

VICTOR LIQUORS

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
ALCOHOLIC BEVERAGE REGULATION ADMINISTRATION  
ALCOHOLIC BEVERAGE CONTROL BOARD

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IN THE MATTER OF: :

6220 Georgia, LLC,  
t/a Victor Liquors Case Number 15-CMP-00867  
6220 Georgia Avenue NW  
License Number 88173

FACT FINDING HEARING

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Wednesday, April 6, 2016

Whereupon, the above referenced matter came on for  
hearing at the Alcoholic Beverage Control Board, Reeves  
Center, 2000 14th Street, N.W., Suite 400S, Washington,  
D.C. 20009.

1 CHAIRPERSON:

2 DONOVAN W. ANDERSON, Presiding

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4 OTHER PERSONS PRESENT:

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6 NICK ALBERTI, BOARD MEMBER

7 RUTHANNE MILLER, BOARD MEMBER

8 JAMES SHORT, BOARD MEMBER

9 MIKE SILVERSTEIN, BOARD MEMBER

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1 P R O C E E D I N G S

2 CHAIRPERSON ANDERSON: All right. So now  
3 we'll call -- we have a fact-finding hearing, Case  
4 Number 15-CMP-00867, Victor Liquors, License Number  
5 88173. Will the parties please approach.

6 MR. KLINE: Good afternoon. Andrew Kline  
7 here on behalf of the licensee. Also seated at the  
8 table to my -- or in the middle to my far left, Mr. Jose  
9 Ayala. He's, the principal of the licensee. I think  
10 he's been before you before. And then to my immediate  
11 left is Teofilo Ayala who is Jose Ayala's brother. And  
12 all the way to the left is your interpreter.

13 CHAIRPERSON ANDERSON: I'm going to ask --  
14 I'm not quite sure why Mr. -- Mr. Ayala is here, the  
15 brother who's sitting next to you.

16 MR. KLINE: Teofilo.

17 CHAIRPERSON ANDERSON: Yeah. I'm not quite  
18 sure why he's here.

19 MR. KLINE: Well, I mean I'll have him step  
20 back. I just thought --

21 CHAIRPERSON ANDERSON: Yeah. I would  
22 prefer -- I would have him because he's not a party to

1 this matter, and I have my reasons why. So if it  
2 becomes later that he needs to be called, then I would  
3 ask that he step up. But currently I want him to  
4 step -- step back.

5 MR. KLINE: Okay. That's fine.

6 CHAIRPERSON ANDERSON: Sir, can you stand  
7 and raise your right hand please. And what language is  
8 this please? No. No. Not you, sir. What language is  
9 this? All right.

10 THE INTERPRETER: Spanish, English.

11 CHAIRPERSON ANDERSON: All right. Do you  
12 swear or affirm that you will translate to the best of  
13 your abilities from your -- from English to Spanish and  
14 from Spanish to English?

15 THE INTERPRETER: I do.

16 CHAIRPERSON ANDERSON: Thank you. You may  
17 have a seat. Can you -- can you have your -- the  
18 applicant -- the licensee state his name for the record  
19 please.

20 [The witness, Mr. Ayala speaking through an  
21 interpreter.]

22 MR. AYALA: Jose Ayala.

1 CHAIRPERSON ANDERSON: Thank you, sir.

2 There is a sign in sheet in front of you. Can you  
3 please sign in. Yes, Mr. Brashears. Can you identify  
4 yourself for the record please.

5 MR. BRASHEARS: Investigator Mark Brashears  
6 with ABRA.

7 CHAIRPERSON ANDERSON: Mr. Jose Ayala, do  
8 you know why you're here today, sir?

9 MR. AYALA: Yes, due to the license.

10 CHAIRPERSON ANDERSON: All right. Because  
11 there is some confusion from ABRA about who actually  
12 owns this establishment.

13 MR. AYALA: I am the owner.

14 CHAIRPERSON ANDERSON: Well, I'm -- I'm just  
15 saying that there was some confusion. So that's -- I  
16 just want to make sure that you know why you're here  
17 today, sir.

18 MR. AYALA: Very good.

19 CHAIRPERSON ANDERSON: All right. Fine.  
20 All right. Thank you. Mr. Brashears, can you let us  
21 know what it is that you were able to find out in your  
22 report? Hold on one minute, Mr. -- you have something

1 to say Mr. Kline?

2 MR. KLINE: Mr. Chair, if we could short  
3 circuit it, I mean I've read the report. I presume The  
4 Board's read the report. With your permission I'd like  
5 to address it, provide an overview, and then of course  
6 have the option available for -- for any follow-up  
7 questions for clarification.

8 CHAIRPERSON ANDERSON: Well, one of the  
9 things that I am going to ask -- I -- I also want to  
10 make sure that the applicant is clear why we're here.

11 MR. AYALA: I understand that it is about  
12 the licensing.

13 CHAIRPERSON ANDERSON: And the reason I --  
14 and -- and you were not here, Mr. Kline, for the  
15 previous hearing that we had. And it was clear in a  
16 sense that we -- I was asking questions, and Mr. Teofilo  
17 Ayala was speaking on behalf of Mr. Jose Ayala. And I  
18 had specifically asked questions. Your client did not  
19 answer. His brother spoke on his behalf. And so I want  
20 to make -- so therefore I will accept your  
21 representation which is fine. But at the same time I  
22 also need him to explain in his own words the actual and

1 true owner because at least this board member was very  
2 confused based on the representations that were made in  
3 our last hearing. And that's one of the reasons why we  
4 ask that there's a translator so he can speak for  
5 himself today.

6 MR. KLINE: Understood. But I think there  
7 is confusion, and that's one of the reasons I'm here is  
8 to try to clear up any confusion. And I have met with  
9 both brothers and walked through the situation. And as  
10 I said I'll -- I'll proceed at the Board's pleasure.  
11 But I'm -- I'm happy to give an overview. If,  
12 Mr. Chair, you want to proceed a different way,  
13 that's -- that's fine also.

14 CHAIRPERSON ANDERSON: All right. Well,  
15 fine. You can -- you can give an overview. But I am  
16 going to -- I'm going to -- once you give your overview  
17 then I will also have Mr. Brashears give his -- his  
18 position so at least I'll know where I'm looking --  
19 where we're going based on the overview that you're  
20 going to provide. So you can go ahead.

21 MR. KLINE: Sure. Mr. Chair, Members of the  
22 Board, there isn't any question that this -- I'm not

1 even going to use the word applicant or licensee -- I'm  
2 going to use the word family has been sloppy in terms of  
3 dealing with this situation. As The Board is aware,  
4 which is why we're here, Mr. Teofilo Ayala is on a C  
5 license and under the Board's statute and regulations as  
6 an owner of a C license he can't own an A license. I  
7 met with both of them, and what went on here is this:  
8 Mr. Teofilo Ayala owns the building where Victor  
9 Liquor -- Victor Liquors is located. His brother,  
10 Mr. Teofilo Ayala, the -- the licensee had worked in the  
11 restaurant business for a number of years and different  
12 businesses. The tenant that occupied the building owned  
13 by Teofilo Ayala was going out, and Teofilo Ayala saw an  
14 opportunity to put his brother in business and set up  
15 this liquor store, made arrangements to get the previous  
16 tenant out, made arrangements to get the store  
17 outfitted. And -- but it is Mr. Jose Ayala that owns  
18 the store. To further show the -- the close family  
19 nature of this, Mr. Teofilo Ayala's wife works in the  
20 store. Now, I've met with them and I've cautioned them.  
21 I said, you know, this is all fine; however,  
22 Mr. Teofilo, you -- you can't be involved in this, you

1 can't be the responsible person, you shouldn't be behind  
2 the counter. You want to come in and say hello to your  
3 wife, that's -- that's fine. There's nothing illegal  
4 about that. But The Board needs to know -- and the  
5 reason that we are being called The Board today is The  
6 Board needs to be satisfied that this business is owned  
7 by you, Mr. Jose, operated by you, that you make the  
8 decisions concerning ordering the product, you make  
9 decisions concerning hiring, and you make all the  
10 decisions concerning all aspects of the operation. So  
11 that's kind of the overview. I have read as I said  
12 Mr. Brashears's report. I understand The Board's  
13 concerns are certainly appropriate given what the law  
14 is. But that's -- that's the background, we have this  
15 close family situation and they certainly were not as  
16 careful and they were sloppy in terms of the separation.  
17 And I make Mr. Jose available obviously for any  
18 questions that The Board might have so that The Board is  
19 comfortable and that he understands what the law is and  
20 what his responsibilities are and are not.

21 CHAIRPERSON ANDERSON: Go ahead,  
22 Mr. Brashears.

1 MR. BRASHEARS: So all of the -- the  
2 documentation that I was able to obtain from the  
3 Articles of Incorporation, ABRA application, Clean Hands  
4 Certification, you know, everything associated with the  
5 license for Victor Liquors is in the name of Jose Ayala.  
6 The only thing I found that -- that -- as far as  
7 documentation that was suspect was when I -- I reached  
8 out to the wholesalers to find out where the alcohol was  
9 coming from to Victor Liquors and -- and who was their  
10 contact information, one of the -- one of the  
11 establishments had told me that -- or sent me documents  
12 basically listing Teofilo as the contact for the LLC  
13 that they had on file. So that was the -- the paper  
14 documentation could I -- that I could find. But the  
15 reason I authored the report and -- and brought the  
16 situation before the -- the ABC Board was, you know,  
17 based on statements that were made by the owner and his  
18 brother. And as I had mentioned before, you know, when  
19 I went in and -- and asked for the owner or ABC manager,  
20 Mr. Teofilo Ayala was in the establishment and he  
21 basically stated that he wasn't there. And I started  
22 the -- looking at the license and stating okay, you have

1 to have an ABC manager or owner, it's going to be a  
2 violation. And that's when he basically said that he  
3 was technically the owner of the establishment. So I  
4 said okay, either you are or you're -- or you're not,  
5 can you please tell me what technically means? And he  
6 said that he had invested the money to open the  
7 establishment but the ABC Board would not allow him to  
8 have two ABRA establishments since he already had a -- a  
9 Class C. That kind of contradicted what I found in the  
10 records. So I thought that was kind of suspect. So  
11 then when I went back a short time later to issue the --  
12 basically the no ABC manager citation I met Mr. Jose  
13 Ayala and, you know, basically asked him what -- what is  
14 the situation here, who owns Victor Liquors? And he  
15 stated that Teofilo owned it and that he ran it. And I  
16 asked well, what kind of -- what kind of association is  
17 it here, what kind of business partnership? And he just  
18 basically stated that it was a standard business  
19 partnership. So that's why, like I said, it  
20 contradicted what I found in the records. So, you know,  
21 I was instructed by my supervisor to, you know, create a  
22 report and let the ABC Board, you know, decide the

1 outcome.

2 CHAIRPERSON ANDERSON: So, Mr. Kline, what  
3 is it that your -- your client -- I know that you stated  
4 that they had sloppy bookkeeping. But here it is as --  
5 what the investigator stated was that it's not just  
6 sloppy bookkeeping but just actual statements. He also  
7 stated that the -- in talking to the wholesalers they  
8 stated that Teofilo Ayala is a contact. So how does --  
9 how can your client explain this -- this portion?

10 MR. KLINE: Well, two things. I didn't say  
11 sloppy bookkeeping. I only --

12 CHAIRPERSON ANDERSON: I apologize. Sloppy  
13 paperwork in a sense of the --

14 MR. KLINE: Not paperwork. More so just in  
15 terms of representations. The fact of the matter is  
16 Teofilo Ayala owns the building. So in -- in Jose's  
17 mind they're in some way partners in that Teofilo owns  
18 the building and he runs the business. From a legal  
19 standpoint he owns the business. That's the way it is  
20 set up. I believe that Teofilo overstepped his bounds  
21 and he was helping his brother in terms of getting this  
22 business set up and should not have been as helpful as

1 he was certainly in terms of listing himself as a  
2 contact person for -- for one of the wholesalers. And  
3 I've seen that document, I'm aware of that document. So  
4 -- but they are aware at this point because I've sat  
5 down and spoken to them in some detail in terms of what  
6 is allowed, what's not allowed, what The Board expects  
7 in terms of separation. And from my understanding what  
8 The Board expects is that when one party is the owner,  
9 they bear the risk of loss, they get the profits if  
10 there are any, which I don't -- neither of those are an  
11 issue here from at least my interviews with the two  
12 brothers because Jose has -- has gotten the profits to  
13 the extent that there have been any. But then the third  
14 issue is decision-making has to be concentrated in the  
15 licensee. And Jose relied on his brother in terms of  
16 setting up this business. But he's been advised moving  
17 forward that it's his business. Because his brother is  
18 on another license The Board is going to necessarily  
19 require that his brother Teofilo not have  
20 decision-making authority over this business and that --  
21 that must rest on Jose. Jose -- and I think Mr. --  
22 Investigator Brashears testified that Teofilo 's wife

1 was on the premises. Well, she's now a licensed  
2 manager. So she is involved in the business, that would  
3 be Teofilo's wife. But notwithstanding that close  
4 family relationship, there must be a separation  
5 concerning who gets the profits which there has been,  
6 who -- who bears the loss which there has been. But  
7 also in terms of decision-making; that the decisions  
8 concerning the business must rest with Jose and people  
9 who work for Jose and not Teofilo.

10 CHAIRPERSON ANDERSON: And I guess I'm  
11 still -- you're now saying that Mr. Teofilo's wife, I  
12 guess she's an -- you said she's an ABC manager now in  
13 the business?

14 MR. KLINE: That's correct. She was working  
15 in the business before, and I think one of the issues  
16 when Mr. Brashears appeared was Jose was not there and  
17 Blanca (ph) was there, but she was not an ABC licensed  
18 manager. She's been working in the store. Since that  
19 time she has obtained an ABC licensed manager -- an ABC  
20 manager's license [inaudible 18:31].

21 CHAIRPERSON ANDERSON: But couldn't one  
22 still then state that since Mr. Teofilo's wife is an ABC

1 manager, that she now -- that he still has some control  
2 over the business?

3 MR. KLINE: Not since we stopped treating  
4 wives as chattel, Mr. Chairman. And under the Equal  
5 Credit Opportunity Act to -- to presume that -- that  
6 that's the case would be improper number one. And  
7 number two, the -- we have regulations that specifically  
8 deal with that issue, and it specifically deals with an  
9 ownership interest and when you have a husband and a  
10 wife who are on different licenses and what the  
11 separation must be. And they've been advised of that,  
12 and I don't -- I don't really think that's an issue  
13 here.

14 CHAIRPERSON ANDERSON: Well, the reason --  
15 that's the reason -- I mean I'm not saying that it's not  
16 for any reason. But I'm just saying if we're trying  
17 to -- to have the matter clear and for clarity by having  
18 the wife in an ABC manager's position, it -- it will  
19 also make -- it will create some further issues. But  
20 anyway, that's just my thought. Any other questions by  
21 any board members? Yes, Mr. Short.

22 MR. SHORT: Good morning -- or good

1 afternoon. You -- you started off by stating the  
2 business -- sloppy business practices. Is that -- would  
3 that be true for that?

4 MR. KLINE: I want to be clear. I don't  
5 mean sloppy business practices, and I don't mean sloppy  
6 bookkeeping. I just mean sloppiness in terms of making  
7 clear that there's a delineation between these two  
8 licenses and between what Mr. Jose's responsibilities  
9 necessarily must be as a licensee and those  
10 responsibilities which cannot rest on Mr. Teofilo.  
11 That's what I meant. I mean, you know, obviously if the  
12 investigator comes in and Teofilo says well, I'm the  
13 owner -- well, he owns the building, but he doesn't the  
14 business. That's sloppy. From a legal standpoint it's  
15 not true because from a legal standpoint and  
16 Investigator Brashears has investigated, indeed Jose is  
17 the owner of the business, that's the way it was set up.  
18 MR. SHORT: We're here today because someone  
19 told the investigator a truth or untruth, that someone  
20 owned the building, the owner -- did he delineate  
21 between owning the liquor store and the building? He  
22 just said I'm the owner, is that what you -- is that --

1 is that the --

2 MR. KLINE: I wasn't there. I don't know.

3 But -- but my point is --

4 MR. SHORT: But can we get that clear? Is  
5 there any way we can clear that up because that would --

6 MR. KLINE: In terms of -- of what?

7 MR. SHORT: Who owned what when the  
8 investigator said to someone in the business who is the  
9 owner or who is the manager. And you're saying that one  
10 of the brothers said to the investigator I am the owner.

11 MR. KLINE: Right. But he was not the owner  
12 and is not the owner.

13 MR. SHORT: Well, what was the investigator  
14 supposed to think?

15 MR. KLINE: I'm not faulting the  
16 investigator, Board Member Short.

17 MR. SHORT: Okay. But I'm just trying to  
18 get -- I'm trying -- I'm -- we said sloppy. I'm trying  
19 to -- trying to delineate between sloppy, misleading, or  
20 legal, or illegal. So --

21 MR. KLINE: I mean Teofilo is here. He can  
22 speak to it better than I can. But I think in his mind

1 since he owned the building and he had outfitted the  
2 store, set his brother up in this business, you know,  
3 he's like yeah. And if you -- and if you notice from  
4 the report Investigator Brashears does not say Mr. Ayala  
5 said that he was getting money out of the store. What  
6 he said was I -- what he said was I -- I did it, I spent  
7 all the money. Well, that's true, nobody disputes that.  
8 And he did that to set his brother up in business. I  
9 mean this is a very close family.

10 MR. SHORT: So we're here today because  
11 Mr. Teofilo did tell the investigator I am the owner?  
12 Is that why we're here today?

13 MR. KLINE: I -- I believe in The Board's  
14 concerns that these two licensees be separate as they  
15 are required to be under the law. That is my  
16 understanding. Yes.

17 MR. SHORT: Okay. So what -- what are we  
18 going to get out of this hearing today? What is it --  
19 what -- your representation of this business, what is  
20 myself and the board members going to get from this  
21 today?

22 MR. KLINE: I hope what you're going to get

1 is an understanding that Mr. Jose owns this business  
2 which is what all the paperwork reflects and that he's  
3 now been counselled that he needs to be more careful,  
4 and Teofilo needs to be more careful of making sure that  
5 from a decision-making standpoint because Teofilo is on  
6 another license, that those decisions must be made by  
7 Jose and that he can certainly rely on his brother for  
8 advice. There's nothing wrong with that. But Teofilo  
9 and Jose should make it perfectly clear to anyone that  
10 wants to know and should act accordingly that Jose owns  
11 this business, is responsible for making decisions over  
12 this business, and Teofilo is not.

13 MR. SHORT: Okay. Now, one other thing.  
14 You've been quite eloquent explaining that and thank  
15 you. But I'd like to -- I would like to -- like to just  
16 ask this: In Jose's business dealings in the business  
17 itself does he need an interpreter to speak to the  
18 people he does business with on a daily basis? I'm just  
19 asking.

20 MR. KLINE: I don't -- I don't -- will you  
21 pose the question please. Okay.

22 MR. AYALA: Not with the clients.

1 MR. SHORT: Okay. So --

2 MR. AYALA: Because they only ask for  
3 whatever it is that they ask.

4 MR. SHORT: So he does understand English  
5 quite well, is that --

6 MR. AYALA: Not very good but enough to  
7 understand what they are asking me.

8 MR. SHORT: That's fine. Thank you. That's  
9 all I have, Mr. Chair. That's all I have.

10 CHAIRPERSON ANDERSON: Go ahead,  
11 Mr. Alberti.

12 MR. ALBERTI: I have a few questions of  
13 Mr. Ayala.

14 MR. KLINE: Ayala.

15 MR. ALBERTI: Ayala.

16 MR. KLINE: Which one?

17 MR. ALBERTI: The one sitting at the table,  
18 Jose.

19 MR. KLINE: Okay.

20 MR. ALBERTI: Mr. Ayala, the license is  
21 registered under an LLC. What is the name of the LLC?

22 MR. AYALA: It's just an LCA (ph).

1 MR. ALBERTI: What's the name of the LLC?

2 MR. AYALA: That is the name.

3 MR. ALBERTI: What is it? What did he say  
4 the name was? I'm sorry.

5 MR. AYALA: That is the name that it has,  
6 Victor Liquors LLC.

7 MR. ALBERTI: You are a hundred percent  
8 owner of an LLC?

9 MR. AYALA: Yes.

10 MR. ALBERTI: Do you know the name of that  
11 LLC?

12 MR. AYALA: That is -- that is the name.

13 MR. ALBERTI: Okay. The LLC that is the --  
14 that is registered as the applicant for this license has  
15 a registered agent. I don't find this humorous,  
16 Mr. Kline.

17 MR. KLINE: I do. Do you know how many of  
18 my clients don't know who the registered agent is?

19 MR. ALBERTI: Well, he can tell me he  
20 doesn't.

21 MR. KLINE: I just don't see how it's  
22 relevant.

1 MR. ALBERTI: Well, it is relevant to me,  
2 Mr. Kline, so you'll have to bear with me.

3 MR. AYALA: I don't remember what name --  
4 was on it.

5 MR. ALBERTI: Have you ever met with the  
6 representative from -- from the corporation that's the  
7 registered -- registered agent?

8 MR. KLINE: Can I object to the question  
9 since he doesn't know who it is?

10 MR. AYALA: What -- what agent?

11 MR. ALBERTI: Okay. So who handled -- who  
12 handled the legal paperwork to set up the LLC?

13 MR. AYALA: The lawyer did it all.

14 MR. ALBERTI: And who was that lawyer?

15 Mr. Ayala, was that Mr. Kline? Okay. Very good.

16 Who -- Mr. Ayala, who generally places the orders for  
17 alcoholic beverages?

18 MR. AYALA: I -- I do when there is somebody  
19 who speaks Spanish, a Hispanic person. Otherwise I used  
20 to ask my brother to help me with that.

21 MR. ALBERTI: Okay. Does your LLC have a  
22 bank account for this business?

1 MR. AYALA: Yes. Check account to pay with  
2 checks.

3 MR. ALBERTI: Okay. Who are the  
4 signatories -- who can sign checks on behalf of this  
5 business?

6 MR. AYALA: Myself and my sister-in-law  
7 because I am not there seven days a week.

8 MR. ALBERTI: All right. How long has your  
9 sister-in-law -- has there ever been anyone else who  
10 could sign checks for this business?

11 MR. AYALA: Yes.

12 MR. ALBERTI: Who?

13 MR. AYALA: My brother.

14 MR. ALBERTI: Okay. Up until what time --  
15 what date approximately was he able to sign checks for  
16 this license?

17 MR. AYALA: It's always there. It's just  
18 that he's almost never in the business and that's the  
19 reason why he rarely signs any checks.

20 MR. ALBERTI: Okay. I asked you the  
21 question. You -- you just told me that your brother at  
22 one time could sign checks for this business; is that

1 correct?

2 MR. AYALA: Yes. Yes. Very rarely unless I  
3 am not there and he just happens to be there.

4 MR. ALBERTI: So your brother can sign  
5 checks for this business?

6 MR. AYALA: I included him because I am not  
7 always there and I was sick for a while.

8 MR. ALBERTI: So today he can legally sign  
9 checks for this business?

10 MR. AYALA: I included him, but I never got  
11 him out of the account. He just stayed there.

12 MR. ALBERTI: I have no further questions  
13 right now.

14 CHAIRPERSON ANDERSON: Any other questions?  
15 Yes, Ms. Miller.

16 MS. MILLER: Good afternoon, Mr. Ayala. I  
17 just want to follow up. Is your brother in any account  
18 where he can receive checks?

19 MR. AYALA: When he has to sign he has to be  
20 there.

21 MS. MILLER: Okay. Do you have an account  
22 with your name as well as his name on it for -- for

1 checks that are paid out to you?

2 MR. AYALA: Payment for us, no.

3 MS. MILLER: Can he deposit checks?

4 MR. AYALA: Unless I ask him to do make the  
5 deposit on my account.

6 MS. MILLER: Okay. How many employees do  
7 you have?

8 MR. AYALA: It's just me and my  
9 sister-in-law.

10 MS. MILLER: Okay. And how is your  
11 sister-in-law paid?

12 MR. AYALA: Right now we are working to --  
13 to get the business going so there are no payments.  
14 We're only investing in the business. She has another  
15 job.

16 MS. MILLER: Okay. How long have you been  
17 in business?

18 MR. AYALA: It is four years ago.

19 MS. MILLER: Four years. And have you made  
20 a profit in the four years?

21 MR. AYALA: The very little we have had have  
22 been reinvested.

1 MS. MILLER: Reinvested. Okay. Okay.

2 Thank you.

3 MR. ALBERTI: May I ask Mr. Kline a  
4 question?

5 CHAIRPERSON ANDERSON: Go ahead,  
6 Mr. Alberti.

7 MR. ALBERTI: So, Mr. Kline, are you  
8 familiar at all with your clients -- the -- the status  
9 of the checking account your client referred to, who are  
10 the signatories, who are the co-account holders and the  
11 like?

12 MR. KLINE: No, I'm not. But I would  
13 represent to the Board that after this hearing I will  
14 assure that if Teofilo is on the account, that -- that  
15 he is removed.

16 MR. ALBERTI: Can we get copies of the  
17 current bank -- bank documents showing who the co-owners  
18 are and who -- I -- forget the words, but there are  
19 people who are allowed to sign.

20 MR. KLINE: Signatories.

21 MR. ALBERTI: Pardon? Sign signature --  
22 sign for it but aren't co-owners, and there's a

1 difference. So I'd like to see all of the bank  
2 documents that reflect who has the authority to sign,  
3 who has -- who are the co-owners, and the date of those  
4 documents. I would like to see the copies of originals  
5 if you could supply those [inaudible 35:45].

6 MR. KLINE: We'll endeavor to get copies of  
7 all signature cards I think is what we're looking for.  
8 Signature cards from the bank and any authorizations.

9 MR. ALBERTI: Yeah, the corporate  
10 authorizations that normally get done with -- with  
11 banks.

12 MR. KLINE: The banks vary in terms of what  
13 they require, but we'll get --

14 MR. ALBERTI: They vary -- they vary I know,  
15 but they all have something. I've been through this  
16 with several banks, they all have something. So  
17 there's -- there's probably two or three documents that  
18 they will have signed.

19 MR. KLINE: We'll get you whatever --

20 MR. ALBERTI: We'd like copies of those.

21 MR. KLINE: Of course. We'll get you  
22 whatever there is.

1 MR. ALBERTI: Thank you.

2 MR. KLINE: I just -- I do want to clarify  
3 one thing in terms of The Articles of Organization my  
4 office did not do these just so The Board is clear on  
5 that.

6 MR. ALBERTI: I'm not surprised, Mr. Kline.  
7 I -- I -- I think your client was a bit confused. So  
8 that's fine.

9 MR. KLINE: Okay. And number two, the  
10 registered agent is -- is a corporation.

11 MR. ALBERTI: Which is -- which has a --  
12 whose owner has a name the same last name of the Ayala  
13 brothers.

14 MR. KLINE: I suspect that it's Nelson Ayala  
15 who is a well-known accountant.

16 MR. ALBERTI: Although, that's their  
17 accountant also?

18 MR. KLINE: Right. He's the accountant.

19 MR. ALBERTI: That's -- but that's --

20 MR. KLINE: Nelson is -- is well-known  
21 [inaudible 36:57].

22 MR. ALBERTI: Yeah. Right. Right. Right.

1 Yeah.

2 MR. KLINE: He's very well-known.

3 MR. ALBERTI: Fine. And that's fine.

4 That's fine. I don't really care who it is.

5 MR. KLINE: No, I understand that.

6 MR. ALBERTI: That wasn't the point of my  
7 question.

8 MR. KLINE: But I -- and I do prefer that my  
9 office is registered agent to some 300-plus LLCs and  
10 corporations.

11 MR. ALBERTI: And I get that.

12 MR. KLINE: And many, many, many of our  
13 clients have no idea who the registered agent is.

14 MR. ALBERTI: Well, I would, but I would be  
15 curious as to why a licensee doesn't know the name of  
16 the corporation. But you can take that for what it's  
17 worth, Mr. Kline.

18 MR. KLINE: I understand that. I understand  
19 that.

20 CHAIRPERSON ANDERSON: Any other questions  
21 by any of the board members? Yes, Ms. Miller.

22 MS. MILLER: And maybe you would be saying

1 this anyway, but I just wanted to be clear before we end  
2 this hearing what Mr. Kline might be submitting into our  
3 record. I mean it sounds like the documents that  
4 Mr. Alberti asked for regarding signature cards and  
5 other information about accounts. And then is it  
6 also -- I'm under the impression that after speaking  
7 with them you -- you think that they probably have mixed  
8 things improperly or not in total accord with the  
9 law or whatever. And you mentioned -- so you can  
10 correct me if I'm wrong, but I think you mentioned ways  
11 in which you were going to tell them that they need to  
12 correct things in the future.

13 MR. KLINE: I've done that, and I'm -- now  
14 I'm only almost sorry that I -- I used the word sloppy  
15 because it seems to have transcended the -- what I  
16 intended to convey. I don't believe that the paperwork  
17 has been sloppy [inaudible 39:48]. But I think in terms  
18 of representations and -- and just familiarity and  
19 Teofilo hung out there because his wife is there. And I  
20 just think they were -- you know, to tell an  
21 investigator or to tell anybody that I'm the owner when  
22 in fact they're not the owner and there's no documents

1 that reflect that they're owner -- that they're the  
2 owner is sloppy. I mean -- and that's all I intended to  
3 convey. I didn't mean that their -- their recordkeeping  
4 is sloppy. As I previously represented the Ayalas'  
5 brother is an accountant. They rely on him for that.  
6 He's quite reputable and well-known. So I wasn't  
7 implying any of that. But we will get to the bottom.  
8 We're here to satisfy The Board. And I met with them  
9 and made sure that they were clear as to what the  
10 requirements are. And I'm comfortable and The Board  
11 needs to be comfortable that they understand what the  
12 requirements are.

13 MS. MILLER: Okay. I -- I guess my question  
14 goes to whether they were doing certain things that they  
15 didn't realize -- that they just didn't realize they  
16 should be doing. For instance that one of the brothers  
17 shouldn't have been listed as the contact information  
18 person. So that may be changed. Okay. Thank you.

19 MR. KLINE: And I've instructed them to do  
20 that, to contact Washington Wholesalers and let them  
21 know that he is not the contact person.

22 MS. MILLER: Okay.

1 MR. KLINE: Any inquiries should go through  
2 Jose or the ABC licensed manager.

3 MS. MILLER: Okay. Thank you.

4 CHAIRPERSON ANDERSON: Mr. Brashears, are  
5 there any questions that you have that you want to ask?

6 MR. BRASHEARS: I have one question. There  
7 was a -- there's a phone number that was listed on the  
8 contact information, cell phone on Washington Wholesale  
9 and on the ABRA application, 202-403-1851. I'm curious  
10 as to whose phone number that was. Was it Teofilo's or  
11 was it Jose's.

12 MR. KLINE: 403-1851. That's --

13 MR. AYALA: That's Teofilo's.

14 MR. KLINE: -- Teofilo's.

15 MR. BRASHEARS: And we also have a -- a  
16 e-mail address of teo3568@gmail.com on the ABRA  
17 application. I'm assuming that's Teofilo's as well.

18 MR. AYALA: Can you please repeat that.

19 MR. BRASHEARS: On the ABRA application that  
20 was submitted for the establishment there's an e-mail  
21 address listed as teo3568@gmail.com.

22 MR. AYALA: I think that is his.

1 MR. BRASHEARS: His -- his --

2 MR. AYALA: I don't have that e-mail.

3 MR. BRASHEARS: Okay. So we would -- we  
4 would probably want to get those -- those things  
5 corrected in ABRA records as well to reflect the correct  
6 owner.

7 MR. KLINE: Jose advises me he doesn't use  
8 e-mail. So we'll just delete it, and that's probably  
9 why it wasn't used there.

10 MR. BRASHEARS: That's all, sir.

11 CHAIRPERSON ANDERSON: Mr. Jose Ayala, just  
12 speaking for myself I'm just as confused as I was in our  
13 last hearing. So to bring some clarity to this matter  
14 can you tell us what is going on with this business and  
15 actually who owns this business in your own words, sir.

16 MR. AYALA: I am the owner.

17 CHAIRPERSON ANDERSON: Now, what does that  
18 mean that you're the owner, sir? What does that mean?

19 MR. AYALA: I am the -- I am who make  
20 decisions. I am who gives the orders for things to be  
21 done.

22 CHAIRPERSON ANDERSON: And what role if any

1 does Mr. -- what role if any in your business does  
2 Mr. Teofilo Ayala place?

3 MR. AYALA: All it is is that I ask him to  
4 help me when I cannot do something down there.

5 CHAIRPERSON ANDERSON: Does he -- do you  
6 understand why The Board is concerned about the true  
7 owner of this establishment?

8 MR. AYALA: Yes.

9 CHAIRPERSON ANDERSON: So why -- why -- why  
10 does he think The Board is concerned about the true  
11 owner of the establishment?

12 MR. AYALA: Due to the confusion that was --  
13 was had before.

14 CHAIRPERSON ANDERSON: And I'm new to this  
15 process, sir. No. I'm just making a statement to him  
16 that I'm -- I'm new to this process. And normally when  
17 an owner comes in front of me it's clear to me that  
18 they're the owner. And I'm not sure if this is part of  
19 your -- your personality, that you don't speak much.  
20 But you're not giving me -- you're not giving me a good  
21 feeling in a sense of the explaining your role to me.  
22 And one of the reasons why we had asked for an

1 interpreter is in the last hearing that your brother was  
2 speaking for you. And still at this hearing you're not  
3 speaking for yourself at least in my view anyway. And I  
4 need you to convince me -- I need you to convince me  
5 that you're the real owner, and you're leaving me still  
6 wondering because I don't know if it's a language  
7 barrier -- I -- or it's just you're just a man of few  
8 words. So which one is it?

9 MR. AYALA: I don't speak much. But I've  
10 been answering all that has been asked of me.

11 CHAIRPERSON ANDERSON: All right, sir. I --  
12 I think I would -- I would accept the one that you said  
13 I'm a man of a few words, and I will take that better.

14 MR. AYALA: All right.

15 CHAIRPERSON ANDERSON: If there are no other  
16 questions by any of the board members if you need to  
17 make any final -- final statements, this is your  
18 opportunity to. If not, I'll end the hearing.

19 MR. KLINE: Just very briefly as I said at  
20 the outset and I think I've said throughout the hearing  
21 this is a close-knit family. They own lots of  
22 businesses. Nelson Ayala has been in and out

1 businesses. Teofilo has been in and out of businesses  
2 and indeed has a restaurant business which is why we're  
3 here. Jose has worked in the hospitality business not  
4 necessarily in the liquor store business. It is true  
5 that his brother has been his benefactor and helped him  
6 get into this business and was instrumental in getting  
7 him into this business. There isn't any question about  
8 that, we don't dispute that, we don't deny it. The  
9 issue is whether Teofilo has an ownership interest and  
10 not necessarily what he told someone. And from a legal  
11 standpoint he does not in terms of what the documents  
12 show, the way the money flows. The one issue which is  
13 concerning and I think The Board has expressed concern  
14 about is decision-making. And as I indicated earlier  
15 that's been an issue where -- where cleaner lines need  
16 to be drawn. And I think that they both understand that  
17 at this point, and I think they will do that. We will  
18 look at the bank accounts. We will get you what records  
19 are there along with anything else that The Board may  
20 want. But we will also assure to the extent that  
21 Teofilo Ayala has any signature authority over those  
22 accounts that shall be terminated. And I will talk with

1     them again and make sure that they are clear as to what  
2     the requirements are. Because whether Jose has a strong  
3     personality or not, whether we look at him as a -- as a  
4     business owner that might typically come before The  
5     Board, none of that's really the issue. The issue is  
6     compliance with the law. And the way I understand the  
7     law that means that Teofilo Ayala as an owner of another  
8     licensee can't share in the profits, can't have the risk  
9     of loss, can't get the profits, and shouldn't be the  
10    person making decisions. And I think those are really  
11    the -- the aspects of ownership when one talks about  
12    ownership. I'm not aware of anything beyond that. And  
13    as long as there is observance of that then I believe  
14    that the licensee would be in compliance.

15                   CHAIRPERSON ANDERSON: Well, and again just  
16    speaking for myself as one board member, Mr. Kline, I  
17    am -- I am familiar with the concept of piercing the  
18    corporate veil, and I am concerned. And I think that's  
19    one of the issues, one of the reasons why I need this  
20    applicant -- this owner to speak up because if someone  
21    is always -- if you're an owner of an establishment and  
22    someone else is always speaking for you, then it's --

1 that doesn't leave me with confidence that you're the  
2 true owner of the business. Okay. The documents can  
3 say -- and this is -- I'm just speaking for myself and  
4 for my concern. The documents can say one thing, but  
5 then when we're asking questions it's saying something  
6 else. I think one of the questions that Board Member  
7 Alberti asked it's what is the name of your business?  
8 You provide us the articles of incorporation for  
9 business, and the name of the business is I think  
10 limited.

11 MR. ALBERTI: 622 (sic) Georgia Avenue LLC.

12 CHAIRPERSON ANDERSON: 622 (sic) Georgia  
13 Avenue LLC. Now, I might not remember who my registered  
14 agent is, but I should know the name of my business,  
15 it's my business. My lawyer might have told me a name,  
16 but it's my business. I should know the name of my  
17 business. I know it -- it's not Victor Liquor license.  
18 I mean I've owned this business for four years so you  
19 need to tell me the name of your business. I  
20 understand -- I might forget who the registered agent  
21 is. So that -- I'm fine with that. But at a minimum  
22 you need to know the name of your business and you need

1 to tell me with confidence that this is -- this is what  
2 it is. And I don't know what decision I'm going to  
3 make, but that's one of the reasons why I'm giving him  
4 an opportunity to clearly satisfy me. I am the newest  
5 member of The Board. I do not have -- I'm not familiar  
6 with this business. So this is a first impression for  
7 me. Therefore, you need to convince me and answer the  
8 questions that I have so when I leave here today it's  
9 like you know what, I'm comfortable, I can go try to  
10 convince my other board members to say, you know, I  
11 think that I'm comfortable with the explanation. But I  
12 don't know where I am. I'm just letting you -- I'm just  
13 putting it there.

14 MR. BRASHEARS: Yes, sir. I think one of  
15 the -- as you know its been pointed out all the  
16 documentation that we have shows ownership to belong to  
17 Jose. Probably the -- the most direct and easiest way  
18 to -- to show ownership would be the bank records. Bank  
19 records or maybe even, you know, tax records basically  
20 showing where the money from the business is -- is  
21 going. The other concern I had -- and -- and I  
22 understand it was maybe how you were -- were wrapping

1 things up, you know, you acknowledged that there were  
2 like issues and whatnot and they were going to be  
3 cleaned up. But -- but in stating that I mean are --  
4 are you stating the position as far as the establishment  
5 is? There were rules that were violated or maybe  
6 Mr. Teofilo was acting as the owner and now we're going  
7 to clean that up or I mean --

8 MR. KLINE: No. The only facts we have are  
9 the facts that have been adduced today where Mr. Teofilo  
10 told you that he was the owner. And -- and as I've said  
11 I mean someone who's the owner -- who's not the owner  
12 telling someone else they're the owner is -- is not a  
13 way to proceed. I mean that's not appropriate. And  
14 that's been made clear, and that won't happen again.  
15 I'm not suggesting that there's any more to it than that  
16 at this point. What I know is what you've heard on the  
17 record today. And as I said before we acknowledge that  
18 Teofilo has -- has -- was involved in setting the  
19 business up and helped his brother get into business as  
20 many, many family members do. And whether he's --  
21 whether he's a strong personality or a strong business  
22 owner is not really the issue. The issue is whether

1 there's a violation of law. And if there's no violation  
2 of the statute, what somebody feels in terms of whether  
3 somebody sounds like an owner or seems like an owner  
4 that's not the law. And we're here to apply the law,  
5 not to apply what -- what people feel or what they  
6 think, only based upon what the law is and holding it up  
7 against a legal standard.

8 CHAIRPERSON ANDERSON: Well, all I said --  
9 as I said, Mr. -- Mr. Kline -- and I graduated from law  
10 school 30 years ago and I remember I took one class,  
11 piercing the corporate veil that folks -- folks will use  
12 a corporation to cover who the true owners are. And so  
13 I'm just -- and again I'm speaking for myself. We have  
14 all the papers -- we have all the papers, and the papers  
15 look nice. But having a conversation and asking the  
16 question is -- it might say something else. And as I  
17 said to you before when we were here the last time I  
18 asked some specific -- both brothers were sitting in  
19 front of me, and there is not one question that I asked  
20 Mr. Jose Ayala that he answered. His brother answered  
21 every question that I asked. And I kept on saying to  
22 him if you are the owner, sir, I need you to speak and

1 say something, I don't need your brother to speak for  
2 you. And so therefore we will bring a translator so you  
3 can speak for yourself. And that's -- that's what  
4 happened the last time.

5 MR. KLINE: Right. Jose --

6 CHAIRPERSON ANDERSON: I specific -- right.

7 MR. KLINE: But today every -- every  
8 question's been answered by a translator.

9 CHAIRPERSON ANDERSON: Yeah. But no, sir.

10 MR. KLINE: Oh, okay.

11 CHAIRPERSON ANDERSON: Today all the  
12 questions -- and I said to you you are his attorney  
13 making the representations, and I'm fine with that. And  
14 that is your job, attorneys make representation. I'm  
15 fine with that. But at the same time if one believe  
16 that The Board is concerned about the actual owner of  
17 this establishment, then you need to be more assertive.  
18 And that's again I'm speaking for myself. You need to  
19 be more assertive to put into -- to lay -- whatever  
20 concerns The Board has, that you lay it -- just don't  
21 say I'm the owner and I'm the owner, I'm the owner and  
22 that's what it is. Because you're still leaving The

1 Board -- and based on the questions that are asked by  
2 the board members you're still leaving The Board in a  
3 position. Even the investigator is still having the  
4 same problem from -- based on questions that they're  
5 asking. And that's all I'm saying to you. I'm not --  
6 hold on one minute. I'm not saying that I don't believe  
7 you. I'm just saying that I -- when I -- I don't ask a  
8 lot of questions when I sit here. I listen to my other  
9 board members and I listen. And so -- and I -- I still  
10 have questions. And so that's one of the reasons why  
11 I'm saying, you know, I'm giving you an opportunity.  
12 Answer my questions and make me feel comfortable so  
13 therefore when -- when we go back there and talk about  
14 it my other board members are saying this, and I can  
15 say, you know, based on my satisfaction I'm comfortable  
16 with it. But anyway, I see Mr. Silverstein has a  
17 question, and then we'll close the subject as we have  
18 another hearing.

19 MR. SILVERSTEIN: Mr. Chairman, you say you  
20 speak only for yourself. You speak for me as well. The  
21 concern is not whether the law is being broken, but  
22 rather what the law itself says, the statute is true and

1 actual owner, and this what we seek to determine. And  
2 it is a at times difficult thing to determine, and we  
3 will do our best.

4 MR. KLINE: I'd like to say a couple things  
5 in response to what's been said. I do a lot of -- a  
6 fair amount of corporate law or organizational law.  
7 Ownership has several indices and there are about really  
8 four; risk of loss, prospect of gain, decision-making,  
9 and who gets it in the event of a liquidation. I mean  
10 those are the issues when you talk about ownership. And  
11 it's not -- not well, who do we think's making the  
12 decisions. That's not ownership from a legal  
13 standpoint. Chairman Anderson, you talk about piercing  
14 the corporate veil. I don't remember much from law  
15 school 30 years ago, that's about when I went too. But  
16 I practice and I practice in this area. Piercing the  
17 corporate veil requires a very strong showing and there  
18 must be an utter disregard of the corporate formalities  
19 in order for one to pierce the corporate veil. We don't  
20 have that here. So I don't know how that's relevant.  
21 Piercing the corporate veil is a situation where one  
22 treats the corporation as their own. They co-mingle all

1 the funds, they don't really care that there's a  
2 corporation. That is when you have a piercing the  
3 corporate veil situation. In this situation it appears  
4 based on everything that you've heard all of the legal  
5 formalities have been complied with. I understand The  
6 Board's concerns and I understand from a practical  
7 standpoint these gentlemen have not been as careful as  
8 they should be given the prescriptions in the law. The  
9 Board has faced these situations before and The Board  
10 has said let's just make sure going forward that you're  
11 clear in terms of what you can do and what you can do,  
12 and don't be involved in each other's businesses. And  
13 if we find that, we're going to -- we're going to do a  
14 show cause. That's what's been done in the past. And I  
15 would suggest that there aren't any facts greater in  
16 this situation than there have been in the previous  
17 cases where anything more than that is warranted.

18 CHAIRPERSON ANDERSON: Thank you for your  
19 representation, Mr. Kline.

20 MR. KLINE: Thank you.

21 CHAIRPERSON ANDERSON: All right. All  
22 right. If there is nothing further, we'll take this

1 matter under advisement. Okay?

2 MR. KLINE: Thank you.

3 CHAIRPERSON ANDERSON: Thank you.

4 MR. KLINE: And again, we will -- we'll get  
5 the bank records. If in The Board's discussion there's  
6 anything else that is wanted from the licensee, we  
7 certainly will cooperate and see if we can provide it.

8 MR. ALBERTI: Mr. Kline, would you agree or  
9 disagree that it is great pause for concern with  
10 Mr. Teofilo -- Mr. Teofilo Ayala is a co-owner of that  
11 bank account?

12 MR. KLINE: Co-owner?

13 MR. ALBERTI: Yeah.

14 MR. KLINE: You're going to make me talk  
15 legal because that's the only way I know how to talk.

16 MR. ALBERTI: Yeah, please.

17 MR. KLINE: The ownership of the bank  
18 account --

19 MR. ALBERTI: You won't go over my head. I  
20 trust you.

21 MR. KLINE: I'm not talking over your head.  
22 I never think I'm doing that, let me be clear.

1 MR. ALBERTI: All right.

2 MR. KLINE: The owner of the bank account  
3 presumably -- and again I don't know -- but presumably  
4 is the limited liability company. So when you talk  
5 about ownership if they took the right papers to the  
6 bank, the bank would have been opened up in the name of  
7 the LLC.

8 MR. ALBERTI: Right.

9 MR. KLINE: The LLC owns the bank account.

10 MR. ALBERTI: Right.

11 MR. KLINE: So when you say if he's the  
12 co-owner, I'm not really sure what we're referring to.

13 MR. ALBERTI: Well, let's see -- okay.  
14 Well, let's see what the bank -- let's see what the bank  
15 statement -- what the bank documents say.

16 MR. KLINE: If he has signatory authority,  
17 then the question -- the -- the serious question that  
18 arises is well, did he make decisions? And -- and just  
19 because he signed -- even if he signed checks if he  
20 wasn't making the decisions concerning -- I mean people  
21 sign checks in my office, but they don't make decisions.

22 MR. ALBERTI: Mr. Kline, there's another

1 level of -- there's another level of authority over  
2 accounts.

3 MR. KLINE: I beg your pardon.

4 MR. ALBERTI: There's another level of  
5 authority over accounts, I mean who can close an  
6 account, who can change the signatories, that sort of  
7 thing. That's another level. So I want to see what the  
8 bank has to say about that.

9 MR. KLINE: We'll give you whatever we can  
10 get from the bank I assure you.

11 MR. ALBERTI: Thank you.

12 CHAIRPERSON ANDERSON: All right. Thank you  
13 very much.

14 MR. KLINE: If you want anything else, we'll  
15 get you that too. Thank you.

16 CHAIRPERSON ANDERSON: Thank you. You know  
17 what, we'll start the -- we'll start the hearing at  
18 3:00.

19 (Whereupon the above-entitled matter was  
20 concluded.)

21 [Off the record at 2:52 p.m.]

22