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Control
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10 **BEFORE THE**
11 **CALIFORNIA GAMBLING CONTROL COMMISSION**

12
13 **In the Matter of the Statement of Issues**
14 **Against:**

15 **KEVIN FREELS AND**
16 **NEW GAMING SYSTEMS, INC.,**

17 **Respondents.**
18

Case No. DGC # 015001

OAH No. _____

STATEMENT OF ISSUES

19 Complainant alleges as follows:

20 **PARTIES**

21 1. Robert E. Lytle, Jr. ("Complainant") brings this Statement of Issues solely in his
22 official capacity as the Director for the Department of Justice's Division of Gambling Control
23 ("Division").

24 2. On or about January 24, 2001, New Gaming Systems, Inc. and its principal owner,
25 Kevin A. Freels ("Respondents") submitted an Application for Finding of Suitability to the
26 Division.

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1 9. Section 2.12 of the Compact states:

2 "Gaming Resource Supplier" means any person or entity who,
3 directly or indirectly, manufactures, distributes, supplies, vends,
4 leases, or otherwise purveys Gaming Resources to the Gaming
5 Operation or Gaming Facility, provided that the Tribal Gaming
6 Agency may exclude a purveyor of equipment or furniture that is
7 not specifically designed for, and is distributed generally for use
8 other than in connection with, Gaming Activities, if the purveyor is
9 not otherwise a Gaming Resource Supplier as described by Section
10 6.4.5, the compensation received by the purveyor is not grossly
11 disproportionate to the value of the goods or services provided, and
12 the purveyor is not otherwise a person who exercises a significant
13 influence over the Gambling Operation.

14 10. Section 6.4.1 of the Compact states:

15 Summary of Licensing Principles. All persons in any way
16 connected with the Gaming Operation or Facility who are required
17 to be licensed or to submit to a background investigation under
18 IGRA, and any others required to be licensed under this Gaming
19 Compact, including but not limited to, all Gaming Employees and
20 Gaming Resource Suppliers, and any other person having a
21 significant influence over the Gaming Operation must be licensed
22 by the Tribal Gaming Agency. The parties intend that the licensing
23 process provided for in this Gaming Compact shall involve joint
24 cooperation between the Tribal Gaming Agency and the State
25 Gaming Agency, as more particularly described herein.

26 11. Section 6.4.5 of the Compact states in pertinent part:

27 Gaming Resource Supplier: Any Gaming Resource Supplier who,
28 directly or indirectly, provides, has provided, or is deemed likely to
provide at least twenty-five thousand dollars (\$25,000) in Gaming
Resources in any 12-month period, or who has received at least twenty-
five thousand dollars (\$25,000) in any consecutive 12-month period
within the 24 month period immediately preceding application, shall be
licensed by the Tribal Gaming Agency prior to the sale, lease, or
distribution, or further sale, lease or distribution, of any such Gaming
Resources to or in connection with the Tribe's Operation or Facility. . .
. The Tribe shall not enter into, or continue to make payments pursuant
to, any contract or agreement for the provision of Gaming Resources
with any person whose application to the State Gaming Agency for a
determination of suitability has been denied or has expired without
renewal. . . .

29 12. Section 6.5.6 of the Compact states in pertinent part:

30 State Certification Process.

31 (a) Upon receipt of a completed license application and a
32 determination by the Tribal Gaming Agency that it intends to issue
33 the earlier of a temporary or permanent license, the Tribal Gaming

1 Agency shall transmit to the State Gaming Agency a notice of
2 intent to license the applicant, together all of the following: (I) a
3 copy of all tribal license application materials and information
4 received by the Tribal Gaming Agency from the applicant; (ii) an
5 original set of fingerprint cards; (iii) a current photograph; and (iv)
6 except to the extent waived by the State Gaming Agency, such
7 releases of information, waivers, and other completed and executed
8 forms as have been obtained by the Tribal Gaming Agency.

9 Except for an applicant for licensing as a non-key Gaming
10 Employee, as defined by agreement between the Tribal Gaming
11 Agency and the State Gaming Agency, the Tribal Gaming Agency
12 shall require the applicant also to file an application with the State
13 Gaming Agency, prior to the issuance of a temporary or permanent
14 tribal gaming license, for a determination of suitability for
15 licensure under the California Gambling Control Act.

16 Investigation and disposition of that application shall be governed
17 entirely by state law, and the State Gaming Agency shall determine
18 whether the applicant would be found suitable for licensure in a
19 gambling establishment subject to that Agency's jurisdiction.

20 Additional information may be required by the State Gaming
21 Agency to assist in its background investigation, provided that
22 such State Gaming Agency requirement shall be no greater than
23 that which may be required of applicants for a State gaming license
24 in connection with nontribal gaming activities and at a similar level
25 of participation or employment. . . .

26 (b) Background Investigations of Applicants. Upon receipt of
27 completed license application information from the Tribal Gaming
28 Agency, the State Gaming Agency may conduct a background
investigation pursuant to state law to determine whether the applicant
would be suitable to be licensed for association with a gambling
establishment subject to the jurisdiction of the State Gaming Agency. If
further investigation is required to supplement the investigation
conducted by the Tribal Gaming Agency, the applicant will be required
to pay the statutory application fee charged by the State Gaming Agency
pursuant to California Business and Professions Code section 19941(a),
but any deposit requested by the State Gaming Agency pursuant to
section 19855 of that Code shall taken into account reports of the
background investigation already conducted by the Tribal Gaming
Agency and the NIGC, if any. Failure to pay the application fee or
deposit may be grounds for denial of the application by the State
Gaming Agency. The State Gaming Agency and Tribal Gaming
Agency shall cooperate in sharing as much background information as
possible, both to maximize investigative efficiency and thoroughness,
and to minimize investigative costs. Upon completion of the necessary
background investigation or other verification of suitability, the State
Gaming Agency shall issue a notice to the Tribal Gaming Agency
certifying that the State has determined that the applicant would be
suitable, or that the applicant would be unsuitable, for licensure in a
gambling establishment subject to the jurisdiction of the State Gaming
Agency and, if unsuitable, stating the reasons therefor.

(c)

1 (d) Prior to denying an application for a determination of
2 suitability, the State Gaming Agency shall notify the Tribal
3 Gaming Agency and afford the Tribe an opportunity to be heard. If
4 the State Gaming Agency denies an application for a de
5 termination of suitability, that Agency shall provide the applicant
6 with written notice of all appeal rights available under state law.

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10 13. Business and Professions Code section 19801, subdivision (h), states, in relevant part:

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

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20 14. Business and Professions Code section 19805, subdivision (i), states, in relevant part:

21 (j) "Finding of suitability" means a finding that a person
22 meets the qualification criteria described in subdivisions (a) and
23 (b) of Section 19848, and that the person would not be disqualified
24 from holding a state gambling license on any of the grounds
25 specified in subdivision (a) of Section 19850.

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28 15. Business and Professions Code section 19811, states, in relevant part:

(a) There is in state government the California Gambling
Control Commission, consisting of five members appointed by the
Governor, subject to confirmation by the Senate . . .

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

16. Business and Professions Code section 19823, states, in relevant part:

(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.

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

6 17. Business and Professions Code section 19824, states, in relevant part:

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

11 (a) Require any person to apply for a license, permit,
12 registration, or approval as specified in this chapter, or regulations
13 adopted pursuant to this chapter.

14 (b) For any cause deemed reasonable by the commission,
15 deny any application for a license, permit, or approval provided for
16 in this chapter or regulations adopted pursuant to this chapter,
17 limit, condition, or restrict any license, permit, or approval, or
18 impose any fine upon any person licensed or approved.

19 (c) Approve or disapprove transactions, events, and
20 processes as provided in this chapter.

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

24 * * *

25 (h) Issue subpoenas to compel attendance of witnesses and
26 production of documents and other material things at a meeting or
27 hearing of the commission or its committees, including advisory
28 committees.

18. Business and Professions Code Section 19825, states:

19 The commission may require that any matter that the
20 commission is authorized or required to consider in a hearing or
21 meeting of an adjudicative nature regarding the denial, suspension,
22 or revocation of a license, permit, or a finding of suitability, be
23 heard and determined in accordance with Chapter 5 (commencing
24 with Section 11500) of Part 1 of Division 3 of Title 2 of the
25 Government Code.

26 19. Business and Professions Code section 19810, states, in relevant part:

27 There is within the Department of Justice, the Division of
28 Gambling Control as provided in Section 15001 of the
Government Code

1 20. Business and Professions Code section 19826, states, in relevant part:

2 The division shall have all of the following responsibilities:

3 (a) To investigate the qualifications of applicants before any
4 license, permit, or other approval is issued, and to investigate any
5 request to the commission for any approval that may be required
6 pursuant to this chapter. The division may recommend the denial
7 or the limitation, conditioning, or restriction of any license, permit
8 or other approval

7 **STATUTORY PROVISIONS**

8 21. Business and Professions Code section Business and Professions Code section 19805,
9 subdivision (b) defines "Applicant" as

10 any person who has applied for, or is about to apply for, a
11 state gambling license, a key employee license, a registration, a
12 finding of suitability, a work permit, a manufacturer's or
13 distributor's license, or an approval of any act or transaction for
14 which the approval or authorization of the commission or division
15 is required or permitted under this chapter.

14 22. Business and Professions Code section 19857, states:

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

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

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

22 (c) A person that is in all other respects qualified to be
23 licensed as provided in this chapter.

24 23. Business and Professions Code section 19859, states, in relevant part:

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

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

1 (b) Failure of the applicant to provide information,
2 documentation, and assurances required by this chapter or
3 requested by the director, or failure of the applicant to reveal any
4 fact material to a qualification, or the supplying of information that
5 is untrue or misleading as to a material fact pertaining to the
6 qualification criteria.

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10 24. Business and Professions Code section 19868, states:

11 (a) Within a reasonable time after the filing of an application
12 and any supplemental information the division may require, and
13 the deposit of any fee required pursuant to Section 19867, the
14 division shall commence its investigation of the applicant and, for
15 that purpose, may conduct any proceedings it deems necessary

16 (b) If denial of the application is recommended, the director
17 shall prepare and file with the commission his or her written
18 reasons upon which the recommendation is based.

19 (1) Prior to filing his or her recommendation with the
20 commission, the director shall meet with the applicant, or the
21 applicant's duly authorized representative, and inform him or her
22 generally of the basis for any proposed recommendation that the
23 application be denied, restricted, or conditioned.

24 (2) Not less than 10 business days prior to the meeting of the
25 commission at which the application is to be considered, the
26 division shall deliver to the applicant a summary of the director's
27 final report and recommendation.

28 (3) This section neither requires the division to divulge to
the applicant any confidential information received from any law
enforcement agency or any information received from any person
with assurances that the information would be maintained
confidential, and nor to divulge any information that might reveal
the identity of any informer or jeopardize the safety of any person.

(c) A recommendation of denial of an application shall be
without prejudice to a new and different application filed in
accordance with applicable regulations.

25. Business and Professions Code section 19823, states, in relevant part:

(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."

* * *

1 (b) For the purposes of this section . . . "disqualified person"
2 means a person who is found to be disqualified pursuant to the
3 criteria set forth in Section 19859.

4 26. Business and Professions Code section 19859, subdivision (d), states, in relevant part,
5 that the Commission shall deny a license to any applicant who is disqualified for any of the
6 following reasons:

7 (d) Conviction of the applicant for any misdemeanor
8 involving dishonesty or moral turpitude within the 10-year period
9 immediately preceding the submission of the application, unless
10 the applicant has been granted relief pursuant to Section 1203.4,
11 1203.4a, or 1203.45 of the Penal Code; provided, however, that the
12 granting of relief pursuant to Section 1203.4, 12093.4a, or 1203.45
13 of the Penal Code shall not constitute a limitation on the discretion
14 of the commission under Section 19856 or affect the applicant's
15 burden under Section 19857.

16 **FIRST CAUSE FOR DENIAL OF APPLICATION**

17 **(Misdemeanor Involving Moral Turpitude)**

18 27. Respondents' application, which was submitted on January 24, 2001, is subject to
19 denial under Business and Professions Code section 19859, subdivision(d). On June 3, 2005,
20 Respondent Kevin Freels pled *nolo contendere* in the Placer County Superior Court, Case No.
21 62-46826, to violating Penal Code sections 602.5 (unauthorized entry of property) and 594,
22 subdivision (a) (vandalism). Vandalism under Penal Code section 594, subdivision (a) is a crime
23 involving moral turpitude. Also, Respondents violation of Penal Code section 602.5 involved
24 acts of moral turpitude.

25 **SECOND CAUSE FOR DENIAL OF APPLICATION**

26 **(Character, Criminal Record, Prior Activities)**

27 28. Respondents' application is subject to denial under Business and Professions Code
28 section 19857, subdivisions (a) and (b), in that Respondents leased class III gaming devices to
non-compacted tribes, in violation of the Indian and Gaming Regulatory Act ("IGRA"). The
circumstances are as follows:

A. **Choctaw Nation of Oklahoma:** On July 8, 1999, the National Indian Gaming
Commission ("NIGC") issued a Notice of Violation and Order of Temporary Closure to the

1 Choctaw Nation of Oklahoma for operating class III gaming devices in violation of IGRA. At
2 that time, the Choctaw Nation of Oklahoma did not have a tribal-state gaming compact. A
3 portion of the class III gaming devices operated by the Choctaw Nation were devices belonging
4 to Oklahoma Skills Systems, Inc., a company owned and operated, at all relevant times, by
5 Respondent Kevin Freels.

6 **B. Absentee Shawnee Tribe of Oklahoma:** On January 5, 2000, the NIGC issued a
7 Notice of Violation and Order of Temporary Closure to the Absentee Shawnee Tribe of
8 Oklahoma for operating class III gaming devices in violation of IGRA. At that time, the
9 Absentee Shawnee Tribe of Oklahoma did not have a tribal-state gaming compact. The devices
10 being operated by the Absentee Shawnee Tribe belonged to two companies, Oklahoma Skills
11 Systems and Respondent New Gaming Systems, Inc., both of which were, at all relevant times,
12 owned and operated by Respondent Kevin Freels.

13 **C. Coyote Valley Band of Pomo Indians:** On June 4, 2004, the NIGC issued a
14 Notice of Violation against the Coyote Valley Band of Pomo Indians for operation of class III
15 gaming devices and table games in violation of IGRA. At that time, the Coyote Valley Band of
16 Pomo Indians did not have a tribal-state gaming compact. Thereafter, on June 7, 2004, the NIGC
17 issued a Temporary Closure Order. A portion of the class III gaming devices listed in the Notice
18 of Violation and Temporary Closure Order belonged to Respondent New Gaming Systems, Inc.
19 On June 10, 2004, NIGC filed a Decision Upon Expedited Review, which reaffirmed its decision
20 to close Coyote Valley's gaming facility.

21 29. Respondents' application is also subject to denial under Business and Professions Code
22 section 19857, subdivisions (a) and (b), in that Respondents managed gaming operations on
23 tribal lands without NIGC approval. The circumstances are as follows:

24 **AKA Industries:** On January 28, 1998, the NIGC issued a Notice of Violation
25 against AKA Industries, a company owned by Respondent Kevin Freels, for managing gaming
26 operations on tribal lands, during the period June 1996 to May 23, 1997, without NIGC approval.
27 On March 5, 1998, NIGC issued a proposed Civil Fine Assessment against AKA Industries in the

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1 amount of \$1,000,000. The matter was later resolved by a confidential settlement agreement
2 entered into on June 1, 1999, between the NIGC and AKA Industries.

3 30. Respondents' application is also subject to denial under section Business and
4 Professions Code section 19857, subdivisions (a) and (b), in that Respondents falsified
5 applications and failed to disclose material information. The circumstances are as follows:

6 A. **Viejas Tribe:** On June 2, 2000, the Viejas Tribal Gaming Commission ("Viejas")
7 denied Respondents' vendor license application for failing to disclose thereon material
8 information and failing to meet suitability requirements. Specifically, Respondents failed to
9 provide a complete list of all current and previous business relationships with Indian tribes.

10 These failures are as follows:

11 (1) Although Respondents sold gaming devices to the St. Regis Mohawk Tribe
12 in New York, Respondents failed to disclose this business relationship on the Viejas application.

13 (2) Although Respondent New Gaming Systems, Inc., and Respondent Kevin
14 Freels, as principal for New Gaming Systems, Inc., AKA Industries, and Oklahoma Skill
15 Systems, had previous relationships with the Concow Maidu Tribe of the Mooretown Rancheria,
16 the Big Sandy Band of Western Mono Indians, the Absentee Shawnee Tribe of Oklahoma, and
17 the Choctaw Tribe of Oklahoma, Respondent Kevin Freels failed to disclose this information to
18 the Viejas Tribe on his principal background application.

19 (3) Respondents failed to provide complete information concerning their
20 involvement in civil actions. Specifically, Respondents had been defendants in a civil action
21 entitled *James Johnson v. Jack Freels, Kevin Freels, Roberta Freels, and New Gaming Systems,*
22 *Inc.*, Sacramento County Superior Court case number 377672, filed July 26, 1994, approximately
23 six years prior to Respondents' completion of the Viejas application. Respondent failed to
24 disclose this civil action on the Viejas application.

25 31. Respondents' application is also subject to denial under Business and Professions
26 Code section 19857, subdivisions (a) and (b), in that Respondents provided gaming services,
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1 supplies and/or equipment to a New York tribe without obtaining a valid registration as required
2 by New York's Racing and Wagering Board. The circumstances are as follows:

3 **St. Regis Mohawk Tribe:** On August 12, 1999, New Gaming Systems, Inc., applied
4 for a registration under the Nation-State Compact between the St. Regis Mohawk Tribe (the
5 "Tribe") and the State of New York. By letters dated September 2, 1999, and April 11, 2000,
6 New York's Racing and Wagering Board informed New Gaming Systems, Inc., of the
7 requirement that it hold a registration prior to providing any gaming services to the Tribe.
8 Thereafter, while a background investigation was being conducted in connection with
9 Respondents' registration application, it was discovered that the Tribe's gaming facility had
10 several electronic gaming devices furnished by Respondent New Gaming Systems, Inc., that the
11 machines had been onsite at the Tribe's gaming facility since mid-August, 1999, and that
12 Respondent New Gaming Systems, Inc.'s representatives had been assisting the Tribe with the
13 machines.

14 32. Respondents' application is also subject to denial under Business and Professions Code
15 section 19857, subdivisions (a) and (b), in that Respondents possessed illegal gaming devices.
16 The circumstances are as follows:

17 A. **California Department of Justice, Division of Gambling Control:** In 1999, the
18 Division learned that Respondent Kevin Freels was a distributor for the Bingo Game
19 International ("BGI") machines in Sacramento, through a company called Capital Sweepstakes,
20 Inc. Respondent Kevin Freels operated Capital Sweepstakes, Inc., which was located at the same
21 address and telephone number as New Gaming Systems, Inc. The BGI machines were called
22 "Lucky Strike Prepaid Phone Card Dispensers" ("Lucky Strike machines"). Subsequently,
23 Respondent Freels was interviewed by the Division on July 23, 1999, and stated that there were
24 no Lucky Strike machines in California and that BGI was awaiting approval for the machines
25 from law enforcement and the Attorney General's Office. However, on or about August 12,
26 1999, Division agents entered LA Casino and seized three Lucky Strike machines.

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1 Documentation obtained by Division agents revealed that Respondent Kevin Freels was the
2 person to contact concerning information on the illegal machines.

3 **B. Montana Department of Justice:** In 1995, the State of Montana Department of
4 Justice performed an investigation that revealed that on March 6, 1995, New Gaming Systems,
5 Inc., and/or Kevin Freels purchased ten class III video gambling machines from SDK
6 Corporation in Billings, Montana. The machines were shipped to California. On April 5, 1995,
7 SDK Corporation sold twenty class III video gambling machines to New Gaming Systems, Inc.
8 Again, these machines were shipped to California. At the time of these shipments, California
9 tribes did not have compacts with the State of California authorizing class III video gambling
10 machines. Subsequently, twenty of the thirty machines were located at Spotlight 20 Casino in
11 Coachella, California, which is operated by the Twenty-Nine Palms Band of Mission Indians.
12 Four of the machines were shipped to Coyote Valley and three were shipped to Elem Indian
13 Colony. After being contacted by investigators, Respondent Freels contacted Twenty-Nine
14 Palms Casino and informed them that he was sending New Gaming Systems, Inc.'s employees to
15 the Casino to remove serial numbers from the gaming devices because "the heat is on." Twenty-
16 Nine Palms Band of Missions Indians refused to let New Gaming Systems, Inc.'s employees
17 remove the numbers.

18 33. Respondents' application is also subject to denial under Business and Professions
19 Code section 19857, subdivisions (a) and (b), in that Respondent Kevin Freels engaged in acts of
20 domestic violence, trespass, and vandalism. The circumstances are as follows:

21 **Acts of Domestic Violence, Trespass, Vandalism:** On October 1, 2004, Respondent
22 Kevin Freels was arrested by the Placer County Sheriff's Office for violating Penal Code sections
23 273.5, subdivision (A) (inflicting corporal injury to spouse/cohabitant), 459 (burglary), and 591
24 (damage to power lines). The facts as observed by law enforcement were as follows: On
25 October 1, 2004, Respondent Freels entered his estranged wife's home through a laundry room
26 window. He then began yelling at his estranged wife, while her male friend locked himself into
27 the bedroom. When his estranged wife attempted to call 911, Respondent Freels grabbed the

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1 phone from her and ripped it from the wall socket. He grabbed her right arm and, at some point,
2 struck her on the left side of her face. He also pushed her to the ground three times. Respondent
3 Freels' estranged wife again tried to call 911. Police arrived and found no visible marks on the
4 estranged wife, but did find the laundry room screen bent, on the floor. The microphone on the
5 telephone headset was broken and a piece of the wall socket was still attached to the cord.

6 Paragraph 27 is incorporated herein by reference in further support of these allegations.

7 34. Respondents' application is subject to denial under Business and Professions Code
8 section 19859, subdivisions (a) and (b), because Respondent Freels failed to disclose information
9 and/or provided misleading information to the Division. The circumstances are as follows:

10 A. **Failure to Disclose Business Interest in Capital Sweepstakes:** Respondent
11 Kevin Freels failed to disclose on his Division Application for Finding of Suitability (Principal)
12 that he had previously operated or was associated with the business Capital Sweepstakes, Inc.
13 During a Division investigation concerning illegal slot machines (Lucky Strike Prepaid Phone
14 Card Dispensers) in California, the Division learned that Respondent Kevin Freels was a
15 distributor for the illegal machines through a company named Capital Sweepstakes, Inc.

16 **PRAYER**

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

19 1. Denying the application for a finding of suitability of Kevin Freels pursuant to
20 Business and Professions Code sections 19857, subdivisions (a) and (b), and 19859, subdivisions
21 (a), (b), and (d).

22 2. Investigation and related costs not covered by the Respondents' application fee for
23 a total of approximately \$163,000.00 as of the date of this statement, and all subsequent costs.

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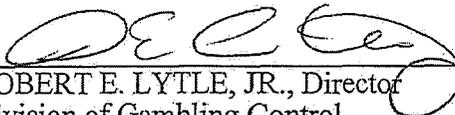
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3. Legal fees, costs, and witness expenses of preparing and prosecuting this matter in the evidentiary hearing requested by the Respondents.

4. Taking such and further action as is deemed necessary and proper.

Dated: June 20, 2007



ROBERT E. LYTLE, JR., Director
Division of Gambling Control
California Department of Justice

Complainant