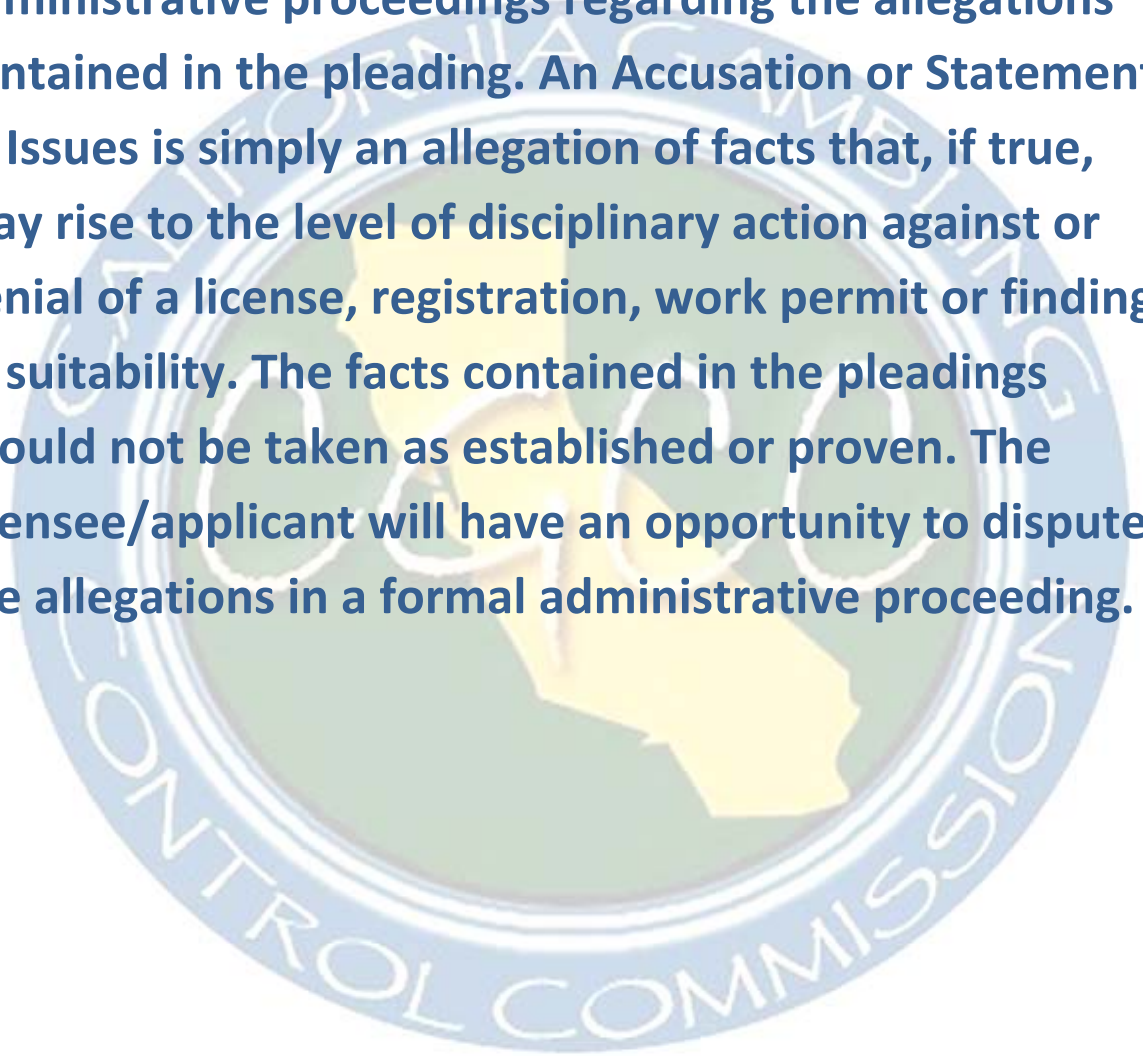


The Commission is providing a copy of this disciplinary pleading (Accusation, or Statement of Reasons, Statement of Particulars, or Statement of Issues) so the public is as informed as possible of pending administrative proceedings regarding the allegations contained in the pleading. An Accusation or Statement of Issues 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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10 **BEFORE THE**
 11 **CALIFORNIA GAMBLING CONTROL COMMISSION**
 12 **STATE OF CALIFORNIA**

15 **In the Matter of the Accusation Against:**
 16 **LOUIS SARANTOS, JR.**
 17 **Sole Proprietor, d.b.a.**
 18 **CLOVIS 500 CLUB**
 19 **771 W. Shaw Avenue, Suites 101-108**
 20 **Clovis, California 95312**
 21 **LICENSE NUMBERS GEOW-002381,**
 22 **GEGE-001013**
 23 **Respondent.**

BGC Case No. HQ2017-00001AC
OAH No. _____
ACCUSATION
Hearing Date: TBA
Place: Office of Administrative Hearings
2349 Gateway Oaks Drive, Suite 200
Sacramento, CA 95833

23 Complainant alleges as follows:

24 **PARTIES**

25 1. Wayne J. Quint, Jr. (Complainant) brings this Accusation solely in his official
 26 capacity as Director of the California Department of Justice, Bureau of Gambling Control
 27 (Bureau).
 28

1 therefore, substantially exceeded both the balance of the Clovis 500 Club's chip liability bank
2 account, and the combined balances of the chip liability account and general account. On August
3 14, 2017, the Bureau conducted another onsite evaluation of the Clovis 500 Club's financing and
4 again determined that the Clovis 500 Club lacked sufficient funds in its designated chip liability
5 account to cover its actual chip liability. On August 16, 2017, the Bureau again conducted an
6 onsite evaluation of the Clovis 500 Club's financing and determined that Clovis 500 Club lacked
7 sufficient funds in its designated chip liability account to cover its actual chip liability. The
8 Clovis 500 Club's chips-in-use liability constitutes funds held by the Clovis 500 Club in trust, or
9 constructive trust, for the benefit of the purchasers of those chips, including Clovis 500 Club
10 patrons and Rhino Gaming, Inc., and is required by law to be held exclusively for the purpose of
11 redeeming those chips on demand. On all three of these occasions, the Clovis 500 Club was
12 unable to present acceptable documentation of any alternate security for its chips-in-use liability
13 that had been approved by the Bureau. (Bus. & Prof. Code, §§ 19801, subds. (h), (i) & (k),
14 19823, subds. (a)(1) & (2), 19857, subd. (b), 19971, 19920, 19922; Cal. Code Regs., tit. 11, §
15 2053, subds. (a) & (b), Cal. Code Regs., tit. 4, § 12381, subd. (f), § 12386, subds. (a) (1) & (b).)

16 **SECOND CAUSE OF ACTION FOR REVOCATION**

17 **(Failure to Provide Information, Documentation and Assurances)**

18 6. Respondent's Owner's Gambling License is subject to revocation in that, on multiple
19 occasions between June 29, 2017, and August 16, 2017, Respondent failed to produce and
20 provide bank and other records when requested to do so by the Bureau acting on behalf of, and
21 pursuant to the authority of, the Complainant. (Bus. & Prof. Code, §§ 19801, subds. (h), (i) &
22 (k), 19823, subd. (a)(1), 19857, subd. (b), 19859, subd. (b), 19866, 19944, 19971, 19920, 19922,
23 Cal. Code Regs., tit. 11, §§ 2052, subd. (c), 2053, subds. (a) & (b).)

24 **JURISDICTION**

25 7. Business and Professions Code section 19811 provides, in part:

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

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8. Business and Professions Code section 19823 provides:

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

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

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

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

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

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

* * *

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

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

The department^[2] . . . shall have all of the following responsibilities:

* * *

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

* * *

² “Department” refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd. (h).)

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

6 11. California Code of Regulations, title 4, section 12554, subdivisions (a) and (d)
7 provide, in part:

8 (a) Upon the filing with the Commission of an accusation by the
9 Bureau recommending revocation, suspension, or other discipline of a holder
10 of a license, registration, permit, finding of suitability, or approval, the
11 Commission shall proceed under Chapter 5 (commencing with section
12 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

13 * * *

14 (d) Upon a finding of a violation of the Act,³ any regulations adopted
15 pursuant thereto, any law related to gambling or gambling establishments,
16 violation of a previously imposed disciplinary or license condition, or laws
17 whose violation is materially related to suitability for license, registration,
18 permit, or approval, the Commission may do any one or more of the
19 following:

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

21 * * *

22 (5) Impose any fine or monetary penalty consistent with
23 Business and Professions Code sections 19930, subdivision (c),
24 and 19943, subdivision (b).

25 **SPECIFIC STATUTORY AND REGULATORY PROVISIONS**

26 12. Business and Professions Code section 19801 provides, in part:

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

(i) All gambling operations, all persons having a significant
involvement in gambling operations, all establishments where gambling is
conducted, and all manufacturers, sellers, and distributors of gambling

³ As used in California Code of Regulations, title 4, section 12554, "Act" refers to the
Gambling Control Act. (Cal. Code Regs., tit. 4, § 12002, subd. (q).)

1 equipment must be licensed and regulated to protect the public health, safety,
2 and general welfare of the residents of this state as an exercise of the police
3 powers of the state.

4 * * *

5 (k) Any license or permit issued, or other approval granted pursuant
6 to this chapter, is declared to be a revocable privilege, and no holder
7 acquires any vested right therein or thereunder.

8 13. Business and Professions Code section 19857 provides, in part:

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

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

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

20 14. Business and Professions Code section 19859 provides, in part:

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

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

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

15. Business and Professions Code section 19866 provides:

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

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16. Business and Professions Code section 19920 provides:

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

17. Business and Professions Code section 19931 provides, in part:

(a) The department may issue any emergency orders against an owner licensee or any person involved in a transaction requiring prior approval that the department deems reasonable necessary for the immediate preservation of the public peace, health, safety, or general welfare.

* * *

(c) The emergency order is effective immediately upon issuance and service upon the owner licensee or any agent of the licensee registered with the department for receipt of service, or, in cases involving prior approval, upon issuance and service upon the person or entity involved, or upon an agent of that person or entity authorized to accept service of process in this state. The emergency order may suspend, limit, condition, or take other action in relation to the license of one or more persons in an operation without affecting other individual licensees, registrants, or the licensed gambling establishment. The emergency order remains effective until further order of the commission or final disposition of any proceeding conducted pursuant to subdivision (d).

(d) Within two calendar days after issuance of an emergency order, the department shall file an accusation with the commission against the person or entity involved. Thereafter, the person or entity against whom the emergency order has been issued and served is entitled to a hearing which, if so requested, shall commence within 10 business days of the date of the request if a gambling operation is closed by the order, and in all other cases, within 30 calendar days of the date of the request. On application of the department, and for good cause shown, a court may extend the time within which a hearing is required to be commenced, upon those terms and conditions that the court deems equitable.

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18. 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.

19. Business and Professions Code, section 19944 provides:

Any person who willfully resists, prevents, impedes, or interferes with the department or the commission or any of their agents or employees in the performance of duties pursuant to this chapter is guilty of a misdemeanor, punishable by imprisonment in a county jail for not more than six months, by a fine not exceeding one thousand dollars (\$1,000), or by both that imprisonment and fine.

20. Business and Professions Code section 19971 provides:

This 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.

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

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

22. California Code of Regulations, title 11, section 2053 provides, in part:

(a) The Bureau may require a gambling establishment to present satisfactory evidence that there is adequate financing available to protect the public's health, safety and welfare.

(b) A gambling establishment shall maintain a separate, specifically designated, insured account with a licensed financial institution in an amount not less than the total value of the chips in use by the gambling establishment. The funds from that account may only be used to redeem the chips of that gambling establishment. That account may not be used as collateral, or encumbered or hypothecated in any fashion. Alternatively, the Bureau may allow the gambling establishment to provide some other form of security acceptable to the Bureau, in lieu of maintaining the required account.

1 23. California Code of Regulations, title 4, section 12381 provides, in part:

2 (f) In addition to the requirements of subsection (a) through and
3 including (e), licensees in Tiers II through and including V shall assign
4 the overall responsibility for establishing, periodically reviewing,
5 monitoring, and testing for compliance with their MICS policies and
6 procedures to a specific owner licensee or key employee and shall
7 document the assignment in the licensee's policies and procedures.
8 Tests for compliance with MICS policies and procedures shall be
9 performed at least annually, and may be performed by a licensee's staff,
10 other than the person or persons who normally perform the duties being
11 tested, or by agents or outside consultants (e.g., a certified public
12 accountant) for the licensee. The results of the tests, and a detailed
13 record of the efforts to correct any noncompliance found as a result of
14 the tests, shall be documented and the documentation retained by the
15 licensee.

16 24. California Code of Regulations, title 4, section 12386 provides, in part:

17 (a) The policies and procedures for all tiers shall meet or exceed
18 the following standards for cages:

19 (1) The licensee shall maintain within the gambling
20 establishment at least one separate and secure area at a fixed
21 location that is designated as a cage. A cage shall be located,
22 designed, constructed and operated to provide convenience for
23 patron transactions while maintaining appropriate security and
24 accountability for all monetary transactions occurring at the cage
25 and all cage contents.

26 * * *

27 (b) In addition to the requirements of subsection (a), the policies
28 and procedures for Tiers III through and including V shall require that
the cage and cashiers' banks reconciliations specified in paragraph (5) of
subsection (a) be posted and reconciled to the general ledger by someone
other than an assigned cage employee or cage supervisor.

29 **COST RECOVERY**

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

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

1 * * *

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

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

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

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

21 * * *

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

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

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

27 **PRAYER**

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

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

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

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

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

7
8 Dated: August 18, 2017



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