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

12
13 **In the Matter of the Accusation Against:**

OAH No.

14 **KINGS CASINO LLC (GEOW-003406;**
15 **GEOW-003407), doing business as The**
16 **Tavern at Stones Gambling Hall (GEGE-**
17 **001337) and doing business as The Saloon at**
Stones Gambling Hall (GEGE-001336);

BGC Case No. HQ 2016-00002AC

ACCUSATION

18 **RYAN E. STONE (GEOW-003408; GEOW-**
19 **003409; GEOW-003487; GEOW-003499);**

20 **MASIS A. KEVORKIAN (GEOW-003410;**
21 **GEOW-003411; GEOW-003486; GEOW-**
22 **003498);**

23 **KERMIT D. SCHAYLTZ (GEOW-003413;**
24 **GEOW-003414; GEOW-003488; GEOW-**
25 **003496); and**

26 **KING'S CASINO MANAGEMENT CORP.**
27 **(GEOW-003482; GEOW-003483).**

28 **6508 and 6510 Antelope Road**
Citrus Heights, CA 95621

Respondents.

1 Complainant alleges as follows:

2 **PARTIES**

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

6 2. Respondent The Tavern at Stones Gambling Hall (Tavern) is a licensed
7 gambling establishment, California State Gambling License Number GEGE-001337. It is a 17-
8 table card room operating at 6510 Antelope Road, Citrus Heights, California 95621.

9 Respondent The Saloon at Stones Gambling Hall (Saloon) is a licensed gambling establishment,
10 California State Gambling License Number GEGE-001336). It is a 17-table card room
11 operating at 6508 Antelope Road, Citrus Heights, California 95621.

12 3. Respondent Ryan E. Stone (Mr. Stone), license numbers GEOW-003408 and
13 GEOW-003499, is endorsed on Tavern's license. He is endorsed on Saloon's license as license
14 numbers GEOW-003409 and GEOW-003487. Respondent Masis A. Kevorkian (Mr.
15 Kevorkian), license numbers GEOW-003410 and GEOW-003498, is endorsed on Tavern's
16 license. He is endorsed on Saloon's license as license numbers GEOW-003411 and GEOW-
17 3486. Respondent Kermit D. Schayltz (Mr. Schayltz), license numbers GEOW-003413 and
18 003496, is endorsed on Tavern's license. He is endorsed on Saloon's license as license
19 numbers GEOW-003414 and GEOW-003488.

20 4. Respondent King's Casino, LLC (LLC), license number GEOW-003406, does
21 business as Tavern and is endorsed on Tavern's license. The LLC, under license number
22 GEOW-003407, does business as Saloon and is endorsed on Saloon's license. Respondent
23 King's Management Corp. (Corporation) is endorsed on Tavern's license under license number
24 GEOW-003482. The Corporation is endorsed on Saloon's license under license number
25 GEOW-003483.

26 5. Tavern, Saloon, the LLC, the Corporation and Messrs. Stone, Kevorkian, and
27 Schayltz are referred to collectively as "Respondents."
28

1 without substantial discipline is inimical to public health, safety, and welfare. Respondents'
2 prior activities and associations pose a threat to the effective regulation and control of
3 controlled gambling, and create or enhance the dangers of unsuitable, unfair, or illegal
4 practices, methods, and activities in carrying on the business and financial arrangements
5 incidental to the conduct of controlled gambling. Respondents' conduct in their dealings with
6 the Commission and the Bureau demonstrate that they are unqualified for licensure or subject to
7 discipline. That conduct includes, but is not limited to, the following acts and omissions:

- 8 a. Respondents failed to make full and true disclosure of information necessary to
9 carry out the state's policies relating to licensing and control of gambling.
10 Respondents did not disclose agreements regarding financing and ownership
11 arrangements. Respondents, or their affiliates, funded a \$3 million loan made to
12 the owners of a card room in Chula Vista, which was to be secured by the assets
13 of the Chula Vista gambling establishment upon approval by the Commission.
14 In addition, with the Commission's approval, the loan was convertible at
15 Respondents' option into an ownership interest in the Chula Vista card room.
16 The loan proceeds were used in that gambling establishment's operations and to
17 construct new premises. Respondents, or their affiliates, also acquired a 50-
18 percent interest in the Chula Vista card room's new premises, and guaranteed
19 commercial loans for improvements. In sum, Respondents, or their affiliates,
20 had in essence entered into a venture to renovate a property, relocate a gambling
21 establishment, and become co-owners when they had not been licensed to do so.
22 Even though Respondents had license applications and other approvals pending
23 before the Commission, they failed to disclose the venture, for which they were
24 financing sources and through which they had obtained an option to acquire an
25 ownership interest; they also failed to disclose their involvement in the Chula
26 Vista card room. This breached Respondents' duties under the Act and made
27 them unqualified for licensing.

1 b. Additionally, without being licensed to do so, Respondents participated, in part,
2 in the management of the Chula Vista card room. Respondents, either directly or
3 through the Chula Vista card room's owners, were involved with certain
4 employment decisions, and advised on certain operational policies, practices, and
5 operations, for the card room. Respondents, or their affiliates, thus exercised
6 improper influence over the gambling operation. Respondents' failure to
7 disclose this conduct prevented both the Bureau and the Commission from
8 learning the true extent of their involvement in the Chula Vista card room's
9 affairs.

10 SECOND CAUSE FOR DISCIPLINE

11 (Failing To Reveal Material Information to the Bureau)

12 15. Respondents' gambling licenses are subject to discipline, pursuant to Business
13 and Professions Code sections 19823, 19857, subdivisions (a) and (b), and California Code of
14 Regulations, title 4, section 12554, subdivision (d). Respondents' continued licensure is
15 inimical to public health, safety, and welfare. Respondents' prior activities and associations
16 pose a threat to the effective regulation and control of controlled gambling, and create or
17 enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in
18 carrying on the business and financial arrangements incidental to the conduct of controlled
19 gambling. Respondents breached their duty of full and true disclosure to the Commission and
20 the Bureau. Respondents failed to reveal to, and concealed from, the Bureau material
21 information regarding their holding financial interests, indebtedness, prospective ownership
22 interests, and other agreements, including, but not limited to, the following:

23 a. Respondents failed to make full and true disclosure of information necessary to
24 carry out the state's policies relating to licensing and control of gambling.
25 Respondents did not disclose agreements regarding financing and ownership
26 arrangements. Respondents, or their affiliates, funded a \$3 million loan made to
27 the owners of a card room in Chula Vista, which was to be secured by the assets
28 of the Chula Vista gambling establishment upon approval by the Commission.

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5 percent interest in the Chula Vista card room's new premises, and guaranteed
6 commercial loans for improvements. In sum, Respondents, or their affiliates,
7 had in essence entered into a venture to renovate a property, relocate a gambling
8 establishment, and become co-owners when they had not been licensed to do so.
9 Even though Respondents had license applications and other approvals pending
10 before the Commission, they failed to disclose the venture, for which they were
11 financing sources and through which they had obtained an option to acquire an
12 ownership interest; they also failed to disclose their involvement in the Chula
13 Vista card room. This breached Respondents' duties under the Act and made
14 them unqualified for licensing.

15 b. Additionally, without being licensed to do so, Respondents participated, in part,
16 in the management of the Chula Vista card room. Respondents, either directly or
17 through the Chula Vista card room's owners, were involved with certain
18 employment decisions, and advised on certain operational policies, practices, and
19 operations, for the card room. Respondents, or their affiliates, thus exercised
20 improper influence over the gambling operation. Respondents' failure to
21 disclose this conduct prevented both the Bureau and the Commission from
22 learning the true extent of their involvement in the Chula Vista card room's
23 affairs.

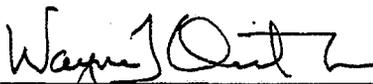
24 PRAYER

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

27 1. Revoking, suspending, or otherwise disciplining California State Gambling
28 License Number GEGE-001337, issued to Respondent The Tavern at Stones Gambling Hall;

- 1 2. Revoking, suspending, or otherwise disciplining California State Gambling
- 2 License Number GEGE-001336, issued to Respondent The Saloon at Stones Gambling Hall;
- 3 3. Revoking, suspending, or otherwise disciplining California State Gambling
- 4 License Numbers GEOW-003406 and 003407, issued to Respondent King's Casino, LLC;
- 5 4. Revoking, suspending, or otherwise disciplining California State Gambling
- 6 License Numbers GEOW-003408, GEOW-003499, GEOW-003409, and GEOW-003487,
- 7 issued to Respondent Ryan Stone;
- 8 5. Revoking, suspending, or otherwise disciplining California State Gambling
- 9 License Numbers GEOW-003410, GEOW-003498, GEOW-003411, GEOW-003486, issued to
- 10 Respondent Masis Kevorkian;
- 11 6. Revoking, suspending, or otherwise disciplining California State Gambling
- 12 License Numbers GEOW-003413, GEOW-003496, GEOW-003414, and GEOW-003488,
- 13 issued to Respondent Kermit Schayltz;
- 14 7. Fining, or imposing monetary penalties against, Respondents, jointly and
- 15 severally, according to proof and to the maximum extent allowed by law;
- 16 8. Awarding Complainant the costs of investigation and costs of bringing this
- 17 Accusation before the Commission, pursuant to Business and Professions Code section 19930,
- 18 subdivisions (d) and (f), in a sum according to proof; and
- 19 9. Taking such other and further action as the Commission may deem appropriate.

20
21 Dated: June 15th, 2016



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

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

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

5 The department² . . . shall have all of the following responsibilities:

6 * * *

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

9 * * *

10 (e) To initiate, where appropriate, disciplinary actions as provided in
11 this chapter. In connection with any disciplinary action, the department
12 may seek restriction, limitation, suspension, or revocation of any license or
13 approval, or the imposition of any fine upon any person licensed or
14 approved.

15 5. California Code of Regulations, title 4, section 12554 provides, in part:

16 (a) Upon the filing with the Commission of an accusation by the
17 Bureau recommending revocation, suspension, or other discipline of a
18 holder of a license, registration, permit, finding of suitability, or approval,
19 the Commission shall proceed under Chapter 5 (commencing with section
20 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

21 * * *

22 (d) Upon a finding of a violation of the Act, any regulations adopted
23 pursuant thereto, any law related to gambling or gambling establishments,
24 violation of a previously imposed disciplinary or license condition, or laws
25 whose violation is materially related to suitability for a license,
26 registration, permit, or approval, the Commission may do any one or more
27 of the following:

28 (1) Revoke the license, registration, permit, finding of suitability,
or approval;

(2) Suspend the license, registration, or permit;

* * *

(4) Impose any condition, limitation, order, or directive . . . ;

27 ² "Department" refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd.
28 (h).)

1 (5) Impose any fine or monetary penalty consistent with
2 Business and Professions Code sections 19930, subdivision (c), and
3 19943, subdivision (b)

4 **Cost Recovery Provisions**

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

5 (b) If, after any investigation, the department is satisfied that a license,
6 permit, finding of suitability, or approval should be suspended or revoked, it
7 shall file an accusation with the commission in accordance with Chapter 5
8 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the
9 Government Code.

10 * * *

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

16 (1) The costs assessed pursuant to this subdivision shall be fixed
17 by the administrative law judge and may not be increased by the
18 commission. When the commission does not adopt a proposed decision
19 and remands the case to the administrative law judge, the administrative
20 law judge may not increase the amount of any costs assessed in the
21 proposed decision.

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

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

* * *

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

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

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

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

5 10. Business and Professions Code section 19855 provides, in part:

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

9 11. Business and Professions Code section 19857 provides:

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

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

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

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

23 12. Business and Professions Code section 19866 provides:

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

13. Business and Professions Code section 19920 provides:

It is the policy of the State of California to require that all
establishments wherein controlled gambling is conducted in this state
be operated in a manner suitable to protect the public health, safety,
and general welfare of the residents of the state. The responsibility for
the employment and maintenance of suitable methods of operation
rests with the owner licensee, and willful or persistent use or toleration
of methods of operation deemed unsuitable by the commission or by
local government shall constitute grounds for license revocation or
other disciplinary action.

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14. Business and Professions Code section 19922 provides:

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