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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 Accusation Against:

BGC Case No. HQ2015-00003AC

OAH No.: _____

15 LOUIS SARANTOS, JR.
Sole Proprietor, d.b.a.
16 CLOVIS 500 CLUB
771 W. Shaw Avenue, Suites 101-108
17 Clovis, California 95312

ACCUSATION

18 LICENSE NUMBER GEOW-002381

19 Respondent.
20
21

22
23 Complainant alleges as follows:

24 **PARTIES**

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

1 2. On October 1, 2013, the California Gambling Control Commission (Commission)
2 issued an Owner's Gambling License, license number GEOW-002381, to Louis Sarantos, Jr.
3 (Respondent). Respondent owns and operates the Clovis 500 Club (license number GEGE-
4 001013) as a sole proprietor. Respondent's owner's gambling license and the Clovis 500 Club's
5 gambling establishment licenses will expire on September 30, 2015, unless renewed.

6 **FIRST CAUSE OF ACTION FOR DISCIPLINE**

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

8 3. Respondent's owner's gambling license is subject to discipline in that, on or about
9 November 15, 2011, Respondent entered into a written agreement with John M. Cardot (Cardot),
10 an unlicensed person, under which Respondent granted to Cardot an irrevocable right to purchase
11 approximately a fifty-percent (50%) interest in the Clovis 500 Club. Cardot provided a loan of
12 approximately \$1.5 million to Respondent for the purpose of constructing tenant improvements
13 associated with the relocation of the Clovis 500 Club to its present location. In connection with
14 this loan, Respondent executed a secured promissory note in favor of Cardot in the approximate
15 amount of \$1.2 million (Promissory Note). The Promissory Note was, and is, secured by, among
16 other things, all personal property used by Respondent to operate the Clovis 500 Club. From
17 November 15, 2011, until July 17, 2015, Respondent concealed and failed to disclose to the
18 Bureau and the Commission the existence of this agreement with Cardot, and the existence and
19 terms of the Promissory Note, all in violation of Respondent's duty as a licensee to do so.

20 (Bus. & Prof. Code, §§ 19801, subds. (h), (i) & (k); 19824, subd. (d); 19971; 19866; 19852,
21 subd. (i); 19853, subd. (a)(6); 19852, subd. (a); 19857, subds. (a) & (b); & 19901.)

22 **SECOND CAUSE OF ACTION FOR DISCIPLINE**

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

24 4. Respondent's owner's gambling license is subject to discipline in that, on or about
25 November 15, 2011, Respondent entered into a written agreement with Cardot which was
26 premised and based upon a joint venture agreement (Joint Venture Agreement) that was entered
27 into on or about November 10, 2011, between Cardot and six individual investors (Investors).
28 Each of the Investors contributed portions of the approximately \$1.5 million loan which was

1 provided by Cardot to Respondent as described in paragraph 3, above. As partial consideration
2 for the contributions of the Investors, Cardot granted each of them an option to purchase a
3 percentage interest in the Clovis 500 Club proportional to the contribution of each. The
4 Investors' options are contingent upon Cardot's exercise of the option extended to him under
5 Cardot's written agreement with Respondent. The Investors are Joseph F. Capps, Leon Bernardi,
6 Lodi Franesconi, Don G. Nicholson, Edward G. Mason, and Jon L. Strecker. The identity and
7 participation of the Investors was known to Respondent when Respondent entered into the written
8 agreement with Cardot as described in paragraph 3, above. Respondent's written agreement with
9 Cardot was also premised and based upon a business plan (Business Plan) under which the Clovis
10 500 Club would be incorporated and securities issued for the purpose of allocation between
11 Respondent, Cardot, and the Investors upon the exercise of their respective options to purchase
12 interests in the Clovis 500 Club pursuant to the Joint Venture Agreement. From November 15,
13 2011, until July 17, 2015, Respondent concealed from, and failed to disclose the existence of, the
14 Joint Venture Agreement, the participation of the Investors, the purchase options granted by
15 Cardot to the Investors, and the Business Plan to, the Bureau and the Commission, all in violation
16 of Respondent's duty as a licensee to do so.

17 (Bus. & Prof. Code, §§ 19801, subds. (h), (i) & (k); 19824, subd. (d); 19971; 19866; 19852,
18 subd. (i); 19853, subd. (a)(6); 19852, subd. (a); 19857 subds. (a) & (b); & 19901.)

19 JURISDICTION

20 5. Business and Professions Code, section 19823 provides:

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

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

26 (2) Assuring that there is no material involvement, directly or
27 indirectly, with a licensed gambling operation, or the ownership or
28 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.

6. 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.

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

The department^[1] . . . 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.

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

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

¹ "Department" refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd. (h).)

1 * * *

2 (d) Upon a finding of a violation of the Act,² any regulations adopted
3 pursuant thereto, any law related to gambling or gambling establishments,
4 violation of a previously imposed disciplinary or license condition, or laws
5 whose violation is materially related to suitability for license, registration,
6 permit, or approval, the Commission may do any one or more of the
7 following:

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

9 * * *

10 (5) Impose any fine or monetary penalty consistent with
11 Business and Professions Code sections 19930, subdivision (c), and
12 19943, subdivision (b).

13 SPECIFIC STATUTORY AND REGULATORY PROVISIONS

14 9. Business and Professions Code, section 19801 provides, in part:

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

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

25 * * *

26 (k) In order to effectuate state policy as declared herein, it is necessary
27 that gambling establishments, activities, and equipment be licensed, that
28 persons participating in those activities be licensed or registered, that
certain transactions, events, and processes involving gambling
establishments and owners of gambling establishments be subject to prior
approval or permission, that unsuitable persons not be permitted to
associate with gambling activities or gambling establishments

10. Business and Professions Code section 19971 provides:

² "Act" refers to the Gambling Control Act. (Cal. Code Regs., tit. 4, § 12002, subd. (m).)

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

4 11. Business and Professions Code section 19866 provides:

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

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

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

13 * * *

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

18 13. Business and Professions Code, section 19853 provides, in part:

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

23 * * *

24 (6) Every person who, in the judgment of the commission, has
25 the power to exercise a significant influence over the gambling
26 operation.

27 14. Business and Professions Code, section 19857 provides, in part:

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

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

(b) A person whose prior activities, criminal record, if any,
reputation, habits, and associations do not pose a threat to the public
interest of this state, or to the effective regulation and control of

1 controlled gambling, or create or enhance the dangers of unsuitable,
2 unfair, or illegal practices, methods, and activities in the conduct of
3 controlled gambling or in the carrying on of the business and
4 financial arrangements incidental thereto.

5 15. Business and Professions Code, section 19892 provides, in part:

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

10 16. Business and Professions Code, section 19901 provides:

11 It is unlawful for any person to sell, purchase, lease, hypothecate,
12 borrow or loan money, or create a voting trust agreement or any other
13 agreement of any sort to, or with, any licensee in connection with any
14 controlled gambling operation licensed under this chapter or with respect
15 to any portion of the gambling operation, except in accordance with the
16 regulations of the commission.

17 17. Business and Professions Code, section 19904 provides:

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

22 **COST RECOVERY**

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

24 (b) If, after any investigation, the department is satisfied that a license,
25 permit, finding of suitability, or approval should be suspended or revoked,
26 it shall file an accusation with the commission in accordance with Chapter
27 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of
28 the Government Code.

* * *

(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

1 decision and remands the case to the administrative law judge, the
2 administrative law judge may not increase the amount of any costs
3 assessed in the proposed decision.

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

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

11 * * *

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

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

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

17 **PRAYER**

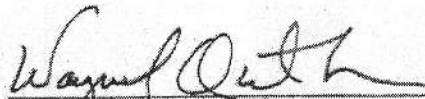
18 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,
19 and that following the hearing, the Commission issue a decision:

20 1. Revoking Respondent's owner's gambling license, license number GEOW-002318,
21 and canceling the Clovis 500 Club's gambling establishment license, license number GEGE-
22 001013.

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

26 3. Taking such other and further action as the Commission may deem appropriate.

27 Dated: August 12TH, 2015

28 
WAYNE J. QUINT, JR., Chief
Bureau of Gambling Control
California Department of Justice