during the pendency
26 of this action.

27 ² Only the portion of the Bernardi matter pertaining to the Clovis 500 Club was
28 consolidated with the above captioned cases—a portion of the Bernardi matter was bifurcated for
a separate hearing to be set after the conclusion of this consolidated matter.

1 associated with the relocation of the Clovis 500 Club to its present location. In connection with
2 this loan, Respondent executed a secured promissory note in favor of Cardot in the approximate
3 amount of \$1.2 million (Promissory Note). The Promissory Note was, and is, secured by, among
4 other things, all personal property used by Respondent to operate the Clovis 500 Club. From
5 November 15, 2011, until July 17, 2015, Respondent concealed and failed to disclose to the
6 Bureau and the Commission the existence of this agreement with Cardot, and the existence and
7 terms of the Promissory Note, all in violation of Respondent's duty as a licensee to do so. (Bus.
8 & Prof. Code, §§ 19801, subds. (h), (i) & (k), 19824, subd. (d), 19971, 19866, 19852, subds. (a)
9 & (i), 19853, subd. (a)(6), 19857, subds. (a) & (b), & 19901.)³

10 SECOND CAUSE OF ACTION FOR DISCIPLINE

11 **(Violation of Duty to Disclose Financial Interest Holders and Terms of Indebtedness)**

12 6. Respondent's Owner's Gambling License is subject to discipline in that, on or about
13 November 15, 2011, Respondent entered into a written agreement with Cardot which was
14 premised and based upon a joint venture agreement (Joint Venture Agreement) that was entered
15 into on or about November 10, 2011, between Cardot and six individual investors (Investors).
16 Each of the Investors contributed portions of the approximately \$1.5 million loan which was
17 provided by Cardot to Respondent as described in paragraph 5, above. As partial consideration
18 for the Investors' contributions, Cardot granted each of them an option to purchase a percentage
19 interest in the Clovis 500 Club proportional to the individual Investor's contribution. The
20 Investors' options are contingent upon Cardot's exercise of the option extended to him under
21 Cardot's written agreement with Respondent. The Investors are Joseph F. Capps, Leon Bernardi,
22 Lodi Fransesconi, Don G. Nicholson, Edward G. Mason, and Jon L. Strecker. The identity and
23 participation of the Investors was known to Respondent when Respondent entered into the written
24 agreement with Cardot as described in paragraph 3, above. Respondent's written agreement with
25 Cardot was also premised and based upon a business plan (Business Plan) under which the Clovis
26 500 Club would be incorporated and securities issued for the purpose of allocation between

27 _____
28 ³ Text of statutes provided at end of document.

1 Respondent, Cardot, and the Investors upon the exercise of their respective options to purchase
2 interests in the Clovis 500 Club pursuant to the Joint Venture Agreement. From November 15,
3 2011, until July 17, 2015, Respondent concealed from, and failed to disclose to the Bureau and
4 Commission the existence of the Joint Venture Agreement, the participation of the Investors, the
5 purchase options granted by Cardot to the Investors, and the Business Plan, all in violation of
6 Respondent's duty as a licensee to do so. (Bus. & Prof. Code, §§ 19801, subds. (h), (i) & (k),
7 19824, subd. (d), 19971, 19866, 19852, subd. (a) & (i), 19853, subd. (a)(6), 19857 subds. (a) &
8 (b), & 19901.)

9 **THIRD CAUSE OF ACTION FOR DISCIPLINE**

10 **(Violation of Duty to Disclose Financial Interest Holders and Terms of Indebtedness)**

11 7. Respondent's Owner's Gambling License is subject to discipline in that, between the
12 dates of July 31, 2008, and January 6, 2011, Respondent obtained loans from Shawn Sarantos,
13 Louie Sarantos, Dusten Perry, Paul Bethel, and Mark Griggs totaling, in the aggregate,
14 \$444,401.33, as described in the written disclosure made by Keith A. Sharp, Respondent's
15 attorney in this proceeding, dated November 18, 2015. Mr. Sharp's disclosure represents that
16 these loans were repaid in 2011. At all times relevant herein, Dusten Perry has been, and is, a
17 licensed cardroom employee, and is currently employed by Respondent as a key employee in a
18 management capacity at the Clovis 500 Club. Complainant is informed and believes that the
19 proceeds of the above described loans were used to fund the operations of the Clovis 500 Club.
20 At no time before November 18, 2015, did Respondent disclose the above described loans and the
21 financial relationships created thereby. (Bus. & Prof. Code, §§ 19801, subds. (h), (i) & (k),
22 19824, subd. (d), 19971, 19866, 19852, subd. (a) & (i), 19853, subd. (a)(6), 19857 subds. (a) &
23 (b), & 19901.)

24 **FOURTH CAUSE OF ACTION FOR DISCIPLINE**

25 **(Violation of Chapter Provisions or Regulations)**

26 8. At all times from approximately 2010 to the present, Respondent has employed or
27 otherwise permitted Shawn Sarantos, an unlicensed person, to act in a supervisory capacity and to
28

1 perform duties within the Clovis 500 Club that involve making discretionary decisions that
2 regulate gambling operations, including the supervision and direction of Clovis 500 Club
3 employees, determining when to open or close games, dealing with patron disputes, issuing credit
4 to players, and accessing the restricted count room and cage areas of the Clovis 500 Club.

5 9. At all times relevant herein, a person performing the acts and duties described in
6 paragraph 8, above, was required to hold and maintain a "key employee license" as defined in
7 Business and Professions Code section 19805, subdivisions (x) and (y), and required by Business
8 and Professions Code section 19854, subdivision (a).

9 10. At no time relevant herein did Shawn Sarantos apply for, obtain, or maintain a state
10 key employee license, or any state gambling license.

11 11. At all times relevant herein, the fact that Shawn Sarantos was not licensed to perform
12 managerial or supervisory acts at the Clovis 500 Club was known to Respondent. At no time
13 relevant herein, did Respondent report the above described activities of Shawn Sarantos to the
14 Bureau.

15 12. By acting in the manner alleged herein, Respondent persistently operated a gambling
16 enterprise in violation of the gambling laws of the State of California. (Bus. & Prof. Code, §§
17 19805, subs. (x) & (y), 19850, 19854, subd. (a), 19855, 19866, 19922, 19923; Cal. Code Regs.,
18 tit. 11, § 2052.)

19 JURISDICTION

20 13. Business and Professions Code, section 19811 provides, in part:

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

24 14. Business and Professions Code, section 19823 provides:

25 (a) The responsibilities of the commission include, without
26 limitation, all of the following:

27 (1) Assuring that licenses, approvals, and permits are not issued
28 to, or held by, unqualified or disqualified persons, or by persons

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whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

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

(b) For the purposes of this section, "unqualified person" means a person who is found to be unqualified pursuant to the criteria set forth in Section 19857, and "disqualified person" means a person who is found to be disqualified pursuant to the criteria set forth in Section 19859.

15. Business and Professions Code, section 19824 provides, in part:

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

* * *

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

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

The department^[4] . . . shall have all of the following responsibilities:

* * *

(c) To investigate suspected violations of this chapter or laws of this state relating to gambling

* * *

(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.

⁴ "Department" refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd. (h).)

1 17. California Code of Regulations, title 4, section 12554, subdivisions (a) and (d)
2 provide, in part:

3 (a) Upon the filing with the Commission of an accusation by the
4 Bureau recommending revocation, suspension, or other discipline of a holder
5 of a license, registration, permit, finding of suitability, or approval, the
6 Commission shall proceed under Chapter 5 (commencing with section
7 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

8 * * *

9 (d) Upon a finding of a violation of the Act,⁵ any regulations adopted
10 pursuant thereto, any law related to gambling or gambling establishments,
11 violation of a previously imposed disciplinary or license condition, or laws
12 whose violation is materially related to suitability for license, registration,
13 permit, or approval, the Commission may do any one or more of the
14 following:

15 (1) Revoke the license, registration, or permit.

16 * * *

17 (5) Impose any fine or monetary penalty consistent with
18 Business and Professions Code sections 19930, subdivision (c), and
19 19943, subdivision (b).

20 **SPECIFIC STATUTORY AND REGULATORY PROVISIONS**

21 18. Business and Professions Code, section 19801 provides, in part:

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

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

* * *

(k) In order to effectuate state policy as declared herein, it is
necessary that gambling establishments, activities, and equipment be

⁵ "Act" refers to the Gambling Control Act. (Cal. Code Regs., tit. 4, § 12002, subd. (m).)

1 licensed, that persons participating in those activities be licensed or
2 registered, that certain transactions, events, and processes involving
3 gambling establishments and owners of gambling establishments be subject
4 to prior approval or permission, that unsuitable persons not be permitted to
associate with gambling activities or gambling establishments

5 19. Business and Professions Code, section 19805 provides, in part:

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

11 (y) "Key employee license" means a state license authorizing the
12 holder to be employed as a key employee.

13 20. Business and Professions Code section 19850 provides:

14 Every person who, either as owner, lessee, or employee, whether for
15 hire or not, either solely or in conjunction with others, deals, operates,
16 carries on, conducts, maintains, or exposes for play any controlled game
17 in this state, or who receives, directly or indirectly, any compensation or
18 reward, or any percentage or share of the money or property played, for
19 keeping, running, or carrying on any controlled game in this state, shall
20 apply for and obtain from the commission, and shall thereafter maintain,
a valid state gambling license key employee license, or work permit, as
specified in this chapter. In any criminal prosecution for violation of this
section, the punishment shall be provided in Section 337j of the Penal
Code.

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

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

24 (a) If the owner is a corporation, then each officer, director,
25 and shareholder, other than a holding or intermediary company, of
26 the owner. The foregoing does not apply to an owner that is either a
publicly traded racing association or a qualified racing association.

27 * * *

1 (i) Every employee, agent, guardian, personal representative,
2 lender, or holder of indebtedness of the owner who, in the judgment
3 of the commission, has the power to exercise a significant influence
4 over the gambling operation.

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

6 (a) The commission, by regulation or order, may require that the
7 following persons register with the commission, apply for a finding of
8 suitability as defined in subdivision (j) of 19805, or apply for a gambling
9 license:

10 * * *

11 (6) Every person who, in the judgment of the commission, has
12 the power to exercise a significant influence over the gambling
13 operation.

14 23. Business and Professions Code, section 19854 provides, in part:

15 (a) Every key employee shall apply for and obtain a key
16 employee license.

17 24. Business and Professions Code, section 19855 provides:

18 Except as otherwise provided by statute or regulation, every
19 person who, by statute or regulation, is required to hold a state
20 license shall obtain the license prior to engaging in the activity or
21 occupying the position with respect to which the license is
22 required. Every person who, by order of the commission, is
23 required to apply for a gambling license or a finding of suitability
24 shall file the application within 45 calendar days after receipt of
25 the order.

26 25. Business and Professions Code, section 19856 provides, in part:

27 (a) The burden of proving his or her qualifications to receive
28 any license is on the applicant.

(b) An application to receive a license constitutes a request for a
determination of the applicant's general character, integrity, and ability
to participate in, engage in, or be associated with, controlled gambling.

1 26. Business and Professions Code, section 19857 provides, in part:

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

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

6 (b) A person whose prior activities, criminal record, if any,
7 reputation, habits, and associations do not pose a threat to the public
8 interest of this state, or to the effective regulation and control of
9 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.

10 27. Business and Professions Code, section 19859 provides, in part:

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

13 (a) Failure of the applicant to clearly establish eligibility
14 and qualification in accordance with this chapter.

15 (b) Failure of the applicant to provide information,
16 documentation, and assurances required by the Chief, or failure
17 of the applicant to reveal any fact material to qualification, or
the supplying of information that is untrue or misleading as to a
material fact pertaining to the qualification criteria.

18 28. Business and Professions Code section 19866 provides:

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

22 29. Business and Professions Code, section 19892 provides, in part:

23 (a) The purported sale, assignment, transfer, pledge, or other
24 disposition of any interest in a partnership or limited liability company
25 that holds a gambling license, or the grant of an option to purchase the
interest, is void unless approved in advance by the commission.

26 30. Business and Professions Code, section 19901 provides:

27 It is unlawful for any person to sell, purchase, lease, hypothecate,
28 borrow or loan money, or create a voting trust agreement or any other

1 agreement of any sort to, or with, any licensee in connection with any
2 controlled gambling operation licensed under this chapter or with respect
3 to any portion of the gambling operation, except in accordance with the
4 regulations of the commission.

5 31. Business and Professions Code, section 19904 provides:

6 The purported sale, assignment, transfer, pledge, or other disposition
7 of any security issued by a corporation that holds a gambling license, or
8 the grant of an option to purchase that security, is void unless approved in
9 advance by the commission.

10 32. Business and Professions Code, section 19922 provides:

11 No owner licensee shall operate a gambling enterprise in
12 violation of any provision of this chapter or any regulation adopted
13 pursuant to this chapter.

14 33. Business and Professions Code, section 19923 provides:

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

17 34. Business and Professions Code section 19971 provides:

18 This act is an exercise of the police power of the state for the protection
19 of the health, safety, and welfare of the people of the State of California, and
20 shall be liberally construed to effectuate those purposes.

21 35. California Code of Regulations, title 4, section 2052 provides, in part:

22 (c) Within five days of any owner licensee or key employee
23 obtaining knowledge or notice of any possible violation of the Act or
24 these regulations, a written report shall be submitted to the Bureau,
25 which details the nature of the violation, the identities of those persons
26 involved in the violation, and describes what actions have been taken to
27 address the violation.

28 **COST RECOVERY**

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

(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

1 with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3
2 of Title 2 of the Government Code.

3 * * *

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

9 (1) The costs assessed pursuant to this subdivision shall be
10 fixed by the administrative law judge and may not be increased
11 by the commission. When the commission does not adopt a
12 proposed decision and remands the case to the administrative law
13 judge, the administrative law judge may not increase the amount
14 of any costs assessed in the proposed decision.

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

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

23 * * *

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

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

27 (2) The preparation and prosecution of the case by the
28 Office of the Attorney General.

PRAYER

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

31 1. Revoking Respondent's Owner's Gambling License, license number GEOW-002381,
32 and revoking the Clovis 500 Club's gambling establishment license, license number GEGE-
33 001013.

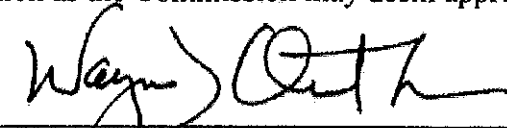
1 2. Denying Respondent's application for renewal of Owner's Gambling License, license
2 number GEOW-002381.

3 3. Imposing fines and monetary penalties against Respondent, in an amount according to
4 proof to the extent allowed by law.

5 4. Awarding Complainant the costs of investigation and the costs of bringing this First
6 Amended Accusation and Statement of Issues before the Commission, pursuant to Business and
7 Professions Code section 19930, subdivisions (d) and (f), in a sum according to proof; and

8 5. Taking such other and further action as the Commission may deem appropriate.

9
10 Dated: June 29TH, 2017



WAYNE J. QUINT, JR., Director
Bureau of Gambling Control
California Department of Justice

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