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8



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

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

16 **LEON BERNARDI**

17 [REDACTED]

18 **Key Employee License No. GEKE-001408**
19

20 **Respondent.**
21

BGC No. BGC-HQ2013-00003AC

CGCC No. 2013-0426-1

OAH No. 2016030545

FIRST AMENDED STATEMENT OF
ISSUES

22
23 **PARTIES**

24 1. Wayne J. Quint, Jr., submits this First Amended Statement of Issues solely in his
25 official capacity as the Director¹ of the California Department of Justice, Bureau of Gambling
26 Control (Bureau).
27

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

1 2. On or about November 25, 2008, the California Gambling Control Commission
2 (Commission) licensed Leon Bernardi (Respondent) as a key employee at the Club One Casino.
3 Respondent was continuously licensed as a key employee at that gambling establishment until
4 December 3, 2011.

5 3. On or about May 23, 2012, Respondent became employed with Clovis 500 Club.

6 4. On or about August 20, 2012, Respondent filed an Application for Gambling
7 Establishment Key Employee License, CGCC-031 (Rev. 05/1), with the Commission for renewal
8 of his key employee license for Clovis 500 Club as Shift Supervisor.

9 5. At its November 15, 2012, meeting, the Commission extended Respondent's license
10 renewal until January 31, 2013.

11 6. At its January 24, 2013, meeting, the Commission extended Respondent's license
12 renewal until April 30, 2013.

13 7. At its April 26, 2013, meeting, the Commission referred the renewal of Respondent's
14 key employee license to an evidentiary hearing.

15 8. On or about June 14, 2013, pursuant to California Code of Regulations, title 4, section
16 12050, subdivision (b), the Commission's Executive Director set the matter for a hearing to be
17 conducted pursuant to the provisions of Business and Professions Code sections 19870 and
18 19871, and California Code of Regulations, title 4, section 12050, subdivision (b)².

19 9. On April 27, 2015 and April 28, 2015, the Commission commenced an evidentiary
20 hearing pursuant to California Code of Regulations, title 4, section 12060, before Commissioners
21 Schuetz, Conklin, and Hammond. That evidentiary hearing did not conclude. On October 8,
22 2015, the Commission, then consisting of Chairman Evans and Commissioners Conklin,
23 Hammond, To, and Dunstan, referred this matter to an Administrative Procedures Act hearing
24 before an Administrative Law Judge sitting on behalf of the Commission pursuant to California
25 Code of Regulations, title 4, section 12058, subdivision (a).

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

1 **FIRST CAUSE FOR DENIAL**

2 **(Unqualified—Unsuitable Practices)**

3 10. Respondent's key employee license application is subject to denial pursuant to
4 Business and Professions Code sections 19823, 19854, and 19857, in that the Respondent's
5 activities, habits and/or associations pose a threat to the public interest of this state, to the
6 effective regulation and control of controlled gambling, or creates or enhances the dangers of
7 unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled
8 gambling or in the carrying on of the business and financial arrangements incidental thereto. The
9 Respondent knew of, or should have know of, was willfully ignorant of, allowed to occur,
10 assisted, abetted, and/or tolerated the embezzlement, misappropriation, and/or misuse of
11 approximately \$1,500.00 in gaming chips of the Club One Casino on or about July 9, 2011, by a
12 dealer employed by Club One Casino. Thereafter, Applicant concealed that inappropriate and
13 dishonest conduct from the management of the Club One Casino.

14 **SECOND CAUSE FOR DENIAL**

15 **(Disqualified—Failure to Provide Information as Required)**

16 11. Respondent's key employee license application is subject to mandatory denial
17 pursuant to Business and Professions Code sections 19854 and 19859, subdivisions (a) and (b), in
18 that on or about February 20, 2013, Respondent failed to provide information, documentation, or
19 assurances as required, failed to reveal facts material to his qualifications, and/or supplied untrue
20 and misleading information when questioned by the Bureau regarding the conduct described in
21 paragraph 10, above and incorporated herein by reference.

22 **THIRD CAUSE FOR DENIAL**

23 **(Unqualified—Failure to Cooperate)**

24 12. Respondent's key employee license application is subject to denial pursuant to
25 Business and Professions Code sections 19854, 19857, subdivisions (a) and (b), and 19866, in
26 that on or about February 20, 2013, Respondent was uncooperative, argumentative, evasive, and
27 not forthcoming with information material to his application when questioned regarding the
28 conduct alleged in paragraph 10, above, and incorporated here by reference.

1 **FOURTH CAUSE FOR DENIAL**

2 **(Failure to Provide Information When Requested—Refusal to Cooperate)**

3 13. On or about November 11, 2011, Respondent entered into a joint venture agreement
4 under which Respondent and others would lend a total of approximately \$1,500,000 to Louis
5 Sarantos for the purpose of financing tenant improvements associated with the relocation of the
6 Clovis 500 Club Casino. In consideration of this aggregate loan, the participants in the joint
7 venture were to receive interest payments and options to purchase certain percentage interests in
8 the Clovis 500 Club Casino after the improvements had been completed and the relocated club
9 was operating. Respondent's key employee license application is subject to mandatory denial
10 pursuant to Business and Professions code section 19854 and section 19859, subdivision (b), in
11 that on or about May 7, 2015, Respondent refused to submit to an interview by Bureau Special
12 Agent Alfredo Cardwood concerning the existence of, and Respondent's participation in, the joint
13 venture described above.

14 **FIFTH CAUSE FOR DENIAL**

15 **(Unqualified—Failure to Disclose Financial Interest)**

16 14. Respondent's key employee license application is subject to denial pursuant to
17 Business and Professions code section 19854 and Business and Professions Code section 19857,
18 subdivisions (a) and (b), in that on or about November 10, 2011, and continuing at all times
19 thereafter, Respondent failed to disclose to the Bureau and to the Commission Respondent's
20 provision of a loan to licensee Louis Sarantos in the amount of approximately \$192,000.00, made
21 as part of the joint venture described in paragraph 13, above. Respondent also failed to disclose
22 to the Bureau and Commission the other loans made by, and purchase options received by, the
23 other participants in the joint venture described in paragraph 13, above, despite having knowledge
24 thereof. Respondent knew, or reasonably should have known, that the acquisition of such
25 financial and ownership interests in a gambling establishment by Respondent and others must be
26 reported to the Bureau and the Commission.

1 **SIXTH CAUSE FOR DENIAL**

2 **(Unqualified—Failure to Disclose Violations of Law)**

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

9 16. At all times relevant herein, a person performing the acts and duties described in
10 paragraph 13, above, was required to hold and maintain a “key employee license” as defined in
11 Business and Professions Code section 19805, subdivisions (x) and (y), and required by Business
12 and Professions Code section 19854, subdivision (a).

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

15 18. At all times relevant herein, the fact that Shawn Sarantos was performing, but was not
16 licensed to perform, managerial or supervisory acts at the Clovis 500 Club was known to, or
17 reasonably should have been known to, Respondent. At no time relevant herein, did Respondent
18 report the above described unlawful activities of Shawn Sarantos to the Bureau as required by
19 California Code of Regulations, title 11, section 2052, subdivision (c), and California Code of
20 Regulations, title 4, section 12395, subdivision (a) (3) (B).

21 19. At all times relevant herein, the fact that Louis Sarantos, Jr., was permitting Shawn
22 Sarantos to perform managerial or supervisory tasks or acts at the Clovis 500 Club while
23 unlicensed to do so, was known to, or reasonably should have been known to, Respondent. By
24 authorizing or permitting Shawn Sarantos to act in the manner alleged herein, Louis Sarantos, Jr.,
25 persistently operated a gambling enterprise in violation of the gambling laws of the State of
26 California. (Bus. & Prof. Code, §§ 19805, subds. (x) & (y), 19850, 19854, subd. (a), 19855,
27 19866, 19922, 19923; Cal. Code Regs., tit. 11, § 2052.)

1 **APPENDIX A**

2 **Jurisdiction**

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

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

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

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

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

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

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

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

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

* * *

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

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

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

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

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

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

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

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

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

Costs

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

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

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

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

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

9 * * *

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

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

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

15 **Specific Statutory and Regulatory Provisions**

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

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

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

27 8. Business and Professions Code section 19850 provides:

28 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 game in this state, shall
apply for and obtain from the commission, and shall thereafter maintain,
a valid state gambling license key employee license, or work permit, as
specified in this chapter. In any criminal prosecution for violation of this

1 section, the punishment shall be provided in Section 337j of the Penal
2 Code.

3 9. Business and Professions Code, section 19855 provides:

4 Except as otherwise provided by statute or regulation, every
5 person who, by statute or regulation, is required to hold a state
6 license shall obtain the license prior to engaging in the activity or
7 occupying the position with respect to which the license is
8 required. Every person who, by order of the commission, is
9 required to apply for a gambling license or a finding of suitability
10 shall file the application within 45 calendar days after receipt of
11 the order.

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

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

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

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

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

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

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

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

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

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

1 13. Business and Professions Code section 19866 provides:

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

5 14. Business and Professions Code, section 19870 provides:

6 (a) The commission, after considering the recommendation of
7 the chief and any other testimony and written comments as may be
8 presented at the meeting, or as may have been submitted in writing to
9 the commission prior to the meeting, may either deny the application or
grant a license to an applicant who it determines to be qualified to hold
the license.

10 (b) When the commission grants an application for a license or
11 approval, the commission may limit or place restrictions thereon as it
12 may deem necessary in the public interest, consistent with the policies
described in this chapter.

13 (c) When an application is denied, the commission shall prepare
and file a detailed statement of its reasons for the denial.

14 (d) All proceedings at a meeting of the commission relating to a
15 license application shall be recorded stenographically or by audio or
16 video recording.

17 (e) A decision of the commission denying a license or approval,
18 or imposing any condition or restriction on the grant of a license or
19 approval may be reviewed by petition pursuant to Section 1085 of the
20 Code of Civil Procedure. Section 1094.5 of the Code of Civil Procedure
21 shall not apply to any judicial proceeding described in the foregoing
sentence, and the court may grant the petition only if the court finds that
the action of the commission was arbitrary and capricious, or that the
action exceeded the commission's jurisdiction.

22 15. Business and Professions Code, section 19871 provides:

23 (a) The commission meeting described in Section 19870
24 shall be conducted in accordance with regulations of the
commission and as follows:

25 (1) Oral evidence shall be taken only upon oath or
26 affirmation.

27 (2) Each party shall have all of the following rights:

28 (A) To call and examine witnesses.

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(B) To introduce exhibits relevant to the issues of the case.

(C) To cross-examine opposing witnesses on any matters relevant to the issues, even though the matter was not covered on direct examination.

(D) To impeach any witness, regardless of which party first called the witness to testify.

(E) To offer rebuttal evidence.

(3) If the applicant does not testify in his or her own behalf, he or she may be called and examined as if under cross-examination.

(4) The meeting need not be conducted according to technical rules relating to evidence and witnesses. Any relevant evidence may be considered, and is sufficient in itself to support a finding, if it is the sort of evidence on which responsible 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.

(b) Nothing in this section confers upon an applicant a right to discovery of the department's investigative reports or to require disclosure of any document or information the disclosure of which is otherwise prohibited by any other provision of this chapter.

16. 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.

17. Business and Professions Code, section 19923 provides:

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

18. Business and Professions Code section 19971 provides:

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

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

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

8 20 California Code of Regulations, title 4, section 12050, provides in part:

9 (b) The Commissioners, or Administrative Law Judge, sitting on
10 behalf of the Commission at an APA hearing, will determine what, if any,
11 significance the Bureau's or Commission staff's recommendation shall
12 have regarding the merits of the application. The Commissioners and
13 Administrative Law Judge are not bound by the recommendation's
14 rationale or conclusions in any way.

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

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

18 * * *

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

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

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(counterfeit currency), 653.22 (loiter for prostitution),
653.23 (pimping), or 647(b) (prostitution).

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

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Attorneys for the Bureau of Gambling Control



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

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

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

16 **LICENSE NUMBER GEOW-002381**

17 **Respondent.**

Case No. HQ2015-00003AC

OAH No. 2015090347

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

20 **LEON BERNARDI**

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

22 **Respondent.**

Case No. BGC-HQ2013-00003AC

OAH No. 2016030545

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

25 **JOSEPH FREDERICK CAPPS**

26 **License No. TPPL-006948**

27 **Respondent.**

Case No. BGC-HQ2015-00024SL

OAH No. 2016100308

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

3 **EDWARD GLEN MASON**

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

5 **Respondent.**

Case No. BGC-HQ2015-00022SL

OAH No. 2016100288

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

8 **JON STRECKER**

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

10
11 **Respondent.**

Case No. BGC-HQ2015-00023SL

OAH No. 2016100285

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13 * * * * *

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

17 **LOUIS SARANTOS, JR.**

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

19 **CLOVIS 500 CLUB**

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

21 **Clovis, California 95312**

22 **LICENSE NUMBER GEOW-002381**

23 **Respondent.**

BGC Case No. HQ2015-00003AC

OAH No. 2015090347

SECOND AMENDED ACCUSATION
AND STATEMENT OF ISSUES

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

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

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1 Complainant alleges as follows:

2 **PARTIES**

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

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

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

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

18 **FIRST CAUSE OF ACTION FOR DISCIPLINE**

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

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

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

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

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

10 **SECOND CAUSE OF ACTION FOR DISCIPLINE**

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

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

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

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

9 **THIRD CAUSE OF ACTION FOR DISCIPLINE**

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

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

24 **FOURTH CAUSE OF ACTION FOR DISCIPLINE**

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

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

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

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

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

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

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

19 JURISDICTION

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

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

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

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

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

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

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

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

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

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

* * *

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

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

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

* * *

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

* * *

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

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

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

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

8 * * *

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

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

16 * * *

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

20 **SPECIFIC STATUTORY AND REGULATORY PROVISIONS**

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

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

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

* * *

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

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

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

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

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

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

13 20. Business and Professions Code section 19850 provides:

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

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

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

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

27 * * *

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

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

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

10 * * *

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 28. Business and Professions Code section 19866 provides:

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

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

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

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

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

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

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

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

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

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

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

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

17 34. Business and Professions Code section 19971 provides:

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

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

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

28 **COST RECOVERY**

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

(b) If, after any investigation, the department is satisfied that a
license, permit, finding of suitability, or approval should be suspended or
revoked, it shall file an accusation with the commission in accordance

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

3 * * *

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

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

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

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

23 * * *

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

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

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

PRAYER

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

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

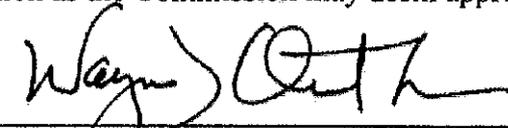
1 2. Denying Respondent's application for renewal of Owner's Gambling License, license
2 number GEOW-002381.

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

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

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

9
10 Dated: June 29TH, 2017



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

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