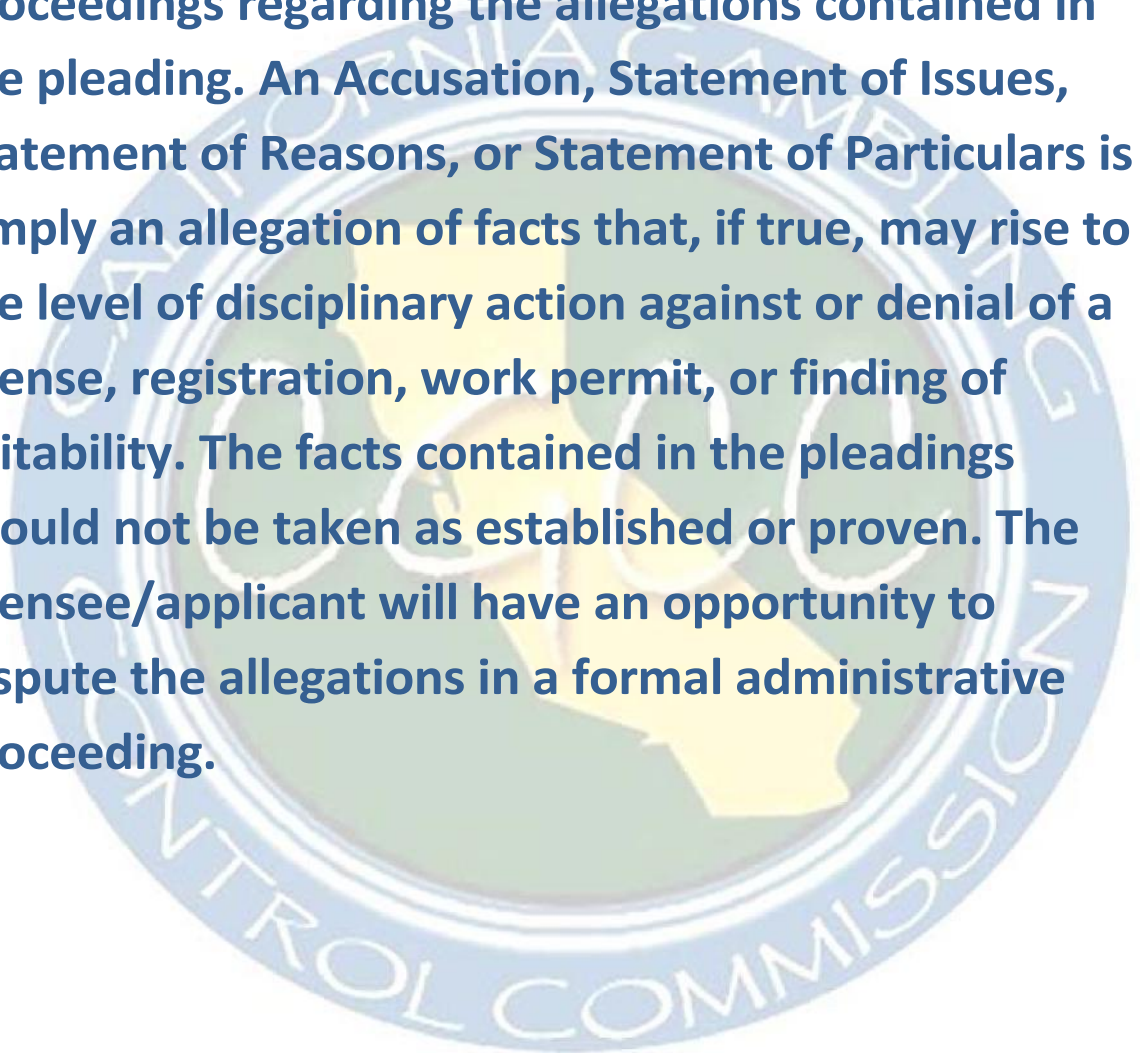


The Commission is providing a copy of this pleading (Accusation, or Statement of Reasons, Statement of Particulars, or Statement of Issues) so the public is as informed as possible of pending administrative proceedings regarding the allegations contained in the pleading. An Accusation, Statement of Issues, Statement of Reasons, or Statement of Particulars is simply an allegation of facts that, if true, may rise to the level of disciplinary action against or denial of a license, registration, work permit, or finding of suitability. The facts contained in the pleadings should not be taken as established or proven. The licensee/applicant will have an opportunity to dispute the allegations in a formal administrative proceeding.



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12 **BEFORE THE**
13 **CALIFORNIA GAMBLING CONTROL COMMISSION**
14 **STATE OF CALIFORNIA**

15
16 In the Matter of the Statement of Reasons
Regarding:

Case No. CGCC-2025-0508-14A

17
18 **CLUB ONE CASINO, INC. (GEGE-**
001121), doing business as CLUB ONE
19 **CASINO;**

STATEMENT OF REASONS

20 **KYLE KIRKLAND (GEOW-003177); and**
21 **DANA MESSINA (GEOW-003176)**

22 **3950 North Cedar Avenue**
23 **Fresno, CA 93726**

24 **Respondents.**

1 Complainant alleges:

2 **PARTIES**

3 1. Yolanda Morrow (Complainant) brings this Statement of Reasons solely in her
4 official capacity as the Director of the California Department of Justice, Bureau of Gambling
5 Control (Bureau).

6 2. Club One Casino, Inc. (Respondent Corporation) is licensed as a gambling
7 enterprise (GEGE-001121) under the Gambling Control Act (Act) (Bus. & Prof. Code, § 19800 et
8 seq.). Respondent Corporation does business as Club One Casino (Club One), which is a 51-table
9 card room located 3950 North Cedar Avenue in Fresno, California.

10 3. Respondent Kyle Kirkland (Respondent Kirkland) is an officer, director, and a 50-
11 percent shareholder of Respondent Corporation. Respondent Kirkland, license number GEOW-
12 003177, is endorsed¹ on Club One’s state gambling license.

13 4. Respondent Dana Messina (Respondent Messina) is an officer, director, and a 50-
14 percent shareholder of Respondent Corporation. Respondent Messina, license number GEOW-
15 003176, is endorsed on Club One’s state gambling license.

16 5. Respondent Corporation, Respondent Kirkland, and Respondent Messina are
17 referred to collectively as “Respondents” in this Statement of Reasons. The California Gambling
18 Control Commission (Commission) initially issued Respondents’ licenses pursuant to the Act.
19 Each Respondent holds an interim renewal license issued by the Commission. (Cal. Code Regs.,
20 tit. 4, § 12035, subd. (a)(1).)²

21
22
23
24 _____
25 ¹ Pursuant to Business and Professions Code section 19851, subdivision (b), individual
26 persons, who “obtain a state gambling license, as required by [the Act] shall not receive a
separate license certificate, but the license of every such person shall be endorsed on the license
certificate that is issued to the owner of the gambling enterprise.”

27 ² Appendix A quotes the statutes and regulations applicable to this Statement of Reasons
28 in pertinent part.

1 **THE PENDING RENEWAL APPLICATIONS³**

2 6. On March 2, 2015, the Bureau received an application for renewal of a state
3 gambling license from Respondent Corporation.

4 7. On March 2, 2015, Respondent Kirkland submitted an application to renew his
5 license.

6 8. On February 27, 2015, Respondent Messina submitted an application to renew his
7 license.

8 9. On or about May 15, 2015, the Bureau issued a Gambling Establishment and
9 Owner Application Review - Level II for Respondents' applications to renew their licenses
10 (renewal applications). In that review, the Bureau identified as an area of concern a New York
11 Supreme Court post-trial decision and order (New York Order), filed October 21, 2014, that
12 brought into question the character, honesty, and integrity of Respondents Kirkland and Messina.
13 Appendix B is a true and complete copy of the New York Order.

14 10. On June 25, 2015, the Commission considered Respondents' renewal applications
15 and referred a determination of Respondents' suitability for licensure to a hearing to be held under
16 the Administrative Procedure Act (APA) (Gov. Code, § 11500, et seq.).⁴ (Bus. & Prof. Code, §
17 19825; Cal. Code. Regs, tit. 4, §§ 12056, 12058.)
18

19
20
21 ³ Under the Act, renewal applications are subject to the Commission's power to deny,
22 revoke, suspend, condition, or limit any license. (Bus. & Prof. Code, § 19876, subd. (a).)

23 ⁴ When the Commission referred this matter to a suitability hearing in 2015, the referral
24 included Respondent Corporation and the Club One Acquisition Corporation (COAC), which
25 were both on the state gambling enterprise license (GEGE- 001121), as well as Haeg Kelegian
26 (Mr. Kelegian), George Sarantos (Mr. Sarantos), Respondent Kirkland, and Respondent Messina
27 as endorsees for COAC. Respondent Kirkland and Respondent Messina were also endorsees for
28 Respondent Corporation. However, in a subsequent Chapter 11 bankruptcy reorganization,
COAC merged with Respondent Corporation, leaving Respondent Corporation as the sole entity
emerging from the bankruptcy and Respondent Kirkland and Respondent Messina as its only
shareholders. Accordingly, this Statement of Reasons pertains only to the suitability for licensure
of Respondent Corporation, as the gambling enterprise, and Respondent Kirkland and Respondent
Messina, as its shareholders, officers, and directors.

1 11. On or about October 21, 2025, the Bureau and Respondents submitted a proposed
2 stipulated settlement to the Commission.

3 12. On April 24, 2025, the Commission considered and denied the proposed stipulated
4 settlement and agendized consideration of the retraction of Respondents' license applications from
5 an APA hearing and a re-referral of the matter to a direct hearing by the Commissioners. (Cal.
6 Code Regs., tit. 4, §§ 12054, subd. (a)(4), 12056, subd. (d).)

7 13. On May 8, 2025, the Commission voted to rescind the referral of Respondents'
8 renewal applications to an APA evidentiary hearing and referred them to a GCA evidentiary
9 hearing before the Commissioners. (Cal. Code of Regs., tit. 4, §§ 12054, subd. (a)(4), 12056,
10 subd. (d); see also § 12058, subd. (e).)

11 14. On May 30, 2025, Administrative Law Judge (ALJ) Van Rooyen held a status
12 conference under the APA. (Gov. Code, § 11500, et seq.) On June 4, 2025, Judge Van Rooyen
13 issued his order and dismissed this matter for lack of jurisdiction because the Commission
14 retracted its referral of the matter to an APA hearing. (Cal. Code of Regs., tit. 4, §§ 12054, subd.
15 (a)(4), 12056, subd. (d); see also § 12058, subd. (e).)

16 15. The Bureau now submits this Statement of Reasons to the Commission for an
17 evidentiary hearing to consider the renewal of Respondents' license applications pursuant to
18 procedures in the GCA. (Cal. Code of Regs., tit. 4, §§ 12056, subd. (a), 12060.)

19
20
21 **JURISDICTION, BURDEN OF PROOF, AND COST RECOVERY**

22 16. The Commission has jurisdiction over the operation and concentration of gambling
23 establishments and all persons and things having to do with the operation of gambling
24 establishments. (Bus. & Prof. Code, § 19811, subd. (b).) The Commission has all powers
25 necessary and proper to enable it fully and effectually to carry out the policies and purposes of the
26 Act including denying any application for a license. (Bus. & Prof. Code, § 19824, subd. (b).)

27 17. Applicants, such as Respondents, have the burden to prove they are qualified to be
28 issued a state gambling license. (Bus. & Prof. Code, § 19856, subd. (a); see also Gov. Code, §

1 11504.) Failure of any Respondent to obtain a renewal license will render Club One unsuitable
2 for licensure. (Bus. & Prof. Code, §§ 19850, 19852, subd. (a), 19859, subd. (a), 19922.)
3 Respondent Corporation is not eligible for licensing if any of its shareholders, directors, or
4 officers are not licensed. (Bus. & Prof. Code, § 19852, subd. (a).)

5 **SUMMARY OF CASE**

6 18. The Act is an exercise of the police power of the State of California intended to
7 protect the public's health, safety and welfare, and shall be liberally interpreted to effectuate that
8 purpose. (Bus. & Prof. Code, § 19971.) The Act protects the public by assuring that only
9 qualified persons are licensed to own, operate, and manage card rooms. (Bus. & Prof. Code, §
10 19801, subds. (i), (k).) The Act establishes certain criteria for qualification for licensure. (Bus. &
11 Prof. Code, § 19857.) The failure to establish clearly these criteria requires mandatory denial of a
12 license application. (Bus. & Prof. Code, § 19859, subd. (a).) The Act requires an applicant for
13 licensing to make full and true disclosure to the Bureau and the Commission of all information
14 necessary to carry out the state's policies relating to licensing and control of gambling. (Bus. &
15 Prof. Code, § 19866.)

16 19. This proceeding seeks to deny Respondents' renewal applications. By cumulative
17 conduct spanning a number of years, Respondents demonstrated that they do not satisfy the criteria
18 for qualification and, therefore, are not suitable for licensure. Specifically, Respondents engaged
19 in conduct that, among other things:

- 20 a. Breached the implied covenant of good faith and fair dealing in connection with
21 their initial acquisition of and continuing control over Club One;
- 22 b. Endangered Club One's financial viability and continued operations as a going
23 concern leading to a bankruptcy proceeding and reorganization that forced certain
24 creditors and shareholders to take substantially reduced payments on liabilities that
25 Respondents created and that inured to Respondents' benefit;
- 26 c. Was found by an arbitrator to be less than honest;
- 27 d. Was found by an arbitrator to have given false testimony;
- 28 e. Was found by a judge to be less than honest;

- 1 f. Misled or misrepresented information to the Commission; and
2 g. Threatened the public trust and perception that card rooms are operated in a
3 financially responsible and honest manner.

4 **FACTUAL BACKGROUND**

5 20. Respondent Kirkland and Respondent Messina formerly held securities licenses.
6 In 1994, they organized an investment advisory firm that assisted clients with arranging leveraged
7 buyouts and corporate financing. Before their investments in Club One, Respondent Kirkland
8 and Respondent Messina, individually or together, provided investment advisory services to
9 certain California card rooms. Respondent Kirkland and Respondent Messina hold themselves
10 out to be sophisticated businesspersons.

11 **A. Securities Licensing Sanctions Against Respondent Kirkland**

12 21. On September 28, 2001, the U.S. Securities and Exchange Commission (SEC)
13 entered an Order Instituting Public Administrative and Cease-and-Desist Proceeding, Making
14 Findings and Imposing Sanctions and Cease-and-Desist Order (SEC Order) against Respondent
15 Kirkland. There, pursuant to a settlement, the SEC found that Respondent Kirkland provided
16 misleading market values of securities to a mutual fund and an offshore fund. He accepted a
17 three-year bar from the securities industry and agreed to pay a \$30,000 fine. Appendix C is a true
18 and complete copy of the SEC Order.

19 **B. Acquisition of Club One and Failure To Pay Certain Contractual Obligations**

20 22. Respondent Corporation was formed in 1994. In July 2006, Respondent
21 Corporation's then shareholders, Mr. Sarantos and Elaine Long (Ms. Long) (collectively, Sellers),
22 entered into a letter of intent with Respondent Kirkland and Respondent Messina for the purchase
23 and sale of Respondent Corporation's stock for \$27 million. On February 24, 2007, the parties
24 signed an Agreement for Purchase and Sale of Stock (PSA).

25 23. The stock transaction closed on February 22, 2008. Before the closing,
26 Respondent Kirkland and Respondent Messina conducted extensive due diligence, which
27 included unrestricted opportunities to inspect Club One's physical and financial condition. They
28 had full access to Respondent Corporation's books and records.

1 24. In the stock transaction, COAC acquired Sellers' stock in Respondent Corporation
2 for \$27 million. After the closing, Respondent Kirkland and Respondent held 80 percent of
3 COAC's stock; Mr. Sarantos held 17 percent; and Mr. Kelegian held three percent. The stock
4 transaction was highly leveraged. COAC borrowed \$22.5 million (Senior Loan), which
5 Respondent Corporation agreed to pay and was secured by Club One's assets, from an investment
6 lender. Sellers held unsecured notes (Seller Notes) payable by Respondent Corporation totaling
7 \$5 million. The Senior Loan was payable February 22, 2012. The Seller Notes were subordinate
8 to the Senior Loan and payable on February 22, 2015. Respondent Kirkland and Respondent
9 Messina, jointly and severally, personally guaranteed \$7 million of the Senior Loan.

10 25. The PSA provided for a purchase price adjustment to be calculated after the stock
11 transaction closed. Respondent Kirkland and Respondent Messina disagreed with Sellers
12 regarding the amount of the purchase price adjustment. Sellers claimed the adjustment should be
13 approximately \$1 million; Respondent Kirkland and Respondent Messina eventually claimed the
14 adjustment should be approximately \$23,000. Respondent Messina, however, advised the lender
15 on the Senior Loan: "We are being as aggressive as possible . . . and will hopefully save a few
16 dollars. . . . Originally we expected to pay out \$1.5 million in the [adjustment] but are working
17 hard to keep the number below \$1 million."

18 26. COAC did not pay the purchase price adjustment even though Club One had
19 sufficient cash to pay. On December 30, 2008, Sellers filed demands in arbitration seeking
20 approximately \$1 million as a purchase price adjustment. Rather than pay, Respondent Kirkland
21 and Respondent Messina caused COAC to assert counterclaims in the arbitration. On April 12,
22 2011, the arbitrator issued an interim award in favor of Sellers, finding that the proper adjustment
23 was approximately \$1 million and denying COAC's counterclaims. On June 27, 2011, the
24 arbitrator awarded Sellers pre-award interest totaling approximately \$313,000, attorney fees of
25 approximately \$441,000, and approximately \$140,000 in costs. On July 8, 2011, the arbitrator
26 issued the final award.

27 27. In the interim award, the arbitrator determined that COAC's counterclaim that
28 Sellers failed to disclose or misrepresented certain information lacked merit. The arbitrator

1 specifically found, among other things, that COAC, through Respondent Kirkland, Respondent
2 Messina, and their agents, “could not have reasonably relied . . . because it either knew, or in the
3 exercise of even minimal due diligence should have known, of any such material facts.”

4 28. By refusing to pay an obligation that Mr. Messina expected to be \$1.5 million, Mr.
5 Kirkland and Mr. Messina had caused COAC to increase a \$1 million obligation into a liability of
6 nearly \$1.9 million on which interest accrued at \$227.00 per day.

7 **C. Arbitral and Judicial Findings Regarding Credibility and Honesty**

8 29. In the interim award, the arbitrator called the credibility of Respondent Kirkland
9 and Respondent Messina into question:

10 The credibility of their assertions is also brought into question . . .
11 i.e. evasive and inconsistent testimony under oath in the hearings,
12 grossly inaccurate and misleading statements made under oath in a
13 pre-hearing declaration . . . , and questionable conduct in submitting
a re-engineered financial statement to [COAC’s] lender.

14 30. Rather than pay the award and consequent judgment, Respondent Kirkland and
15 Respondent Messina caused COAC to file an action in the New York Supreme Court to block
16 enforcement of the award and judgment. (*Club One Acquisition Corporation v. George Sarantos*
17 *and Elaine Long, Defendants and KMGI, Inc., Plaintiff-Intervenor*, NYSC Case Number
18 650049/2012 (New York Litigation).) In the New York Litigation, the court entered the New
19 York Order after a non-jury trial. The court determined that COAC breached the covenant of
20 good faith and fair dealing implied in the PSA.

21 31. The New York Order made findings regarding the character, honesty, and integrity
22 of Respondent Kirkland and Respondent Messina. The findings included, among other things,
23 the following:

- 24 a. “[Respondent] Kirkland’s attempt at trial to justify making an adjustment to the
25 [Purchase Price Adjustment] for such taxes was disingenuous.” (New York Order,
26 p. 19.)
27
28

- 1 b. “The counterclaim [in the arbitration] was largely bogus” (New York Order,
2 p. 19.)
- 3 c. “In his affidavit presented at trial . . . [Respondent] Kirkland states misleadingly
4 that ‘the Defendants represented in the [PSA] that (a) [t]he financial statements the
5 [sic] provided to me and Mr. Messina were “prepared in accordance with generally
6 accepted accounting principles” and “true, complete and correct in all material
7 respects” In fact, the introductory clause to the sentence from which the
8 quoted language was extracted shows that was not the understanding of the
9 parties.” (New York Order, p. 20.)
- 10 d. “To the extent the counterclaim in arbitration asserted otherwise, it was baseless.”
11 (New York Order, p. 21.)
- 12 e. “. . . [COAC] elected to ‘set-off’ its payment obligations by asserting a meritless
13 counterclaim in violation of its implied pledge not to ‘do anything that will have
14 the effect of destroying or injuring the right of the other party to receive the fruits
15 of the contract’ [citation].” (New York Order, p. 21.)
- 16 f. “. . . [COAC] elected to be ‘as aggressive as possible’ . . . and to breach . . . its
17 contractual obligations. Through a series of subterfuges and evasions, [COAC]
18 and its principals [Respondent Kirkland and Respondent Messina] have succeeded
19 in evading payment properly owed to [Sellers] as of April 2008.” (New York
20 Order, p. 21.)
- 21 g. “After it became evident that [COAC] would not prevail in the arbitration,
22 [Respondent] Messina and [Respondent] Kirkland charted a course of conduct
23 designed to shield themselves from having to pay. Their acts of evasion and
24 obfuscation included (1) pre-payment of principal on the Senior Loan in order to
25 reduce the amount of cash available . . . to pay an expected adverse arbitration
26 award . . . ; (2) successful lobbying of [the Senior Loan holder to] issue a notice
27 designed to shield [COAC] from having to pay the arbitration award . . . ; and (3)
28 failure of [Respondent] Kirkland and [Respondent] Messina to take reasonable

1 measures to avoid a maturity default on February 23, 2012 followed by their
2 purchase of the Senior Loan and paying themselves ‘default interest’ on the Senior
3 Loan” (New York Order, pp. 21-22.)

4 h. “[Respondent] Kirkland testified that the [default] notice was prepared ‘[a]t the
5 lenders’ request’ This testimony was false” (New York Order, p. 22, fn.
6 15.)

7 i. “[Respondent] Messina and [Respondent] Kirkland . . . (1) orchestrated the breach
8 of the PSA; (2) enlisted the [Senior Loan] Lender’s aid to shield themselves; and
9 (3) are now directing the joint effort of [COAC] and KMGI to further delay
10 payment” (New York Order, p. 24.)

11 32. Rather than perform their obligations as determined in the New York Litigation,
12 Respondent Kirkland and Respondent Messina caused COAC to file an appeal on November 11,
13 2014. In audited financial statements for the year ending December 31, 2014, Respondent
14 Corporation reported that the accrued interest on the arbitration award and consequent judgment
15 exceeded \$975,000. The total liability reported from the arbitration award, consequent judgment,
16 and New York Order exceeded \$2.6 million. Additionally, attorney fees incurred by COAC in
17 prosecuting the case exceeded \$1.4 million.

18 **D. Default on and Acquisition of the Senior Loan**

19 33. In January 2011, Respondent Kirkland and Respondent Messina formed KMGI,
20 Inc. to raise capital to refinance or acquire the Senior Loan, which as alleged above was payable
21 on February 22, 2012. Respondent Kirkland and Respondent Messina were, and continue to be,
22 that corporation’s only shareholders.

23 34. In July 2011, using a form of notice drafted by COAC’s attorneys, the holder of
24 the Senior Loan notified the Sellers that the arbitration award was subject to the subordination
25 agreement.

26 35. In January 2012, the holder of the Senior Loan gave notice to Respondent
27 Corporation that the Sellers’ judgment and writ of execution were events of default. The holder
28

1 of the Senior Loan exercised its right to convert – i.e., increase – the annual interest rate to 16.5
2 percent.

3 36. On February 22, 2012, Respondent Corporation failed to pay the Senior Loan,
4 constituting another event of default.

5 37. On April 11, 2012, after obtaining the Commission’s approval, KMGI, Inc.
6 acquired the Senior Loan. Respondent Kirkland and Respondent Messina chose this alternative
7 to maintain the seniority of the Senior Loan over the Seller Notes and to avoid the need for the
8 consent of Messrs. Sarantos and Kelegian to a particular transaction. Respondent Kirkland and
9 Messina caused KMGI, Inc. to release them of their personal guarantees on the Senior Loan and
10 to continue assessing interest at 16.5 percent. KMGI, Inc. paid \$14.4 million to acquire the
11 Senior Loan, which was the outstanding amount owed. Shortly thereafter, Respondent
12 Corporation reduced the unpaid principal by paying \$400,000 to KMGI, Inc.

13 **E. Respondent Corporation Failed To Pay Principal and Interest on its Indebtedness**

14 38. From and after KMGI, Inc.’s acquisition of the Senior Loan, annual interest
15 accrued in amounts ranging from approximately \$2.3 million to approximately \$3.9 million. By
16 December 31, 2015, principal and accrued interest payable on the Senior Loan totaled nearly
17 \$24.9 million – more than \$10 million than the amount owed in April 2012.

18 39. Following the notices of default on the Senior Loan, Respondent Corporation
19 ceased paying interest on the Seller Notes, which accrued at the rate of \$500,000 to \$600,000
20 annually. Respondent Corporation failed to pay the Seller Notes at the February 22, 2015
21 maturity.

22 **F. Auditors’ Going Concern Qualifications**

23 40. Respondents’ conduct alleged in this Statement of Reasons affected Club One’s
24 ostensible financial viability as an operating card room.

- 25 a. Club One reported losses ranging between \$3.7 million and \$11.1 million for the
26 years 2012 through 2015. A substantial portion of the reported losses was accrued,
27 but unpaid, interest on the Senior Loan and the Seller Notes. The losses reported
28

1 for 2012 and 2013 exceeded 89 percent of Club One’s revenues derived from
2 offering and providing card games.

3 b. Club One’s liabilities exceeded its current and tangible assets in amounts ranging
4 between \$23.8 million and \$34.4 million for the years 2012 through 2015. These
5 deficits were two to three times Club One’s annual revenues derived from offering
6 and providing card games.

7 41. Beginning with audited financial statements for the year ending December 31,
8 2011, Respondent Corporation’s auditors reported doubt about its ability to continue as a going
9 concern. The financial statements for the 2012, 2013, 2014, and 2015 reported conditions that
10 “raise substantial doubt about the [Respondent Corporation’s] ability to continue as a going
11 concern.”

12 **G. Bankruptcy Reorganization to Benefit Respondents**

13 42. On October 14, 2015, Respondent Corporation and COAC filed a bankruptcy
14 reorganization proceeding in the United States Bankruptcy Court.

15 43. The bankruptcy court confirmed a reorganization plan, which the Commission
16 approved on August 25, 2016. Under the reorganization plan, Respondent Corporation and
17 COAC merged, and Respondent Corporation emerged as the surviving corporation. On
18 September 9, 2016, Respondent Kirkland and Respondent Messina purchased all Respondent
19 Corporation’s outstanding shares.

20 44. Under the reorganization plan, Respondent Corporation eliminated obligations to
21 Sellers, and Respondent Kirkland and Respondent Messina eliminated the minority shareholders.

22 a. The Senior Loan held by KMGI, Inc. was reduced to \$7 million. The remaining
23 principal and accrued interest totaling more than \$17 million were discharged.

24 b. Sellers were paid a total of \$3 million to (i) settle approximately \$10.5 million in
25 obligations arising from the arbitration, consequent judgment, and New York
26 Litigation and the Seller Notes and (ii) extinguish Mr. Sarantos’s 17-percent
27 shareholder interest in COAC.
28

- 1 c. Accrued management fees of approximately \$2 million payable to an affiliate of
2 Respondent Kirkland and Respondent Messina were discharged.
- 3 d. Approximately \$1.1 million in attorney fees owed from the arbitration and New
4 York Litigation was discharged by the payment of \$350,000.
- 5 e. Mr. Kelegian’s three-percent shareholder interest in COAC was extinguished.
- 6 f. A condition of a global settlement required Sellers to cooperate with Respondents
7 COAC and KMGI in attempting to obtain a vacatur of the New York Order. The
8 New York Order was ultimately vacated.

9 **H. Misleading or Misrepresented Information to the Commission**

10 45. At a September 22, 2011 Commission meeting, Respondent Kirkland stated to the
11 Commission that KMGI, Inc. was a vehicle for him and Respondent Messina to pay off or pay
12 down the Senior Loan and address other debts including the arbitration award and the Seller
13 Notes. The statements were either misleading or misrepresented information. In truth, KMGI,
14 Inc. did not pay off or pay down the Senior Loan. Respondent Kirkland and Respondent Messina
15 rejected that as an alternative and elected to purchase the Senior Loan instead. In truth,
16 Respondent Corporation failed to pay principal and interest on its indebtedness on the Senior
17 Loan and the Seller Notes. In truth, Respondent Kirkland and Respondent Messina caused
18 COAC to file the New York Litigation to continue to avoid fulfilling obligations under the PSA.

19 46. At a March 8, 2012 Commission meeting, Respondent Kirkland stated to the
20 Commission that the Senior Loan holder “told us . . . [it] would like that we wouldn’t pay that any
21 longer.” This was misleading. In truth, COAC attorneys had drafted the notice, and Respondents
22 had been found to have “enlisted” the Senior Loan holder’s aid to avoid paying Sellers.
23 Respondent Messina stated to the Commission that after acquiring the Senior Loan, changes
24 potentially would be made. This was either misleading or misrepresented information. In truth,
25 after acquiring the Senior Loan, no changes were made other than releasing Respondent Kirkland
26 and Respondent Messina of their personal guarantees. Respondents’ agent stated to the
27 Commission, “The goal certainly is to pay, not only the arbitration award in a timely fashion, but
28 also the other notes involved with us.” This was either misleading or misrepresented information.

1 In truth, Respondent Kirkland and Respondent Messina caused COAC to pursue the New York
2 Litigation to continue to avoid fulfilling obligations under the PSA.

3 47. At a September 27, 2012 Commission meeting, Respondents' agent represented to
4 the Commission that Club One was "one of the most fiscally responsible" card rooms in
5 California. This was misleading or misrepresented information. In truth, Respondent
6 Corporation had defaulted on the Senior Loan, failed to pay principal and interest on its
7 indebtedness on the Senior Loan and the Seller Notes, and raised substantial doubt about its
8 ability to continue as a going concern. Respondent Kirkland stated to the Commission that he
9 was estimating "a couple million dollars" in liability in employment litigation. This was either
10 misleading or misrepresented information. In truth, the audited financial statement for the year
11 ending December 31, 2012, informed with respect to employment litigation: (a) "management"
12 estimated the maximum liability on insured claims to be \$100,000; (b) legal counsel estimated
13 uninsured claims "could range from \$0 to \$700,000"; and (c) management believed the
14 outstanding claims "will be defeated."

15 **FIRST CAUSE FOR DENIAL**

16 **(Unqualified for Lack of Good Character, Honesty, and Integrity)**

17 48. The cumulative facts and conduct alleged in paragraphs 16 to 43 above
18 demonstrate that Respondents are not qualified for licensure. Accordingly, the Commission
19 should deny their renewal applications. Respondents cannot establish they are persons of good
20 character, honesty, and integrity. (Bus. & Prof. Code, §§ 19856, 19857, subd. (a), 19859, subd.
21 (a), 19866; see also Cal. Code Regs., tit. 4, §§ 12346, subd. (a)(1), 12568, subd. (c)(3) & (4).)

22 **SECOND CAUSE FOR DENIAL**

23 **(Unqualified for Posing a Threat to the Public Interest and Effective Regulation)**

24 49. The cumulative facts and conduct alleged in paragraphs 16 to 43 above
25 demonstrate that Respondents are not qualified for licensure. Accordingly, the Commission
26 should deny their renewal applications. Respondents' prior activities show that they pose a threat
27 to the public interest or to the effective regulation and control of controlled gambling. (Bus. &
28

1 Prof. Code, §§ 19856, 19857, subd. (b), 19859, subd. (a), 19866; see also Cal. Code Regs., tit. 4,
2 §§ 12346, subd. (a)(1), 12568, subd. (c)(3) & (4).)

3 **THIRD CAUSE FOR DENIAL**

4 **(Unqualified for Dangers of Unsuitable or Unfair Practices)**

5 50. The cumulative facts and conduct alleged in paragraphs 16 to 43 above
6 demonstrate that Respondents are not qualified for licensure. Accordingly, the Commission
7 should deny their renewal applications. Respondents' prior activities show that they create or
8 enhance the dangers of unsuitable or unfair practices, methods, and activities in carrying on the
9 business of, and the financial arrangements incidental to, controlled gambling. (Bus. & Prof.
10 Code, §§ 19856, 19857, subd. (b), 19859, subd. (a), 19866; see also Cal. Code Regs., tit. 4, §§
11 12346, subd. (a)(1), 12568, subd. (c)(3) & (4).)

12 **PRAYER**

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

- 15 1. Denying the application of Respondent Club One Casino, Inc. to renew its state
16 gambling license number GEGE-001121;
- 17 2. Denying the application of Respondent Kyle Kirkland to renew his state gambling
18 license number GEOW-003177;
- 19 3. Denying the application of Respondent Dana Messina to renew his state gambling
20 license number GEOW-003176; and
- 21 4. Taking such other and further action as the Commission may deem appropriate.

22
23 Dated: December 19, 2025



24 YOLANDA MORROW, Bureau Director
25 Bureau of Gambling Control
26 California Department of Justice
27 Complainant
28

1 **APPENDIX A**

2 1. Business and Professions Code, section 19801 provides, in part:

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4 (g) Public trust that permissible gambling will not endanger public
5 health, safety, or welfare requires that comprehensive measures be enacted
6 to ensure that gambling is free from criminal and corruptive elements, that
7 it is conducted honestly and competitively, and that it is conducted in
8 suitable locations.

9 (h) Public trust and confidence can only be maintained by strict
10 and comprehensive regulation of all persons, locations, practices,
11 associations, and activities related to the operation of lawful gambling
12 establishments and the manufacture and distribution of permissible
13 gambling equipment.

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

20 * * *

21 (k) In order to effectuate state policy as declared herein, it is
22 necessary that gambling establishments, activities, and equipment be
23 licensed, that persons participating in those activities be licensed or
24 registered, that certain transactions, events, and processes involving
25 gambling establishments and owners of gambling establishments be subject
26 to prior approval or permission, that unsuitable persons not be permitted to
27 associate with gambling activities or gambling establishments, and that
28 gambling activities take place only in suitable locations. Any license or
permit issued, or other approval granted pursuant to this chapter, is
declared to be a revocable privilege, and no holder acquires any vested
right therein or thereunder.

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

24 * * *

25 (j) “Finding of suitability” means a finding that a person meets
26 the qualification criteria described in subdivisions (a) and (b) of Section
27 19857, and that the person would not be disqualified from holding a state
28 gambling license on any of the grounds specified in Section 19859.

* * *

1 (m) "Gambling enterprise" means a natural person or an entity,
2 whether individual, corporate, or otherwise, that conducts a gambling
3 operation and that by virtue thereof is required to hold a state gambling
license under this chapter.

4 * * *

5 (p) "Gambling license" or "state gambling license" means any
6 license issued by the state that authorizes the person named therein to
conduct a gambling operation.

7 * * *

8 (ad) "Owner licensee" means an owner of a gambling enterprise
9 who holds a state gambling license.

10 * * *

11 (aj) "Renewal license" means the license issued to the holder of an
12 initial license that authorizes the license to continue beyond the expiration
date of the initial license.

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

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

17 4. Business and Professions Code section 19823 provides:

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

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

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

28 (b) For the purposes of this section, "unqualified person" means
a person who is found to be unqualified pursuant to the criteria set

1 forth in Section 19857, and “disqualified person” means a person who
2 is found to be disqualified pursuant to the criteria set forth in Section
3 19859.

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

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

9 * * *

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

19 * * *

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

23 6. Business and Professions Code, section 19825, provides:

24 The commission may require that any matter of an adjudicative
25 nature regarding a license, permit, or finding of suitability, that the
26 commission is authorized or required to consider in an evidentiary
27 hearing, including a hearing held pursuant to Section 19870, be heard
28 and determined in accordance with Chapter 5 (commencing with
 Section 11500) of Part 1 of Division 3 or Title 2 of the Government
 Code.

 7. Business and Professions Code section 19850 provides:

 Every person who, either as owner, lessee, or employee, whether
 for hire or not, either solely or in conjunction with others, deals,
 operates, carries on, conducts, maintains, or exposes for play any
 controlled game in this state, or who receives, directly or indirectly,
 any compensation or reward, or any percentage or share of the money
 or property played, for keeping, running, or carrying on any controlled

1 game in this state, shall apply for and obtain from the commission, and
2 shall thereafter maintain, a valid state gambling license, key employee
3 license, or work permit, as specified in this chapter. In any criminal
4 prosecution for violation of this section, the punishment shall be as
5 provided in Section 337j of the Penal Code.

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12 8. Business and Professions Code section 19851 provides, in part:

13 (a) The owner of a gambling enterprise shall apply for and obtain
14 a state gambling license. The owner of a gambling enterprise shall be
15 known as the owner-licensee.

16 (b) Other persons who also obtain a state gambling license, as
17 required by this chapter, shall not receive a separate license certificate,
18 but the license of every such person shall be endorsed on the license
19 certificate that is issued to the owner of the gambling enterprise.

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

Except as provided in Section 19852.2, an owner of a gambling
enterprise that is not a natural person shall not be eligible for a state
gambling license unless each of the following persons individually
applies for and obtains a state gambling license:

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

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

(a) Any person who the commission determines is qualified to
receive a state license, having due consideration for the proper
protection of the health, safety, and general welfare of the residents of
the State of California and the declared policy of this state, may be
issued a license. The burden of proving his or her qualifications to
receive 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.

(c) In reviewing the application for any license, the commission
shall consider whether issuance of the license is inimical to public
health, safety, or welfare, and whether issuance of the license will

1 undermine public trust that the gambling operations with respect to
2 which the license would be issued are free from criminal and dishonest
3 elements and would be conducted honestly.

4 11. Business and Professions Code, section 19857 provides, in part:

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

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

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

16 12. 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 assurances required by this chapter or requested
23 by the chief, or failure of the applicant to reveal any fact material to
24 qualification, or the supplying of information that is untrue or
25 misleading as to a material fact pertaining to the qualification criteria.

26 13. Business and Professions Code, section 19866 provides:

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

32 14. Business and Professions Code section 19876, subdivision (a) provides:

33 Subject to the power of the commission to deny, revoke, suspend,
34 condition, or limit a license, as provided in this chapter, a license shall
35 be valid for a period of two years from the date of issuance.

1 15. Business and Professions Code section 19920 provides:

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

11 16. Business and Professions Code section 19922 provides:

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

15 18. Business and Professions Code section 19971 provides:

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

20 20. California Code of Regulations, title 4, section 12035, subdivision (a)(1) provides:

21 (a) The Commission will issue an interim renewal license to an applicant
22 for renewal of a license, work permit, finding of suitability, or other
23 approval no later than when their existing license, work permit, finding of
24 suitability, or other approval expires and:

25 (1) The Commission has elected to hold an evidentiary hearing
26 pursuant to paragraph (4) of subdivision (a) of Section 12054.

27 21. California Code of Regulations, title 4, section 12054, subdivision (a)(2) provides, in part:

28 (a) At a Commission meeting, the Commission may take, but is not
limited to taking, one of the following actions:

* * *

(2) Issue a license, work permit, finding of suitability, or other
approval with conditions, restrictions, or limitations, and for a renewal
application, issue an interim renewal license pursuant to Section
12035.

1 22. California Code of Regulations, title 4, section 12054, subdivision (a)(4) provides, in
2 part:

3 (a) At a Commission meeting, the Commission may take, but is not
4 limited to taking, one of the following actions:

5 ***

6 (4) Elect to hold or retract an evidentiary hearing in accordance with
7 Section 12056 and, for a renewal application, issue an interim renewal
8 license pursuant to Section 12035. The Commission will identify those
9 issues for which it requires additional information o consideration related to
10 the applicant’s suitability.

11 23. California Code of Regulations, title 4, section 12056, subdivision (a) provides, in pertinent
12 part:

13 If the Commission elects to hold an evidentiary hearing,...the
14 hearing will be conducted as a GCA hearing under Section 12060,
15 unless the Executive Director or the Commission determines the
16 hearing should be conducted as an APA hearing under Section 12058 .

17 ...

18 24. California Code of Regulations, title 4, section 12056, subdivision (d) provides,
19 in part:

20 Where an application has been referred to a GCA hearing or an APA
21 hearing, the Commission retains the authority to retract the referral,
22 pursuant to paragraph (4) of subsection (a) of Section 12054, and
23 refer the application to a GCA hearing or APA hearing pursuant to
24 subsection (a) of Section 12056, or hear the matter at a Section
25 12054 meeting.

26 25. California Code of Regulations, title 4, section 12058 provides:

27 (a) When the Commission elects to hold an APA hearing the
28 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.

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

3 (d) At the conclusion of the evidentiary hearing, when the
4 Commission is hearing the matter, the members of the Commission will take
5 the matter under submission, may discuss the matter in a closed session
6 meeting, may leave the administrative record open in order to receive
7 additional evidence as specified by the Commission, and may schedule
8 future closed session meetings for deliberation.

9 (e) The evidentiary hearing shall proceed as indicated in the notice,
10 unless and until the Executive Director or Commission approves the
11 retraction of referral to an APA hearing.

12 26. California Code of Regulations, title 4, section 12060 provides:

13 (a) If the Executive Director determines it is appropriate, he or she may set an
14 application for consideration at a GCA hearing in advance of a meeting pursuant to
15 Section 12054. The Executive Director will give notice to the applicant, pursuant
16 to paragraph (2) subsection (c) of Section 12052, to the Office of the Attorney
17 General, and to the Bureau no later than 90 calendar days in advance of the GCA
18 hearing. The Executive Director's determination will be based on information
19 contained in the Bureau's report or other appropriate sources including,
20 without limitation, a request from the Bureau or applicant as well as the
21 Commission's operational considerations.

22 (b) When a GCA hearing is elected pursuant to Section 12056, subsection (a), the
23 Executive Director will give notice to the applicant, pursuant to paragraph (2)
24 subsection (c) of Section 12052, to the Office of the Attorney General, and to the
25 Bureau no later than 60 calendar days in advance of the GCA hearing.

26 (c) An applicant may request that his, her, or its GCA hearing be held at a
27 Southern California location instead of the Commission's principal office in
28 Sacramento, by completing the appropriate section on the Notice of Defense,
CGCC-CH1-03 (Rev. 08/21). The request must be made on the initial Notice of
Defense form submitted to the Commission and Bureau within the timeframes
specified on the form.

(1) The Executive Director will approve a Southern California GCA
hearing, if the request is timely made on the initial Notice of Defense form
and meets all of the following criteria:

(A) The GCA hearing is estimated by Commission staff to last no
longer than four hours.

(B) The primary residence of the applicant is located in one of the
following counties: Imperial, Kern, Los Angeles, Orange,

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Riverside, San Diego, San Luis Obispo, San Bernardino, Santa Barbara, or Ventura.

(C) A GCA hearing will be noticed for a Southern California location only when it is in the best public interest, promotes judicial economy, and comports with the Commission's availability.

(2) If at any time before the hearing, the Executive Director determines that the criteria in subparagraphs (A) through (C) of paragraph (1) are no longer met, Commission staff may cancel the Southern California GCA hearing and issue a new notice for a hearing at the Commission's principal office in Sacramento.

(d) The presiding officer and her or his support staff will have no communication with the Commission or Commission staff upon the merits of an application prior to the evidentiary hearing. The Executive Director will designate a presiding officer which will be:

- (1) A member of the Commission's legal staff; or,
- (2) An Administrative Law Judge.

(e) The applicant or the complainant, or the applicant and the complainant, may request a continuance in writing to the Executive Director stating the reason for the continuance and any proposed future hearing dates. The Executive Director or Commission may approve the request. For a Southern California GCA hearing, if a continuance is granted, the hearing may be scheduled in Sacramento or Southern California based on the criteria specified in subparagraphs (A) through (C) of paragraph (1) of subsection (c).

(f) The complainant will provide to the applicant, subject to subsection (b) of Section 12056, at least 45 calendar days prior to the GCA hearing, and the applicant must provide to the complainant, at least 30 calendar days prior to the GCA hearing, the following items:

- (1) A list of potential witnesses with the general subject of the testimony of each witness;
- (2) Copies of all documentary evidence intended to be introduced at the hearing and not previously provided;
- (3) Reports or statements of parties and witnesses, if available; and
- (4) All other written comments, writings, or other items containing relevant evidence.

(g) The provisions of subsection (f) of this section provide the exclusive right to and method of discovery between the applicant and complainant to a GCA hearing.

1 Discovery is not permitted upon a Commission member or an advisor of the
2 Commission unless a showing is made that they have direct personal factual
3 information pertaining to material issues related to the application at issue and the
4 information to be gained from the Commission member or advisor of the
5 Commission is not available through any other sources.

6 (h) A presiding officer will rule on the admissibility of evidence and on any
7 objections raised except for objections raised under subsection (h). A ruling by the
8 presiding officer is final.

9 (1) In advance of the GCA hearing, upon a motion of a party or by order of
10 the presiding officer, the presiding officer may conduct a pre-hearing
11 conference, either in person, via teleconference, or by email exchange,
12 subject to the presiding officer's availability and will issue a pre-hearing
13 order if appropriate or requested by either party. The pre-hearing
14 conference and order may address the following:

15 (A) Evidentiary issues;

16 (B) Witness and exhibit lists;

17 (C) Alterations in the Bureau recommendation;

18 (D) Stipulations for undisputed facts and/or the admission of
19 evidence including
20 without limitation the Bureau's report;

21 (E) Authorizing offsite livestreaming appearances for parties or
22 witnesses if good
23 cause has been presented and only if the process for offsite
24 livestreaming has been
25 approved by the Executive Director; and,

26 (F) Other issues that may be deemed appropriate to promote the
27 orderly and prompt conduct of the hearing.

28 (2) The GCA hearing need not be conducted according to technical rules of
evidence. Any relevant evidence may be considered and is sufficient in
itself to support findings if it is the sort of evidence on which reasonable
persons are accustomed to rely in the conduct of serious affairs, regardless
of the existence of any common law or statutory rule that might make
improper the admission of that evidence over objection in a civil action.

(i) The Commission may, at any time upon a showing of prejudice by the objecting
party:

(1) Prohibit the testimony of any witness or the introduction of any
documentary

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evidence that has not been disclosed pursuant to subsection (f); or

(2) Continue any meeting or hearing as necessary to mitigate any prejudice.

(j) The complainant will present all facts and information in the Bureau report, if any, and the results of the Bureau's background investigation, and the basis for any recommendation, if the Bureau filed one with the Commission according to Business and Professions Code section 19868, to enable the Commission to make an informed decision on whether the applicant has met his, her, or its burden of proof. The complainant may but is not required to recommend or seek any particular outcome during the evidentiary hearing, unless it so chooses.

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

(l) The applicant may choose to represent himself, herself, or itself, or may retain an attorney or lay representative. Lay representatives may assist the applicant but are not authorized to serve as an attorney as otherwise defined and regulated by state law.

(m) Except as otherwise provided in subsection (i), the complainant and applicant will have the right to call and examine witnesses under oath; to introduce relevant exhibits and documentary evidence; to cross-examine opposing witnesses on any relevant matter, even if the matter was not covered in direct examination; to impeach any witness, regardless of which party first called the witness to testify; and to offer rebuttal evidence. If the applicant does not testify on his, her or its behalf, the applicant may be called and examined, under oath, as if under cross-examination.

(n) Oral evidence will be taken upon oath or affirmation, which may be administered by the Executive Director, a member of the Commission, or the presiding officer if an Administrative Law Judge.

(o) At the conclusion of the evidentiary hearing, the members of the Commission will take the matter under submission, may discuss the matter in a closed session meeting, and may schedule future closed session meetings for deliberation.