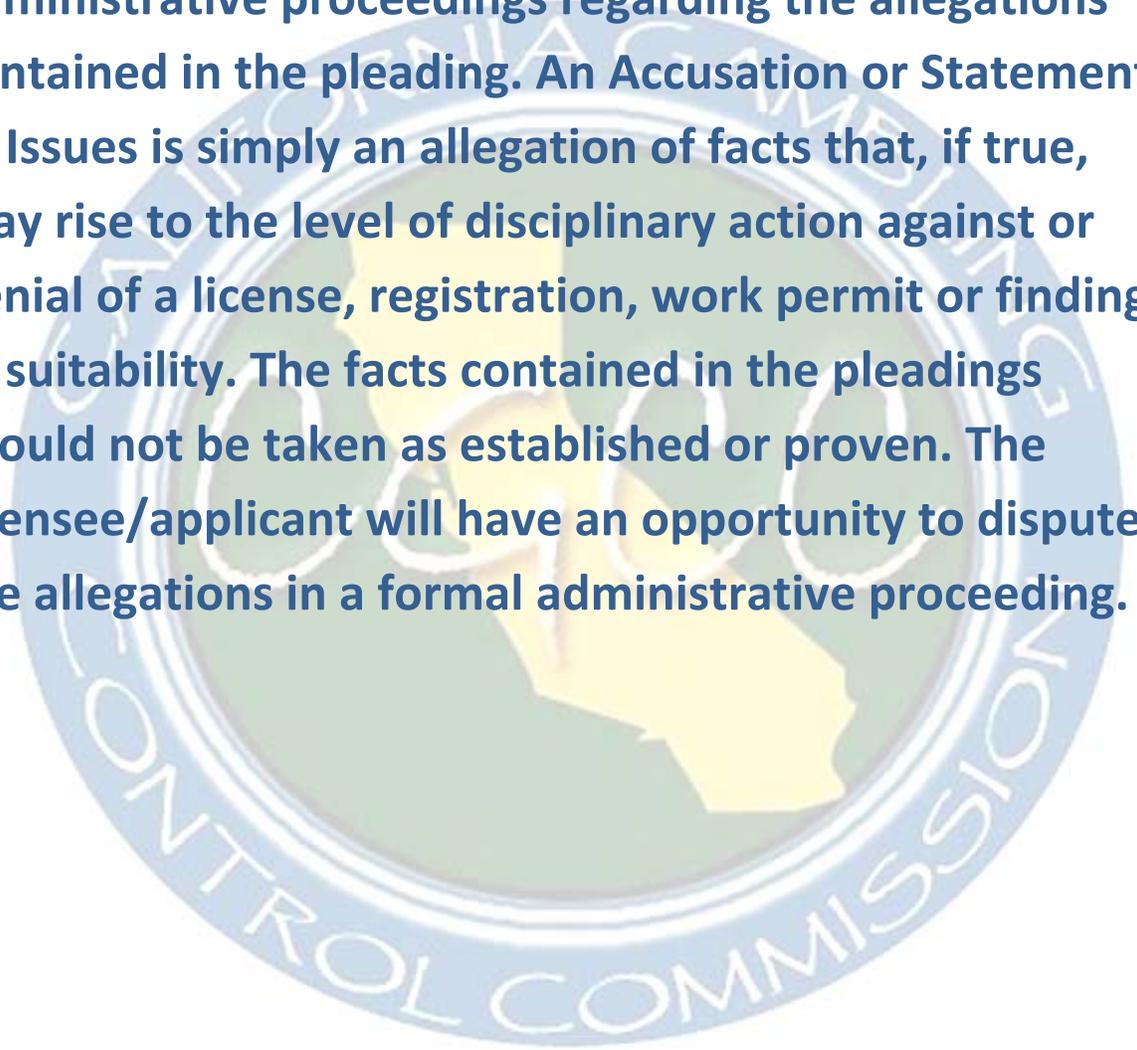


The Commission is providing a copy of this disciplinary pleading (Accusation, or Statement of Reasons, Statement of Particulars, or Statement of Issues) so the public is as informed as possible of pending administrative proceedings regarding the allegations contained in the pleading. An Accusation or Statement of Issues is simply an allegation of facts that, if true, may rise to the level of disciplinary action against or denial of a license, registration, work permit or finding of suitability. The facts contained in the pleadings should not be taken as established or proven. The licensee/applicant will have an opportunity to dispute the allegations in a formal administrative proceeding.



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10
11 **BEFORE THE**
12 **GAMBLING CONTROL COMMISSION**
13 **STATE OF CALIFORNIA**
14

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

BGC Case No. BGC- HQ2016-00003AC

16 **STANLEY S. PENN (GEOW-002251), doing**
17 **business as LUCKY LADY CARD ROOM**
18 **(GEGE-000950)**

ACCUSATION

19 5526 El Cajon Boulevard
San Diego, CA 92115
20

21 Complainant alleges as follows:

22 **PARTIES**

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

26 2. Lucky Lady Card Room (Lucky Lady) is A licensed gambling establishment,
27 California State Gambling License Number GEGE-000950. It is an 11-table card room
28 presently operating at 5526 El Cajon Boulevard, San Diego, California. Respondent Stanley S.

1 Penn (Respondent), license number GEOW-002251, is endorsed on Lucky Lady's license. He
2 is the sole proprietor of, and does business as, Lucky Lady.

3 3. The California Gambling Control Commission (Commission) issued the above-
4 described licenses, which will expire on November 30, 2017.

5 **SUMMARY OF THE CASE**

6 4. The Gambling Control Act (Act) is an exercise of the state's police power for the
7 protection of the health, safety, and welfare of the people of the State of California. The
8 Legislature acknowledges that the public trust requires comprehensive measures to ensure that
9 gambling is free from criminal or corruptive elements. This proceeding seeks the revocation of
10 Respondent's license and the imposition of fines and penalties as allowed by law. Because
11 Respondent's continued licensing undermines the public trust that gambling does not endanger
12 public health, safety, and welfare, Respondent is not suitable for continued licensure under the
13 Act and regulations adopted pursuant thereto. Respondent's associations and arrest pose a
14 threat to the state's public interest and create or enhance the dangers of unsuitable and illegal
15 practices. Additionally, Respondent ostensibly ceded Lucky Lady's management and control to
16 an unlicensed entity and, when questioned about that, provided false or misleading information
17 to the Bureau regarding the employment and duties of Lucky Lady's general manager.
18 Respondent's continued licensure is inimical to the public health, safety, and welfare.

19 **JURISDICTION AND COST RECOVERY**

20 5. The Commission has jurisdiction over the operation and concentration of
21 gambling establishments and all persons and things having to do with operation of gambling
22 establishments. (Bus. & Prof. Code, § 19811, subd. (b).)¹ The Act tasks the Bureau with,
23 among other responsibilities, investigating suspected violations of the Act and initiating
24 disciplinary actions. (Bus. & Prof. Code, §§ 19826, subds. (c) & (e) & 19930, subd. (b).) Upon
25 the Bureau filing an accusation, the Commission proceeds under Government Code section
26 11500 et seq. (Bus. & Prof Code, § 19930, subd. (b); see Cal. Code Regs., tit. 4, § 12554, subd.

27 ¹ The statutes and regulations applicable to this Accusation are quoted in pertinent part
28 in Appendix A.

1 (a.) The Commission's disciplinary powers include, among other things, revocation and
2 imposition of a fine or monetary penalty. (Cal. Code Regs., tit. 4, § 12554, subd. (d).)

3 6. In a matter involving revocation, the Bureau may recover its costs of
4 investigation and prosecuting the proceeding. (Bus. & Prof. Code, § 19930, subd. (d).)

5 **INDICTMENT AND EMERGENCY ORDER**

6 7. On July 22, 2016, the United States unsealed an indictment against, among
7 others, Respondent. On that same date, he was arrested. The United States charges Respondent
8 with participation in a racketeering conspiracy under the Racketeer Influenced and Controlled
9 Organizations Act of 1970 (RICO) (18 U.S.C. § 1962(d)) and an illegal gambling business (18
10 U.S.C. § 1955). As a predicate for these charges, the United States alleges, among other things,
11 bookmaking in violation of Penal Code section 337a. The United States issued a press release
12 that was reported in the San Diego media.

13 8. On August 30, 2016, Complainant issued an emergency order to Respondent
14 pursuant to Business and Professions Code section 19931. That emergency order established
15 conditions for Lucky Lady's continued operation.

16 **FIRST CAUSE FOR DISCIPLINE**

17 **(Unqualified for Continued Licensure)**

18 9. Respondent's gambling license is subject to revocation pursuant to Business and
19 Professions Code sections 19823 and 19857, subdivisions (a) and (b), and California Code of
20 Regulations, title 4, section 12568, subdivision (c)(3). Respondent's continued licensure is
21 inimical to public health, safety, and welfare. Also, Respondent is not a person of good
22 character, honesty, and integrity. Further, Respondent's prior activities and associations pose a
23 threat to the effective regulation and control of controlled gambling, and create or enhance the
24 dangers of unsuitable, unfair, or illegal practices, methods, and activities in carrying on the
25 business and financial arrangements incidental to the conduct of controlled gambling.

26 Respondent's conduct in his dealings with the Commission and the Bureau demonstrate that he
27 is unqualified for licensure. The factual basis for revocation includes, among other things, the
28 following:

1 a. On July 22, 2016, the United States unsealed an indictment against,
2 among others, Respondent. On that same date, he was arrested. The United States
3 charges Respondent with participation in a racketeering conspiracy under RICO and an
4 illegal gambling business. As a predicate for these charges, the United States alleges,
5 among other things, bookmaking in violation of Penal Code section 337a. Respondent
6 associated with persons, who are alleged in the indictment to be bookmakers.

7 b. Seven months earlier, on December 9, 2015, the United States unsealed
8 an indictment against 27 other defendants, including the owner of the only other
9 gambling establishment in San Diego. The United States charged the defendants there
10 with, among other things, violations of the Bank Secrecy Act arising out of, or
11 associated with, a bookmaking operation. Respondent associated with some of the
12 persons, who were named in the indictment that was unsealed on December 9, 2015.

13 c. In connection with his 2015 license renewal application, Respondent, for
14 the first time, submitted to the Bureau a copy of a services agreement, which was
15 already in effect and which was dated March 10, 2014. That agreement provided for a
16 corporation to "provide all management and daily operations of the Lucky Lady." Even
17 though it was owned by Lucky Lady's general manger, the corporation was and is not
18 licensed under the Act. The previously undisclosed agreement literally ceded
19 management and control of Lucky Lady to an unlicensed entity.

20 SECOND CAUSE FOR DISCIPLINE

21 (Supplying Untrue or Misleading Material Information to the Bureau)

22 10. Respondent's gambling license is subject to revocation pursuant to Business and
23 Professions Code sections 19823, 19857, subdivisions (a) and (b), and 19859, subdivisions (a)
24 and (b), and California Code of Regulations, title 4, section 12568, subdivision (c)(3) and (4).
25 Respondent's continued licensure is inimical to public health, safety, and welfare. Respondent
26 is not a person of good character, honesty, and integrity. His prior activities and associations
27 pose a threat to the effective regulation and control of controlled gambling, and create or
28 enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in

1 carrying on the business and financial arrangements incidental to the conduct of controlled
2 gambling. Respondent breached his duty of full and true disclosure to the Commission and the
3 Bureau. Respondent supplied information that was untrue or misleading as to a material fact
4 pertaining to the qualification criteria.

5 11. The services agreement between Respondent and the unlicensed corporation
6 provided for monthly payments that were nearly equal to the annual median household income
7 for California (approximately \$62,000 annually in 2014) and that substantially exceeded
8 payments made to general managers of other card rooms of similar size. In response to the
9 Bureau's inquiries regarding whether the general manager, through her unlicensed entity, was
10 an independent contractor over whom Respondent did not, and could not, exercise control or an
11 employee for whom certain tax and other payments would be required, Respondent's
12 designated agent wrote that "Mr. Penn simply chooses to let [the general manager] do the 'grunt
13 work'." The designated agent's response was made on Respondent's behalf and intended to
14 influence both the Bureau and the Commission with respect to qualification matters. The
15 response showed, among other things: (i) the service agreement's provision for, and
16 denomination of, services was untrue or misleading; (ii) Respondent was classifying an
17 employee as an independent contractor which was untrue or misleading; (iii) Respondent was
18 paying an unlicensed entity substantial monies for insubstantial services characterized as "grunt
19 work"; or (iv) in view of the service agreement's terms and conditions, Respondent's
20 designated agent's response was untrue or misleading.

21 **THIRD CAUSE FOR DISCIPLINE**

22 **(Failure To Reveal to the Bureau a Fact Material to Qualification)**

23 12. Respondent's gambling license is subject to revocation pursuant to Business and
24 Professions Code sections 19823, 19857, subdivisions (a) and (b), and 19859, subdivisions (a)
25 and (b), and California Code of Regulations, title 4, section 12568, subdivision (c)(3) and (4).
26 Respondent's continued licensure is inimical to public health, safety, and welfare. Respondent
27 is not a person of good character, honesty, and integrity. His prior activities and associations
28 pose a threat to the effective regulation and control of controlled gambling, and create or

1 enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in
2 carrying on the business and financial arrangements incidental to the conduct of controlled
3 gambling. Respondent breached his duty of full and true disclosure to the Bureau. Respondent
4 failed to reveal to the Bureau a fact material to qualification.

5 13. From at least March 10, 2014, until submitting his 2015 license renewal
6 application, Respondent failed to reveal to the Bureau the services agreement by which he
7 literally ceded management and control of Lucky Lady to an unlicensed entity. Respondent
8 failed to reveal that an unlicensed entity was empowered to make discretionary decisions that
9 regulated, managed, and controlled, and exercised significant influence over, Lucky Lady's
10 gambling operations.

11 FACTORS IN AGGRAVATION

12 14. In considering the penalty in this matter, the Commission may take into account
13 Respondent's previous disciplinary history. (Cal. Code Regs., tit. 4, § 12556, subd. (h).) On
14 November 7, 2011, Respondent was served with an accusation in the case of *In the Matter of*
15 *the Accusation Against: Stanley Penn, et al.* (OAH No. 2011111047; BGC Case No. HQ2011-
16 0001AC). On August 29, 2012, the Commission approved a Stipulated Settlement; Decision
17 and Order (Order).² Therein Respondent admitted that he had failed to establish and implement
18 applicable standards for the functioning of the cage at Lucky Lady. He also admitted that the
19 cage was operated and/or maintained in an unsuitable manner. The indictment unsealed on July
20 22, 2016, alleges, among other things that Respondent gave the RICO co-conspirators access to
21 Lucky Lady's cage, a RICO co-conspirator managed Lucky Lady's cage, and cash from
22 unlawful sports betting was held in Lucky Lady's cage.

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27 ² The Order is available on the Commission's website at
28 http://www.cgcc.ca.gov/documents/adminactions/decision/GEGE-000950_decision.pdf.

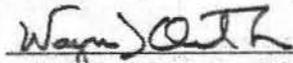
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PRAYER

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

1. Revoking California State Gambling License Number GEGE-000950, issued to Lucky Lady Card Room;
2. Revoking California State Gambling License Number GEOW-002251, issued to Respondent Stanley S. Penn;
3. Imposing fines or monetary penalties against Respondent, according to proof and to the maximum extent allowed by law;
4. Awarding Complainant the costs of investigation and costs of bringing this Accusation before the Commission, pursuant to Business and Professions Code section 19930, subdivisions (d) and (f), in a sum according to proof; and
5. Taking such other and further action as the Commission may deem appropriate.

Dated: August 30, 2016



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

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

4 4. Business and Professions Code section 19825 provides:

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

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

12 The department³] . . . shall have all of the following responsibilities:

13 * * *

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

16 * * *

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

22 6. California Code of Regulations, title 4, section 12554 provides, in part:

23 (a) Upon the filing with the Commission of an accusation by the
24 Bureau recommending revocation, suspension, or other discipline of a
25 holder of a license, registration, permit, finding of suitability, or approval,
26 the Commission shall proceed under Chapter 5 (commencing with section
27 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

28 * * *

(d) Upon a finding of a violation of the Act, any regulations adopted
pursuant thereto, any law related to gambling or gambling establishments,
violation of a previously imposed disciplinary or license condition, or laws
whose violation is materially related to suitability for a license,

³ "Department" refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd.
(h).) The Bureau is an entity within the Department of Justice.

1 registration, permit, or approval, the Commission may do any one or more
2 of the following:

3 (1) Revoke the license, registration, permit, finding of suitability,
4 or approval;

5 (2) Suspend the license, registration, or permit;

6 * * *

7 (5) Impose any fine or monetary penalty consistent with
8 Business and Professions Code sections 19930, subdivision (c), and
9 19943, subdivision (b)

10 **Cost Recovery Provisions**

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

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

17 * * *

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

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

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

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

* * *

1
2 (f) For purposes of this section, "costs" include costs incurred for any
3 of the following:

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

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

7 **Specific Statutory and Regulatory Provisions**

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

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

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

20 * * *

21 (k) In order to effectuate state policy as declared herein, it is
22 necessary that gambling establishments, activities, and equipment be
23 licensed, that persons participating in those activities be licensed or
24 registered, that certain transactions, events, and processes involving
25 gambling establishments and owners of gambling establishments be
26 subject to prior approval or permission, that unsuitable persons not be
27 permitted to associate with gambling activities or gambling
28 establishments Any license or permit issued, or other approval
granted pursuant to this chapter, is declared to be a revocable privilege,
and no holder acquires any vested right therein or thereunder.

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

Every person . . . who receives, directly or indirectly, any
compensation or reward, or any percentage or share of the money or
property played, for keeping, running, or carrying on any controlled game
in this state, shall apply for and obtain from the commission, and shall
thereafter maintain, a valid state gambling license, key employee license,
or work permit In any criminal prosecution for violation of this

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

3 10. Business and Professions Code section 19853, subdivision (a)(6), provides:

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

7 * * *

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

9 11. Business and Professions Code section 19855 provides, in part:

10 [E]very person who, by statute or regulation, is required to hold a state
11 license shall obtain the license prior to engaging in the activity or
occupying the position with respect to which the license is required.

12 12. Business and Professions Code section 19857 provides:

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

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

16 (b) A person whose prior activities, criminal record, if any,
17 reputation, habits, and associations do not pose a threat to the public
18 interest of this state, or to the effective regulation and control of
19 controlled gambling, or create or enhance the dangers of unsuitable,
20 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.

21 (c) A person that is in all other respects qualified to be licensed as
provided in this chapter.

22 13. Business and Professions Code section 19859 provides, in part:

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

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

26 (b) Failure of the applicant to provide information,
27 documentation, and assurances required by the Chief, or failure of
the applicant to reveal any fact material to qualification, or the
28

1 supplying of information that is untrue or misleading as to a material
2 fact pertaining to the qualification criteria.

3 14. Business and Professions Code section 19866 provides:

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

9 15. Business and Professions Code section 19920 provides:

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

19 16. Business and Professions Code section 19922 provides:

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

23 17. Business and Professions Code section 19924 provides:

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

27 18. California Code of Regulations, title 4, section 12568, subdivision (c), provides, in
28 part:

A state gambling license, finding of suitability, or approval granted
by the Commission . . . and an owner license for a gambling
establishment if the owner licensee has committed a separate violation
from any violations committed by the gambling establishment shall be
subject to revocation by the Commission on any of the following
grounds:

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(3) If the Commission finds the holder no longer meets any criterion for eligibility, qualification, suitability or continued operation, including those set forth in Business and Professions Code section 19857, 19858, or 19880, as applicable, or

(4) If the Commission finds the holder currently meets any of the criteria for mandatory denial of an application set forth in Business and Professions Code sections 19859 or 19860.

19. California Code of Regulations, title 4, section 12556, subdivision (h), provides, in part:

Factors in aggravation may increase a penalty or be taken into consideration in determining whether or not to allow a suspension to be stayed upon payment of a monetary penalty. If presented by complainant . . . , the Commission shall consider the following factors in . . . aggravation of the penalty imposed:

* * *

(h) Disciplinary history of respondent, repeated offenses of the same or similar nature, or evidence that the unlawful act was part of a pattern or practice, including the frequency or duration of any pattern or practice which violates applicable law.

20. California Code of Regulations, title 11, section 2052, subdivision (c), provides:

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