

RECEIVED BY  
CGCC LEGAL DIVISION

2012 MAR 21 AM 8:50

1 KAMALA D. HARRIS  
Attorney General of California  
2 SARA J. DRAKE  
Senior Assistant Attorney General  
3 RONALD L. DIEDRICH  
Deputy Attorney General  
4 State Bar No. 95146  
1300 I Street, Suite 125  
5 P.O. Box 944255  
Sacramento, CA 94244-2550  
6 Telephone: (916) 322-1043  
Fax: (916) 327-2319  
7 E-mail: Ronald.Diedrich@doj.ca.gov  
*Attorneys for Complainant*

8  
9  
10 **BEFORE THE**  
11 **CALIFORNIA GAMBLING CONTROL COMMISSION**  
12 **STATE OF CALIFORNIA**

13  
14 **In the Matter of the Statement of Issues**  
**Against:**

**BGC Case No. BGC-HQ2011-00007AL**

15  
16 **HAIG KELEGIAN, JR., shareholder**  
**CRYSTAL CASINO & HOTEL**

**OAH No.**

17 **123 East Artesia Boulevard**  
18 **Compton, CA 90220**

**STATEMENT OF ISSUES**

19 **License No. GEOW-003104**

20 **Respondent.**  
21

22  
23 Complainant alleges as follows:

24 **PARTIES**

25 1. Martin Horan IV (Complainant) brings this Statement of Issues solely in his official  
26 capacity as the Acting Chief of the California Department of Justice, Bureau of Gambling Control  
27 (Bureau).  
28



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

8. Business and Professions Code section 19823 provides:

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

(1) Assuring that licenses, approvals, and permits are not issued to, or held 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.

(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.

9. 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:

\* \* \*

(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.



1 13. Business and Professions Code section 19858, subdivision (a), provides, in part:

2 [A] person shall be deemed to be unsuitable to hold a state gambling  
3 license to own a gambling establishment if the person, or any partner,  
4 officer, director, or shareholder of the person, has any financial interest  
5 in any business or organization that is engaged in any form of gambling  
6 prohibited by section 330 of the Penal Code, whether within or without  
7 this state.

8 14. Business and Professions Code section 19858.5 provides:

9 Notwithstanding Section 19858, the commission may, pursuant to  
10 this chapter,<sup>[3]</sup> deem an applicant suitable to hold a state gambling  
11 license even if the applicant or licensee has a financial interest in another  
12 business that conducts lawful gambling outside the state that, if  
13 conducted within California, would be unlawful, provided that an  
14 applicant or licensee may not own, either directly or indirectly, more  
15 than 1 percent interest in, or have control of, that business.

16 15. Business and Professions Code section 19859 provides in part:

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

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

21 (b) Failure of the applicant to provide information,  
22 documentation, and assurance required by this chapter or  
23 requested by the Chief, or failure of the applicant to reveal any  
24 fact material to qualification, or the supplying of information that  
25 is untrue or misleading as to a material fact pertaining to the  
26 qualification criteria.

27 16. Penal Code section 330 provides:

28 Every person who deals, plays, or carries on, opens, or causes to be  
opened, or who conducts, either as owner or employee, whether for hire  
or not, any game of faro, monte, roulette, lansquenet, rought et noir,  
rondo, tan, fan-tan, seven-and-a-half, twenty-one, hokey-pokey, or any  
banking or percentage game played with cards, dice, or any device, for  
money, checks, credit, or other representative of value, and every

<sup>3</sup> Hereinafter, "chapter" refers to Business and Professions Code, Division 8, Chapter 5, (commencing with section 19800), also known as the Gambling Control Act.

1 person who plays or bets against any of those prohibited games is  
2 guilty of a misdemeanor, and shall be punished by a fine not less than  
3 one hundred dollars (\$100) nor more than one thousand dollars  
4 (\$1,000) or by imprisonment in the county jail not exceeding six  
5 months, or by both fine and imprisonment.

6 17. Penal Code section 330b provides in part:

7 (a) It is unlawful for any person to manufacture, repair, own,  
8 store, possess, sell, rent, lease, let on shares, give away, transport, or  
9 expose for sale or lease, or offer to repair, sell, rent, lease, let for  
10 shares, lend or give away, or permit the operation, placement,  
11 maintenance, or keeping of, in any place, room space, or building  
12 owned, leased, or occupied, managed, or controlled by that person, any  
13 slot machine or device, as defined in this section.

14 It is unlawful for any person to make or to permit the making of an  
15 agreement with another person regarding any slot machine or device,  
16 by which the user of the slot machine or device, as a result of the  
17 element of hazard or chance or other unpredictable outcome, may  
18 become entitled to receive money, credit, allowance, or other thing of  
19 value or additional chance or right to use the slot machine or device, or  
20 to receive any check, slug, token, or memorandum entitling the holder  
21 to receive money, credit, allowance, or other thing of value.

22 18. Penal Code section 330c provides:

23 A punchboard as hereinafter defined is hereby declared to be a slot  
24 machine or device within the meaning of section 330b of this code and  
25 shall be subject to the provisions thereof. For the purposes of this  
26 section, a punchboard is any card, board or other device which may be  
27 played or operated by pulling, pressing, punching out or otherwise  
28 removing any slip, tab, paper or other substance therefrom to disclose  
any concealed number, name or symbol.

### FIRST CAUSE FOR DENIAL OF APPLICATION

#### **(Unsuitable for Licensure – Financial Interest in Prohibited Gambling: Banked Games)**

19. Respondent's application for a state gambling license is subject to denial pursuant to Business and Professions Code sections 19858, subdivision (a), and/or 19858.5, in that the Respondent has, directly or indirectly, more than a one percent financial/ownership interest in a business that conducts lawful gambling outside of California that, if conducted within California,

1 would be unlawful. Respondent, as co-owner<sup>4</sup> of Kelco Gaming, LLC, doing business as Skyway  
2 Casino and Bowl (Kelco), has, directly or indirectly, more than a one percent financial/ownership  
3 interest in Lucky Dragonz Casino – Skyway (Skyway)<sup>5</sup> a cardroom that provides, or at the relevant  
4 time provided, house-banked games in Seattle, Washington, that if located in California would be  
5 operating in violation of Penal Code section 330.

6 **SECOND CAUSE FOR DENIAL OF APPLICATION**

7 **(Unsuitable for Licensure – Control of Prohibited Gambling: Banked Games)**

8 20. Respondent's application for a state gambling license is subject to denial pursuant to  
9 Business and Professions Code sections 19858, subdivision (a), and/or 19858.5 in that the  
10 Respondent has, directly or indirectly, control of a business that conducts lawful gambling outside  
11 of California that, if conducted within California, would be unlawful. Respondent, directly or  
12 indirectly, as an owner, managing owner, and/or source of funding for Kelco, has control of  
13 Skyway, a cardroom that provides, or at the relevant time provided, house-banked games in  
14 Seattle, Washington, that if located in California would be operating in violation of Penal Code  
15 section 330.

16 **THIRD CAUSE FOR DENIAL OF APPLICATION**

17 **(Unsuitable for Licensure – Financial Interest in Prohibited Gambling: Slot Machines)**

18 21. Respondent's application for a state gambling license is subject to denial pursuant to  
19 Business and Professions Code sections 19858, subdivision (a), and/or 19858.5, in that the  
20 Respondent has, directly or indirectly, more than a one percent financial/ownership interest in a  
21 business that owns, possess, allows, operates, permits, maintains, manages, sells and/or offers for  
22 play slot machines or devices lawfully outside of California at times relevant to this statement of  
23 issues. Such activities are, and at all time relevant were, unlawful within California. Respondent,  
24 as a co-owner of Kelco, has, directly or indirectly, more than a one percent financial/ownership

25 \_\_\_\_\_  
26 <sup>4</sup> The other co-owner of Kelco Gaming, LLC, is Respondent's wife, Marlene Kelegian.

27 <sup>5</sup> In Respondent's initial application in Washington for this cardroom it was named  
28 Skyway Casino and Bowl. The name was subsequently changed to Lucky Dragonz Casino –  
Skyway.

1 interest in the bowling alley attached to Skyway where punchboard/pull-tabs (slot machines or  
2 devices) are, or at all relevant times were, allowed, operated, permitted, maintained, managed, sold  
3 and/or offered for play. Such activities are, and at all times relevant were, unlawful within  
4 California, in violation of Penal Code sections 330, 330b, and 330c.

5 **FOURTH CAUSE FOR DENIAL OF APPLICATION**

6 **(Unsuitable for Licensure – Control of Prohibited Gambling: Slot Machines)**

7 22. Respondent's application for a state gambling license is subject to denial pursuant to  
8 Business and Professions Code sections 19858, subdivision (a) and/or 19858.5, in that the  
9 Respondent has, directly or indirectly, control of a business that owns, possess, allows, operates,  
10 permits, maintains, manages, sells and/or offers for play slot machines lawfully outside of  
11 California at times relevant to this statement of issues. Such activities are, and at all time relevant  
12 were, unlawful within California. Respondent, as an owner, managing owner, and/or source of  
13 funding for Kelco has, directly or indirectly, control of the bowling alley attached to Skyway  
14 where punchboard/pull-tabs (slot machines or devices) are, or at all times relevant were, allowed,  
15 operated, permitted, maintained, managed, sold and/or offered for play. Such activities are, and at  
16 all times relevant were, unlawful within California, in violation of Penal Code sections 330, 330b,  
17 and 330c.

18 **FIFTH CAUSE FOR DENIAL OF APPLICATION**

19 **(Unqualified for Licensure – Undisclosed Interest in Prohibited Gambling)**

20 23. Respondent's application for a state gambling license is subject to denial pursuant to  
21 Business and Professions Code section 19857, subdivision (b) in that the Respondent failed to  
22 disclose or reveal a fact material to qualification for licensure and/or supplied information that is  
23 untrue or misleading as to a material fact pertaining to the qualification for licensure.<sup>6</sup> Respondent  
24 failed to disclose or reveal that Kelco had leased a location and applied to the State of Washington  
25

26 <sup>6</sup> On or about December 2, 2010, Respondent informed the Bureau of his intent to obtain  
27 an ownership interest in one, unidentified licensed cardroom in the State of Washington. The  
28 Bureau was subsequently able to determine through its investigation that the cardroom was most  
probably Skyway.



1 on or about December 21, 2010, for a license to operate Lucky Dragonz Casino,<sup>7</sup> a house banked  
2 cardroom that also offered punchboard/pull-tabs in Lakewood, Washington, that if located in  
3 California would be operating in violation of Penal Code section 330, 330b and 330c.<sup>8</sup>

4 **SIXTH CAUSE FOR DENIAL OF APPLICATION**

5 **(Disqualified for Licensure – Denial of an Interest in Out-of State Gambling on**  
6 **Respondent’s Application for a State Gambling License)**

7 24. Respondent’s application for a state gambling license is subject to denial pursuant to  
8 Business and Professions Code sections 19857, subdivision (a), and/or 19859, subdivisions (a)  
9 and/or (b) in that the Respondent, under penalty of perjury, failed to disclose or reveal a fact  
10 material to qualification for licensure and/or supplied information that is untrue or misleading as to  
11 a material fact pertaining to the qualification for licensure. Respondent, under penalty of perjury,  
12 dishonestly responded “No” on his application for licensure to the question of whether or not he  
13 had “. . . acquired or increased a financial interest in a business that conducts lawful gambling  
14 outside the state since last filing a State Gambling License application.”<sup>9</sup> Since last filing an  
15 application for a state gambling license,<sup>10</sup> Respondent had acquired the requisite financial interest  
16 in Kelco, and hence Skyway, which as alleged in paragraphs 19 through 22 above and  
17 incorporated herein by reference, is a business that conducts lawful gambling outside of  
18 California.

19  
20  
21 <sup>7</sup> Although similar in name, Lucky Dragonz Casino is a different cardroom, located in a  
22 different city in the State of Washington, than Lucky Dragonz Casino–Skyway. It is also known  
as Lucky Dragonz Casino–Lakewood and as Happy Days Casino.

23 <sup>8</sup> Kelco subsequently withdrew its application for Lucky Dragonz Casino in Lakewood,  
24 Washington on or about January 27, 2011. The application for a punchboard/pull-tab license was  
not withdrawn for that location until on or about March 2, 2011.

25 <sup>9</sup> Section 5, Question B.4, on page 4 of the State Gambling License application submitted  
by Respondent on March 30, 2011.

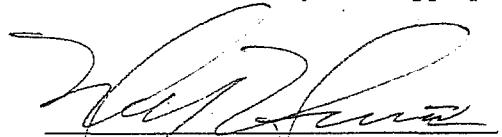
26 <sup>10</sup> The last application Respondent filed associated with Crystal Casino & Hotel was on  
27 April 6, 2009. Respondent also holds a state gambling license, license number GEOW-001222,  
for Ocean’s Eleven Casino. The last application Respondent filed associated with that gambling  
28 establishment was on November 2, 2010.



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

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

Dated: March 15, 2012



Martin Horan IV, Acting Chief  
Bureau of Gambling Control  
Department of Justice  
State of California  
Complainant