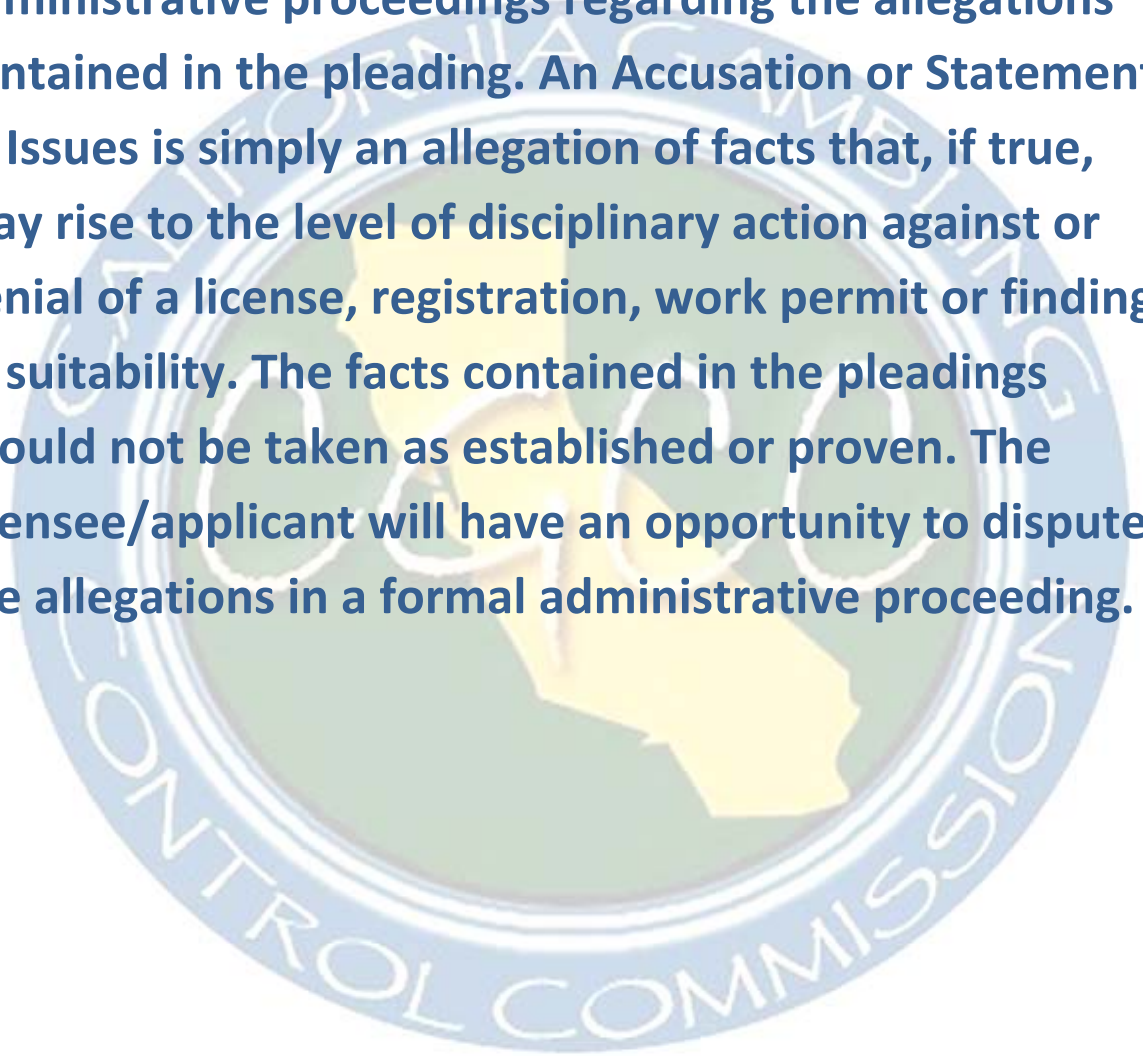


**The Commission is providing a copy of this disciplinary pleading (Accusation, or Statement of Reasons, Statement of Particulars, or Statement of Issues) so the public is as informed as possible of pending administrative proceedings regarding the allegations contained in the pleading. An Accusation 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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9  
 10 **BEFORE THE**  
 11 **CALIFORNIA GAMBLING CONTROL COMMISSION**  
 12 **STATE OF CALIFORNIA**  
 13

14 **In the Matter of the Third Amended Statement of**  
 15 **Issues Regarding:**  
 16 **SAHARA DUNES CASINO, LP**, provisional license  
 number GEOW-002466; sole owner of, and doing  
 17 business as, **Lake Elsinore Hotel and Casino**;  
 18 Partners of Sahara Dunes Casino, LP:  
 Ted Kingston,  
 19 Joseph Kingston, and  
 Sahara Dunes Management, Inc.  
 20 Shareholders of Sahara Dunes Management, Inc.:  
 Ted Kingston, and  
 21 Joseph Kingston.  
 22 20930 Malaga Road  
 Lake Elsinore, California 92530  
 23 **Respondent.**

BGC No. BGC-HQ2017-00001SL

OAH No: 2017070210

**THIRD AMENDED STATEMENT OF ISSUES**

24  
 25 Complainant alleges as follows:

26 **PARTIES**

27 1. Wayne J. Quint, Jr. (former complainant) brought the Statement of Issues solely in  
 28 his official capacity as the Director of the California Department of Justice, Bureau of Gambling

1 Control (Bureau). Nathan DaValle brought a First Amended Statement of Issues solely in his  
2 official capacity as the Bureau's Acting Director. Stephanie Shimazu (Complainant) brought the  
3 Second Amended Statement of Issues and brings this Third Amended Statement of Issues solely in  
4 her official capacity as the Bureau's Director.

5 2. Lake Elsinore Hotel and Casino (Casino), cardroom license number GEGE-001149,  
6 is a 22-table gambling establishment, which is located at 20930 Malaga Road in Lake Elsinore,  
7 California.

8 3. Sahara Dunes Casino, LP (Respondent), provisional license number GEOW-002466,  
9 is the sole owner of, and doing business as, the Casino.

10 4. Ted Kingston, as a limited partner, License Information System (LIS)<sup>1</sup> record number  
11 GEOW-002465, purports to own a 47.5-percent partnership interest in Respondent.

12 5. Joseph Kingston, as a limited partner, LIS record number GEOW-002464, purports to  
13 own a 47.5-percent partnership interest in Respondent.

14 6. Sahara Dunes Management, Inc., as general partner, LIS record number GEOW-  
15 002470, has represented that it owns a five-percent partnership interest in Respondent.

16 7. Ted Kingston, LIS record number GEOW-003733, owns 50-percent of the shares of  
17 Sahara Dunes Management, Inc.

18 8. Joseph Kingston owns the remaining 50-percent of the shares of Sahara Dunes  
19 Management, Inc. Joseph Kingston has not been issued a LIS record number as a shareholder of  
20 Sahara Dunes Management, Inc.<sup>2</sup>

21  
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23  
24 <sup>1</sup> LIS is an automated record-tracking system in which all of an applicant for licensure's  
25 information, and files related thereto, are kept. In this case, which involves a provisional license,  
the LIS record number is a tracking number that is unique to each of the applicants.

26 <sup>2</sup> Joseph Kingston has failed to ever submit an application for a state gambling license as a  
27 shareholder of Sahara Dunes Management, Inc. Therefore, he was never assigned a LIS record  
number for that affiliation.

1 9. Respondent has represented that its current ownership structure is as follows:<sup>3</sup>

2 Partners of Respondent:

3 Limited Partner – Ted Kingston – 47.5-percent owner

4 Limited Partner – Joseph Kingston – 47.5-percent owner

5 General Partner – Sahara Dunes Management, Inc. – five-percent owner

6 Shareholders of Sahara Dunes Management, Inc.:

7 Ted Kingston – 50-percent shareholder

8 Joseph Kingston – 50-percent shareholder

9 **LICENSE HISTORY**

10 10. Respondent was originally formed on or about May 4, 1978. The original partners  
11 did not include Ted Kingston, Joseph Kingston or Sahara Dunes Management, Inc. The Casino  
12 was formerly known as the Sahara Dunes Casino. The original partners were all registered with  
13 the Department of Justice, Office of Gaming Registration (the Bureau’s predecessor)<sup>4</sup>, pursuant to  
14 the Gaming Registration Act (former Bus. & Prof. Code, § 19800 et seq.). The Gaming  
15 Registration Act was the predecessor of the current Gambling Control Act (Act) (Bus. & Prof.  
16 Code, § 19800 et seq.), which went into effect in 1997.<sup>5</sup>

17 11. As required by the Gaming Registration Act, in or about December 1991, Ted  
18 Kingston and Joseph Kingston, as well as Clyde Kingston and Michelle Kingston-Knighton,  
19 submitted applications for registration in furtherance of their proposed purchase of Respondent  
20 and the Sahara Dunes Casino. On or about March 10, 1993, the Office of Gaming Registration

22 \_\_\_\_\_  
23 <sup>3</sup> After the Statement of Issues was filed, the Bureau learned of the existence of JTI, Inc.,  
24 which Respondent represented to be “the same as Sahara Dunes Management Inc.” On February  
25 20, 2018, a certificate of amendment was filed with the California Secretary of State, changing the  
26 name of Sahara Dunes Management, Inc. to JTI Management Inc.

25 <sup>4</sup> The Department of Justice, Division of Gambling Control (Division) was the direct  
26 successor to the Office of Gaming Registration. The Bureau then succeeded the Division.

27 <sup>5</sup> The statutes and regulations from the Act and the regulations promulgated thereunder,  
28 specifically applicable to this Second Amended Statement of Issues, are quoted in pertinent part in  
Appendix A.

1 approved the purchase agreement and issued registrations to those four individuals. Thereafter,  
2 these registrations were renewed on an annual basis.

3 12. In 1998, the Division was notified that Michelle Kingston-Knighton had at some  
4 unknown prior point in time transferred her ownership interest in Respondent to her father, Joseph  
5 Kingston.

6 13. In or about September 1999, Respondent, Clyde Kingston, Ted Kingston and Joseph  
7 Kingston applied to the Division for licensure as required under the Act. (Bus. & Prof. Code, §  
8 19851.) A provisional license was issued to Respondent to operate the Casino while these  
9 applications for state gambling licenses were pending. From 1999 to the present, Respondent has  
10 requested, and been granted, continuous extensions of the provisional license. The current  
11 provisional license will expire on December 31, 2018.<sup>6</sup>

12 14. On or about October 8, 2005, Clyde Kingston passed away. All of his interest in  
13 Respondent was inherited, or otherwise acquired, by his son, Ted Kingston. That ultimately led to  
14 the current ownership structure of the Casino by Respondent, as described in paragraphs 2 thru 9  
15 above.

16 **THIS PROCEEDING**

17 15. On or about September 11, 2008, the Bureau recommended to the California  
18 Gambling Control Commission (Commission) that it deny all of the applications for licensure for  
19 the alleged failure to disclose required information, the failure to maintain adequate records, the  
20 use of inappropriate accounting methods, the failure to notify the Commission of transfers of  
21 ownership interest, and the continued employment of a key employee with a felony conviction.

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<sup>6</sup> On January 1, 2018, the Bureau issued Respondent a Certificate to Operate with Conditions, which expires on December 31, 2018. A provisional license is held subject to all terms and conditions under which a license is held pursuant to the Act. (Cal. Code Regs., tit. 11, § 2141, subd. (b).)



1 purpose. (Bus. & Prof. Code, § 19971.) To protect the public, the Act requires that the owner of a  
2 gambling enterprise must apply for and obtain a state gambling license. (Bus. & Prof. Code,  
3 19851.) If the applicant seeking a state gambling license is a limited partnership, for it to be  
4 eligible for licensure, each of its general and limited partners must individually apply for and  
5 obtain a state gambling license. (Bus. & Prof. Code, § 19852, subd. (d).) If the applicant is a  
6 corporation, for it to be eligible for licensure, each officer, director, and shareholder must  
7 individually apply for and obtain a state gambling license. (Bus. & Prof. Code, § 19852, subd.  
8 (a).) The failure of a person who is required to submit an application for a state gambling license  
9 to submit such an application, and thereafter clearly establish that person's eligibility for licensure,  
10 renders that person disqualified for licensure. (Bus. & Prof. Code, § 19859, subd. (a).) An  
11 applicant's failure to submit information, documentation and/or assurances required by the Act or  
12 requested by the Bureau, or to reveal information material to qualification for licensure, or an  
13 applicant's supplying of untrue or misleading information pertaining to the qualification for  
14 licensure, likewise renders an applicant disqualified for licensure. (Bus. & Prof. Code, § 19859,  
15 subd. (b).) These failures also make an applicant unqualified for licensure. (Bus. & Prof. Code, §  
16 19857.) Further, failure of an applicant to comply with the requirements of the Act, and the  
17 regulations promulgated thereunder, in the management of a gambling operation and/or  
18 establishment makes the applicant unqualified to receive a state gambling license. (Bus. & Prof.  
19 Code, §§ 19857, subd. (b), 19920, & 19922.)

20 22. Respondent, as the Casino's sole owner, must apply for and obtain a state gambling  
21 license. (Bus. & Prof. Code, § 19851, subd. (a).) Because Respondent is a limited partnership,  
22 every partner, general or limited, must individually apply for and obtain a state gambling license.<sup>8</sup>  
23 If all the partners are not licensed or licensable, then the partnership is not eligible to, and cannot,  
24 be issued or hold a state gambling license. (Bus. & Prof. Code, § 19852, subd. (d).) Accordingly,  
25 as Respondent's partners, Joseph Kingston, Ted Kingston and Sahara Dunes Management, Inc.,

26 <sup>8</sup> Joseph Kingston, Ted Kingston and Sahara Dunes Management, Inc., while licensed,  
27 would not be issued separate license certificates. Rather, they would be endorsed upon  
28 Respondent's license. (Bus. & Prof. Code, § 19851, subd. (b).)

1 must all be licensed for Respondent to be licensable. Further, because Sahara Dunes Management,  
2 Inc., is a corporation, Joseph Kingston and Ted Kingston must also be licensed as shareholders of  
3 that corporation.<sup>9</sup> (Bus. & Prof. Code, § 19852, subd. (a).) Accordingly, because of the  
4 interconnected nature of the ownership structure of Respondent created by Joseph Kingston and  
5 Ted Kingston, Respondent is not eligible to obtain and hold a state gambling license to operate the  
6 Casino unless Joseph Kingston and Ted Kingston both apply for and each obtain two licenses: one  
7 as Respondent's partners; and one as shareholders in Sahara Dunes Management, Inc. Further,  
8 Respondent is not eligible to obtain and hold a state gambling license to operate the Casino unless  
9 Sahara Dunes Management, Inc., applies for and obtains a state gambling license as one of  
10 Respondent's partners.<sup>10</sup> Additionally, Respondent's management and operation of the Casino  
11 under the auspices of its provisional license must comply with the requirements of the Act, and the  
12 regulations promulgated thereunder. Failure to do so renders Respondent unqualified for licensure  
13 and makes Respondent's provisional license subject to cancellation. (Bus. & Prof. Code, §§  
14 19857, subd. (b), 19920 & 19922.)

#### 15 **BURDEN OF PROOF**

16 23. Respondent has the burden to prove it is qualified to be issued a state gambling  
17 license. (Bus. & Prof. Code, § 19856, subd. (a), see also Gov. Code, § 11504.)

#### 18 **FIRST INDEPENDENT CAUSE FOR DENIAL OF APPLICATION**

##### 19 **(Joseph Kingston and Sahara Dunes Management, Inc. – Failure/Refusal to Submit** 20 **Required Applications for Licensure)**

21 24. Respondent cannot be issued a license because, despite repeated requests by the  
22 Bureau since late 2015, Joseph Kingston has failed or refused to submit an application either as a  
23 partner in Respondent or as a shareholder of Sahara Dunes Management, Inc. Joseph Kingston's  
24 failures or refusals make him unsuitable and/or disqualified for licensure as a partner of

25 <sup>9</sup> If licensed, they would be endorsed upon Sahara Dunes Management, Inc.'s  
26 endorsement.

27 <sup>10</sup> The interconnected and confused nature of Respondent's ownership structure created by  
28 Joseph Kingston and Ted Kingston appears to extend to other entities about which Respondent has  
provided limited, if any, information to the Bureau. (See fn. 3, *supra*.)



1 Respondent and as a shareholder of Sahara Dunes Management, Inc. Additionally, despite the  
2 Bureau' requests, Sahara Dunes Management, Inc. has failed or refused to submit an application as  
3 Respondent's general partner. Sahara Dunes Management, Inc.'s failures and refusals make it  
4 unsuitable and/or disqualified for licensure as a partner of Respondent. Consequently, Respondent  
5 is not eligible for licensure.

6 (Bus. & Prof. Code, §§ 19856, subd. (c), 19857, subds. (a) & (b), & 19859, subds. (a) & (b).)

7 COST RECOVERY

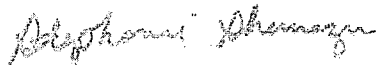
8 25. In the event the administrative law judge recommends that Respondent's application  
9 for licensure be denied, Respondent may, upon the presentation of suitable proof by the Bureau, be  
10 ordered to pay the Bureau the reasonable costs of prosecution and enforcement of the case. Costs  
11 include both the investigation by the Bureau, and the preparation and prosecution of the case by  
12 the Office of the Attorney General. (Bus. & Prof. Code, § 19930, subds. (d) & (f).)

13 PRAYER

14 WHEREFORE, Complainant requests that following the hearing to be held on the matters  
15 herein alleged a decision be issued:

- 16 1. Denying Sahara Dunes Casino, LP's, application for a state gambling license and  
17 cancelling its provisional license, number GEOW-002466;
- 18 2. Requiring Respondent to reimburse the Bureau the reasonable costs of investigating  
19 and prosecuting this case, pursuant to Business and Professions Code, section 19930, subdivision  
20 (d); and
- 21 3. Taking such other and further action as the Commission may deem appropriate.
- 22

23 Dated: August 20, 2018

  
Stephanie Shimazu, Director  
Bureau of Gambling Control  
California Department of Justice  
Complainant

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**APPENDIX A**

1. Business and Professions Code, section 19801, subdivisions (g) and (h), provide:

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

(h) Public trust and confidence can only be maintained by strict and 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.

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

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

3. 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.

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4. 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:

\* \* \*

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

\* \* \*

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

5. Business and Professions Code, section 19825, provides:

The commission may require that any matter that the commission is authorized or required to consider in a hearing or meeting of an adjudicative nature regarding the denial, suspension, or revocation of a license, permit, or finding of suitability, be heard and determined in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 or Title 2 of the Government Code.

6. Business and Professions Code, section 19850, provides, in pertinent part:

Every person who, . . . as owner . . . , either solely or in conjunction with others, deals, operates, carries on, conducts, maintains, or exposes for play and 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, 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, . . . as specified in this chapter<sup>[11]</sup>. . .

<sup>11</sup> Chapter refers to Chapter 5 of the Business and Professions Code, commencing with section 19800. It is also known as the California Gambling Control Act.

1 7. Business and Professions Code, section 19851, provides:

2 (a) The owner of a gambling enterprise<sup>[12]</sup> shall apply for  
3 and obtain a state gambling license. The owner of a gambling  
4 enterprise shall be known as the owner-licensee.

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

8 8. Business and Professions Code section 19852, subdivisions (a) & (d), provide:

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

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

15 \* \* \*

16 (d) If the owner is a partnership, then every general and limited  
17 partner of, and every trustee or person, other than a holding or  
18 intermediary company, having or acquiring a direct or beneficial  
19 interest in, that partnership owner.

19 9. Business and Professions Code section 19856, subdivisions (a) and (c), provide in  
20 part:

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

22 \* \* \*

23 (c) In reviewing an application for any license, the commission  
24 shall consider whether issuance of the license is inimical to public health,

25 <sup>12</sup> Business and Professions Code, section 19805, subdivision (m), defines "gambling  
26 enterprise" to mean "a natural person or an entity, whether individual, corporate, or otherwise, that  
27 conducts a gambling operation and that by virtue thereof is required to hold a state gambling  
28 license under this chapter." A "gambling operation" is defined to mean "exposing for play one or  
more controlled games that are dealt, operated, carried on, conducted or maintained for  
commercial gain." (Bus. & Prof. Code, § 19805, subd. (q).)

1 safety, or welfare, and whether issuance of the license will undermine  
2 public trust that the gambling operations with respect to which the license  
3 would be issued are free from criminal and dishonest elements and would  
be conducted honestly.

4 10. Business and Professions Code section 19857, subdivisions (a) and (b), provide:

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

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

8 (b) A person whose prior activities, criminal record, if any,  
9 reputation, habits, and associations do not pose a threat to the public  
10 interest of this state, or to the effective regulation and control of  
11 controlled gambling, or create or enhance the dangers of unsuitable,  
12 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.

13 11. Business and Professions Code, section 19859, subdivisions (a) and (b), provide:

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

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

18 (b) Failure of the applicant to provide information,  
19 documentation, and assurances required by this chapter or requested by  
20 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.

21 12. Business and Professions Code section 19920, provides:

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

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13. Business and Professions Code section 19922, provides:

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

14. Business and Professions Code section 19924, provides:

Each owner licensee shall maintain security controls over the gambling premises and all operations therein related to gambling, and those security controls are subject to approval by the commission.

15. Business and Professions Code section 19930, subdivisions (b), (d) and (f), provide in pertinent 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 with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

\* \* \*

(d) In any case in which the administrative law judge recommends that the commission . . . deny a license, the administrative law judge may, upon the 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 . . .

\* \* \*

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

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

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

16. Business and Professions Code section 19971, provides:

This act is an exercise of the police powers 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.

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17. Government Code, section 11504, provides in pertinent part:

A hearing to determine whether a right, authority, license, or privilege should be granted, issued, or renewed shall be initiated by filing a statement of issues. The statement of issues shall be a written statement specifying the statutes and rules with which the respondent must show compliance by producing proof at the hearing, and in addition, any particular matters that have come to the initiating party and would authorize a denial of the agency sought action. . . .

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

(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 according to Government Code section 11504 by the complainant.

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

(e) The evidentiary hearing shall proceed as indicated in the notice, unless and until the Executive Director or Commission approves cancellation or a continuance.

1 19. California Code of Regulations, title 4, section 12200.7, subdivision (b)(22),  
2 provides:

3 (b) Each proposition player contract shall specifically require all  
4 of the following to be separately set forth at the beginning of the contract  
5 in the following order:

6 \* \* \*

7 (22) That the contract is a complete expression of all  
8 agreements and financial arrangements between the parties; that  
9 any addition to or modification of the contract, including  
10 supplementary or oral agreements, must be approved in advance  
11 by the Bureau pursuant to Section 12200.10B (Review and  
12 Approval of Amendments to Proposition Player Contracts) before  
13 the addition or modification takes place.

14 20. California Code of Regulations, title 4, section 12200.9, subdivision (a)(1)(D),  
15 provides, in pertinent part:

16 (a)(1) . . . The Bureau shall approve a proposition player  
17 contract only if all the following requirements have been satisfied:

18 \* \* \*

19 (D) The contract will not undermine the public trust  
20 that the controlled gambling operations covered by the  
21 contract will be conducted honestly, by reason of the  
22 existence or perception of any collusive arrangement  
23 between any party to the contract and the holder of a state  
24 gambling license, or otherwise.

25 21. Title 31, United States Code, section 5318, subdivision (h)(1), provides:

26 (h) Anti-Money Laundering Programs.—

27 (1) In general.—In order to guard against money  
28 laundering through financial institutions, each financial  
institution shall establish anti-money laundering programs,  
including, at a minimum—

(A) the development of internal policies, procedures,  
and controls;

(B) the designation of a compliance officer;



1 (C) an ongoing employee training program; and

2 (D) an independent audit function to test programs.

3  
4 22. Title 31, United States Code, section 5312, provides in relevant part:

5 (a) In this subchapter—

6 (1) “financial agency” means a person acting for a  
7 person (except for a country, a monetary or financial authority  
8 acting as a monetary or financial authority, or an international  
9 financial institution of which the United States Government is a  
10 member) as a financial institution, bailee, depository trustee, or  
11 agent, or acting in a similar way related to money, credit,  
12 securities, gold, or a transaction in money, credit, securities, or  
13 gold.

14 (2) “financial institution” means—

15 \* \* \*

16 (X) a casino, gambling casino, or gaming  
17 establishment with an annual gaming revenue of more  
18 than \$1,000,000 which—

19 (i) is licensed as a casino, gambling  
20 casino, or gaming establishment under the laws of  
21 any State or any political subdivision of any State;  
22 or

23 (ii) is an Indian gaming operation  
24 conducted under or pursuant to the Indian Gaming  
25 Regulatory Act other than an operation which is  
26 limited to class I gaming (as defined in section  
27 4(6) of such Act);

28  
29 23. 31, Code of Federal Regulations, section 1021.210, provides:

30 (a) *Requirements for casinos.* A casino shall be deemed to satisfy  
31 the requirements of 31 U.S.C. 5318(h)(1) if it implements and maintains  
32 a compliance program described in paragraph (b) of this section.

33 (b) *Compliance programs.*

34 (1) Each casino shall develop and implement a written  
35 program reasonably designed to assure and monitor compliance

1 with the requirements set forth in 31 U.S.C. chapter 53,  
2 subchapter II and the regulations contained in this chapter.

3 (2) At a minimum, each compliance program shall  
4 provide for:

5 (i) A system of internal controls to assure ongoing  
6 compliance;

7 (ii) Internal and/or external independent testing for  
8 compliance. The scope and frequency of the testing shall  
9 be commensurate with the money laundering and terrorist  
10 financing risks posed by the products and services  
11 provided by the casino;

12 (iii) Training of casino personnel, including training  
13 in the identification of unusual or suspicious transactions,  
14 to the extent that the reporting of such transactions is  
15 required by this chapter, by other applicable law or  
16 regulation, or by the casino's own administrative and  
17 compliance policies;

18 (iv) An individual or individuals to assure day-to-  
19 day compliance;

20 (v) Procedures for using all available information  
21 to determine:

22 (A) When required by this chapter, the  
23 name, address, social security number, and other  
24 information, and verification of the same, of a  
25 person;

26 (B) The occurrence of any transactions  
27 or patterns of transactions required to be  
28 reported pursuant to § 1021.320;

(C) Whether any record as described in  
subpart D of part 1010 of this chapter or subpart  
D of this part 1021 must be made and retained;  
and

(vi) For casinos that have automated data  
processing systems, the use of automated programs to  
aid in assuring compliance.

1 24. 31 Code of Federal Regulations, section 1021.311, provides:

2 Each casino shall file a report of each transaction in currency,  
3 involving either cash in or cash out, of more than \$10,000.

4 (a) Transactions in currency involving cash in include, but are  
not limited to:

5 (1) Purchases of chips, tokens, and other gaming  
6 instruments;

7 (2) Front money deposits;

8 (3) Safekeeping deposits;

9 (4) Payments on any form of credit, including markers  
10 and counter checks;

11 (5) Bets of currency, including money plays;

12 (6) Currency received by a casino for transmittal of funds  
13 through wire transfer for a customer;

14 (7) Purchases of a casino's check;

15 (8) Exchanges of currency for currency, including foreign  
currency; and

16 (9) Bills inserted into electronic gaming devices.

17 (b) Transactions in currency involving cash out include, but are  
18 not limited to:

19 (1) Redemptions of chips, tokens, tickets, and other  
20 gaming instruments;

21 (2) Front money withdrawals;

22 (3) Safekeeping withdrawals;

23 (4) Advances on any form of credit, including markers  
24 and counter checks;

25 (5) Payments on bets;

26 (6) Payments by a casino to a customer based on receipt of  
funds through wire transfers;

27 (7) Cashing of checks or other negotiable instruments;

28

1 (8) Exchanges of currency for currency, including foreign  
2 currency;

3 (9) Travel and complimentary expenses and gaming  
4 incentives; and

5 (10) Payment for tournament, contests, and other  
6 promotions.

7 (c) Other provisions of this chapter notwithstanding, casinos are  
8 exempted from the reporting obligations found in this section and §  
9 1021.313 for the following transactions in currency or currency  
10 transactions:

11 (1) Transactions between a casino and a dealer in foreign  
12 exchange, or between a casino and a check casher, as those terms  
13 are defined in § 1010.100(ff) of this chapter, so long as such  
14 transactions are conducted pursuant to a contractual or other  
15 arrangement with a casino covering the financial services in  
16 paragraphs (a)(8), (b)(7), and (b)(8) of this section;

17 (2) Cash out transactions to the extent the currency is  
18 won in a money play and is the same currency the customer  
19 wagered in the money play, or cash in transactions to the extent  
20 the currency is the same currency the customer previously  
21 wagered in a money play on the same table game without leaving  
22 the table;

23 (3) Bills inserted into electronic gaming devices in  
24 multiple transactions (unless a casino has knowledge pursuant to  
25 § 1021.313 in which case this exemption would not apply); and

26 (4) Jackpots from slot machines or video lottery  
27 terminals.

28 25. California Code of Regulations, title 11, section 2141 provides:

(a) A provisional license is held subject to the same conditions,  
restrictions, and limitations on the authorization granted by the predecessor  
annual or conditional registration.

(b) A provisional license is held subject to all terms and conditions  
under which a state gambling license is held pursuant to the Act.

(c) A provisional license creates no vested right to the issuance of a  
state gambling license.

1 DECLARATION OF SERVICE

2 Case Name: **Statement of Issues Against: Sahara Dunes Casino, LP dba Lake Elsinore**  
3 **Hotel and Casino**

4 Case No.: **OAH No.: 2017070210**

5 I declare:

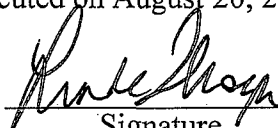
6 I am employed in the Office of the Attorney General, which is the office of a member of the  
7 California State Bar, at which member's direction this service is made. I am 18 years of age or  
8 older and not a party to this matter; my business address is 1300 I Street, Suite 125, P.O. Box  
9 944255, Sacramento, CA 94244-2550.

10 On August 20, 2018, I caused the attached **THIRD AMENDED STATEMENT OF ISSUES** to  
11 be served by transmitting a true copy via electronic mail (*per agreement of counsel in this*  
12 *action*), addressed as follows:

13 Stephen L. Schreiner  
14 Solomon Ward, et al.  
15 401 B Street, Suite 1200  
16 San Diego, CA 92101  
17 sschreiner@swsslaw.com

18 I declare under penalty of perjury under the laws of the State of California the foregoing is true  
19 and correct and that this declaration was executed on August 20, 2018, at Sacramento, California.

20  
21  
22  
23  
24  
25  
26  
27  
28  
\_\_\_\_\_  
Linda Thorpe  
Declarant

  
\_\_\_\_\_  
Signature