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9
10 **BEFORE THE**
CALIFORNIA GAMBLING CONTROL COMMISSION
11 **STATE OF CALIFORNIA**

12
13 **In the Matter of the Renewal Applications**
14 **of:**

15 **LUCKY CHANCES, INC.**, a California
16 Corporation dba LUCKY CHANCES
CASINO

17 LICENSE NUMBER GEOW-002757;

18 **ROMMEL MEDINA**, Chief Executive
19 Officer and Shareholder

20 LICENSE NUMBER GEOW-001327;

21 **RUELL MEDINA**, Chief Financial Officer
22 and Shareholder

23 LICENSE NUMBER GEOW-001326;

24 1700 Hillside Boulevard
25 Colma, California 94014

26 **Applicants.**

CGCC No.: CGCC-2022-0210-14

STATEMENT OF PARTICULARS

Hearing Dates: October 10, 11, 13, 14, 17, 18,
19, 21, 24, and 25, 2022

Hearing Time: 9:00 a.m.

Prehearing Conference: August 17, 2022,
10:00 a.m.

1 Complainant alleges as follows:

2 **PARTIES**

3 1. Yolanda Morrow (Complainant) brings this statement of particulars solely in her
4 official capacity as the Acting Director, Department of Justice, Bureau of Gambling Control
5 (Bureau).

6 2. Applicant Lucky Chances, Inc. (LCI), license no. GEOW-002757, is a licensed
7 gambling enterprise that does business as Lucky Chances Casino (Casino). The Casino, license
8 no. GEGE-001108, is a 60-table card room located in Colma, California. LCI's shareholders and
9 officers are applicants Rommel Medina (Rommel Medina), license no. GEOW-001327, and Ruell
10 Medina (Ruell Medina), license no. GEOW-001326. LCI, Rommel Medina, and Ruell Medina
11 are referred to in this statement of particulars individually as "Applicant" and collectively as
12 "Applicants." Each Applicant is endorsed on the Casino's license.

13 **JURISDICTION**

14 3. The Gambling Control Act (Act) (Bus. & Prof. Code, § 19800 et seq.) gives the
15 California Gambling Control Commission (Commission) jurisdiction over the operation and
16 concentration of gambling establishments and all persons and things having to do with operation
17 of gambling establishments. (Bus. & Prof. Code, § 19811, subd. (b).) The Commission has all
18 powers necessary and proper to fully and effectually carry out the policies and purposes of the
19 Act including, without limitation, the power to deny any application for a license or to condition
20 any license for any cause it deems reasonable. (Bus. & Prof. Code, § 19824, subd. (b).)

21 **THIS PROCEEDING**

22 4. Applicants applied to renew their state gambling licenses, which the Commission
23 previously issued pursuant to the Act.

24 5. The Commission originally referred the matter of the renewal of Applicants' state
25 gambling licenses to an evidentiary hearing to be heard by an administrative law judge pursuant
26 to the Administrative Procedures Act (Gov. Code, § 11500 et seq.). (Bus. & Prof. Code, § 19825;
27 Cal. Code Regs., tit. 4, §§ 12056, subd. (a), 12058.) Thereafter, at its regular meeting on
28 February 10, 2022, the Commission withdrew that referral and directed consideration of

1 Applicants' renewal applications to an evidentiary hearing to be held pursuant to California Code
2 of Regulations, title 4, section 12060. (See Cal. Code Regs., tit. 4, §§ 12054, subd. (a)(2), 12056,
3 subd. (a).)

4 6. On February 25, 2022, Applicants submitted a Notice of Defense.

5 **SUMMARY**

6 7. The Act is an exercise of the police power of the State of California intended to
7 protect the public's health, safety and welfare. It is to be liberally interpreted to effectuate that
8 purpose. (Bus. & Prof. Code, § 19971.) The Act requires strict and comprehensive regulation of
9 all persons, associations, and activities related to the operation of gambling establishments. (Bus.
10 & Prof. Code, § 19801, subd. (h).) The Legislature has declared that the public trust requires
11 comprehensive measures to ensure that gambling is free from criminal and corruptive elements.
12 (Bus. & Prof. Code, § 19801, subs. (g) & (j).) To effectuate this state policy, unsuitable persons
13 are not permitted to associate with gambling establishments. (Bus. & Prof. Code, § 19801, subd.
14 (k).) All persons having significant involvement in gambling operations must be licensed. (Bus.
15 & Prof. Code, § 19801, subd. (i).) The Commission's responsibilities include, without limitation:
16 "Assuring that there is no material involvement, directly or indirectly, with a licensed gambling
17 operation, or the ownership or management thereof, by unqualified or disqualified persons"
18 (Bus. & Prof. Code, § 19823, subd. (a)(2).)

19 8. The Act requires full and true disclosure by applicants "as necessary to carry out the
20 policies of this state relating to licensing, registration, and control of gambling." (Bus. & Prof.
21 Code, § 19866.) Without disclosure, the Commission cannot assure that "there is no material
22 involvement, directly or indirectly, with a licensed gambling operation, or the ownership or
23 management thereof, by unqualified or disqualified persons." (Bus. & Prof. Code, § 19823, subd.
24 (a)(2).) Moreover, without disclosure, the Commission cannot determine whether owner
25 licensees are performing their responsibilities of employing and maintaining suitable methods of
26 operation (Bus. & Prof. Code, § 19920) and operating in compliance with the Act and the
27 regulations adopted pursuant to the Act (Bus. & Prof. Code, § 19922). An applicant's failure to
28 submit information, documentation, and/or assurances required by the Act or requested by the

1 Bureau, an applicant's failure to reveal information material to qualification for licensure, or an
2 applicant's supplying of untrue or misleading information pertaining to the qualification for
3 licensure likewise renders an applicant disqualified for licensure. (Bus. & Prof. Code, § 19859,
4 subd. (b).) These failures also make an applicant unqualified for licensure. (Bus. & Prof. Code, §
5 19857.)

6 9. In this proceeding, the Commission will determine whether Applicants' applications
7 to renew their state gambling licenses should be granted or denied and whether any Applicant, or
8 each of them, is unqualified for, or disqualified from, licensing under the Act and the regulations
9 adopted by the Commission.

10 **BURDEN OF PROOF**

11 10. Each Applicant has the burden of proving that he or it is qualified to receive a license.
12 (Bus. & Prof. Code, § 19856, subd. (a); see also Cal. Code Regs., tit. 4, § 12060, subd. (i).)

13 **THE INVOLVEMENT OF A DISQUALIFIED PERSON IN THE CASINO'S** 14 **BUSINESS AND THE INTERTWINED BUSINESS RELATIONSHIPS** 15 **WITH ENTITIES TIED TO THE CASINO'S** 16 **THIRD-PARTY PROVIDER OR ITS OWNERS**

17 11. Rene Medina founded, owned, and operated the Casino until he sold it to Rommel
18 Medina and Ruell Medina shortly before his 2008 conviction and imprisonment for three felony
19 counts of violating title 26 United States Code section 7201 (tax evasion). His federal conviction
20 was based, in part, on falsifying records relating to the Casino's business and operations. This
21 2008 conviction disqualified him for licensure under the Act. (Bus. & Prof. Code, § 19859, subd.
22 (c); see Bus. & Prof. Code, § 19823, subd. (b) [defining "disqualified person"].) Rommel Medina
23 and Ruell Medina purchased all of LCI's outstanding stock from Rene Medina in exchange for a
24 promissory note requiring substantial quarterly payments to the Rene and Mila Medina
25 Irrevocable Blind Trust, which is endorsed on the Casino's license. The quarterly payments are
26 funded from the proceeds of gambling and associated activities conducted at the Casino.

27 12. On October 21, 2014, the Bureau conducted an unannounced onsite compliance
28 inspection at the Casino and obtained evidence showing that Rene Medina was receiving goods

1 and services of substantial value from the Casino and using its resources for more than two years.
2 An administrative proceeding ensued, and the matter was heard in 2016 (2016 Administrative
3 Hearing). The Commission found that Applicants allowed a disqualified person to be involved in
4 the ownership and management of the Casino. Applicants petitioned for a writ of administrative
5 mandamus, and the superior court held that the Commission's findings were based on substantial
6 evidence. Applicants have appealed that holding. The appeal is pending. This Statement of
7 Particulars does not address, waive, or pertain to any issues, claims, causes for discipline or other
8 matters raised or arising from the 2016 Administrative Hearing or the pending appeal.

9 13. The Casino's third-party provider of proposition player services (third-party provider)
10 is owned by Rommel Medina and Ruell Medina's brother and two of their cousins. That third-
11 party provider does not provide third-party provider services to any other card room. That third-
12 party provider pays millions of dollars annually to the Casino pursuant to their Bureau-approved
13 contract. Substantial evidence and public information exists, and should have been known to
14 Applicants or their agents, showing that Rene Medina was involved in certain day-to-day
15 operations of the third-party provider. Applicants deny any knowledge of this allegation.
16 Applicants continue to contract with their relatives through the third-party provider. The
17 evidence and information includes the following, among other things:

18 a. In October 2015, the Bureau conducted an unannounced site visit at the third-
19 party provider's business offices. During the site visit, the Bureau found multiple entries
20 in day planners used by the third-party provider's office manager and text messages on
21 her cell phone that showed that Rene Medina was involved in the third-party provider's
22 day-to-day operations. In addition to these documents, during a recorded interview
23 conducted by the Bureau's agents, the office manager confirmed, among other things, that
24 Rene Medina was involved in the third-party provider's hiring decisions, approved salary
25 increases and adjustments for its employees, authorized how things should be done at the
26 third-party provider, and gave final approval to its actions.

27 b. In 2015, the Department of Fair Employment and Housing (DFEH) obtained a
28 judgment against the third-party provider for employment discrimination. In October

1 2015, the trial court decided, among other things, that Rene Medina was involved in the
2 operation, management, and control of the third-party provider. The Court of Appeals
3 affirmed the judgment in October 2017.

4 14. Rommel Medina and Ruell Medina individually or together have a 10-percent or
5 greater ownership interest in at least 17 business entities. Two of 17 businesses were purchased
6 from Rene Medina. Many of these businesses have ties to the Casino's third-party provider, its
7 owners, or implicitly to Rene Medina. Those ties include, among others, the following:

8 a. Rommel Medina and Ruell Medina co-own two entities with their brother, who
9 is a shareholder in the third-party provider. One entity is a money transmitter at which the
10 Casino advertised. Casino no longer advertises at the money transmitter. One of that
11 entity's remittance delivery agents in the Philippines is partially owned by a cousin who
12 also is a shareholder in the third-party provider. Rommel Medina and Ruell Medina and
13 their brother's purchase of the money transmitter was financed by a loan from Rene
14 Medina. Rommel Medina and Ruell Medina have made payments in the past on their
15 brother's behalf.

16 b. The second entity co-owned by Rommel Medina and Ruell Medina with their
17 brother provides staffing, maintenance, housekeeping and human resources services to the
18 Casino, the third-party provider and other entities owned by Rommel Medina and Ruell
19 Medina. The Casino and the third-party provider have paid millions of dollars to this entity,
20 which also provides services to other entities owned by Rommel Medina and Ruell Medina.

21 c. Another cousin, who was a shareholder in the third-party provider until only
22 recently, is a director in or the chief financial officer of eight of the businesses controlled by
23 Rommel Medina and/or Ruell Medina. Those businesses include an advertising agency to
24 which the Casino paid more than 88.4 percent of its advertising expenses in 2018. Rommel
25 and Ruell Medina solely owned that advertising agency, which closed in 2021. That
26 closure occurred after the Bureau's report and the Commission's initial referral of the
27 renewal applications to a hearing. That cousin has longstanding ties to Rene Medina. In
28 2006, she was indicted along with him for conspiracy, tax evasion, making and subscribing

1 false tax returns, and aiding and assisting in the preparation of false tax returns. Later, in
2 2008, the United States dismissed all charges against her.

3 d. In the 2016 Administrative Hearing, Rommel Medina testified that he agreed
4 that the cousin, who is involved in eight of the businesses controlled by Rommel Medina
5 and/or Ruell Medina and is a shareholder of the third-party provider, has “been a trusted
6 business partner, basically, of your dad [Rene Medina] for many, many years.”

7 **FAILURE TO EXERCISE OVERSIGHT, DISCLOSE, OR SELF-REPORT**

8 15. In the 2016 Administrative Hearing, both Rommel Medina and Ruell Medina testified
9 that they were not aware that the Casino provided Rene Medina goods and services and allowed
10 him to use the Casino’s resources for more than two years. The Commission found that
11 Applicants built an organizational structure and work culture at the Casino in which employees
12 and supervisors failed to notify Applicants that Rene Medina was availing himself of the Casino’s
13 labor, counsel, and resources. The Commission also found that Rommel Medina and Ruell
14 Medina failed to exercise reasonable oversight over the Casino’s significant financial and
15 personnel expenditures. In the writ of administrative mandamus case, the superior court held that
16 the Commission’s findings were based on substantial evidence. An appeal is currently pending
17 on these findings. This Statement of Particulars does not address, waive, or pertain to any issues,
18 claims, causes for discipline or other matters raised or arising from the 2016 Administrative
19 Hearing or the pending appeal.

20 16. In 2015, the United States Internal Revenue Service (IRS) conducted a Bank Secrecy
21 Act (BSA) examination of the Casino. On November 10, 2015, the IRS issued a Letter 1112 that
22 identified to the Casino apparent weaknesses or deficiencies related to, or violations of, the BSA
23 in the Casino’s anti-money laundering (AML) program found during the BSA examination. The
24 Letter 1112 directed the Casino to implement corrective action. The Casino disclosed the Letter
25 1112’s existence in its audited financial statements, but did not report to the Bureau the
26 examination, the IRS’s notification to the Casino, or the weaknesses or deficiencies identified in
27 its AML program.
28

1 17. In mid-2017, upon review of the Casino's audited financial statement, the Bureau's
2 auditors requested copies of the Letter 1112 from the Casino. The Casino did not respond. On
3 December 15, 2017, Bureau management conducted a teleconference with the Casino's
4 designated agent to advise that the Bureau intended to recommend denial of Applicants' renewal
5 applications because of Applicants' failure to disclose the Letter 1112 as requested by the Bureau.
6 During that teleconference, Applicants' designated agent asserted that the Bureau lacked
7 authority to request information regarding the BSA examination and that the information was not
8 required to be disclosed under any licensing regulation. He stated that he disagreed that an
9 applicant's duty of full and true disclosure extended beyond information requested on a renewal
10 application. He further disagreed that an applicant's BSA/AML compliance was something that a
11 regulator would find important. Despite this express statement of what Applicants believed their
12 disclosure duties to be and their prior failure to provide requested information, Applicants
13 provided the requested information. The Bureau then withdrew its denial recommendation.

14 18. Following the Commission's referral of Applicants' renewal applications to an
15 evidentiary hearing, the Bureau requested information and documents. After discussions between
16 Applicants and Bureau, Applicants provided gross revenues for their numerous businesses and
17 Forms K-1, 1065-P, 1120-S, or similar documents filed with the IRS. The Bureau review various
18 documents provided Applicants, who responded to questions posed by the Bureau relating to the
19 entities.

20 **ISSUES RELATING TO APPLICANTS' SUITABILITY**

21 19. The facts alleged in paragraphs 11 through 18 above appear to raise issues relating to
22 Applicants' suitability for continued licensing including, among others:

- 23 a. Whether Applicants are unqualified for and disqualified from licensing because
24 they (i) failed to make full and true disclosure of Rene Medina's involvement in the third-
25 party provider's management, operations, and control, (ii) failed to disclose the Letter
26 1112 and the BSA/AML deficiencies identified in that letter and accompanying
27 documents, (iii) failed to disclose the existence of various relationships between the
28 Casino, the third-party provider and other business entities as discussed above, and (iv)

1 initially failed to provide the IRS Letter when requested, and failed immediately to
2 provide information and documents requested by the Bureau relating to gross revenues
3 and certain IRS forms.

4 b. Whether Applicants are unqualified for licensing because their prior activities
5 and associations pose a threat to the effective regulation and control of controlled
6 gambling and enhance the dangers of unsuitable or illegal practices and activities in
7 carrying on business and financial arrangements incidental to controlled gambling. Those
8 activities and associations include, among other things: (i) failing to implement and
9 maintain suitable methods of operation; (ii) tolerating and turning a blind eye to unsuitable
10 methods of operation; (iii) building a culture of inattention and non-reporting; (iv) failing
11 to report information material to licensing and controlled gambling; (v) failing to report
12 suspicious activities; (vi) impeding and interfering with the Bureau in performing its
13 duties by Applicants' limiting interpretation of their disclosure duties, interconnected
14 financial arrangements and dealings; (vii) associations with Rene Medina and allowing his
15 involvement in the Casino's operation; (viii) associations with the third-party provider
16 despite public information and knowledge of Applicants' agents of Rene Medina's
17 involvement, associations and dealings with businesses owned by the third-party
18 provider's shareholders; and (ix) associations with and allowing the continued service of
19 Rene Medina's "trusted business partner" of "many, many years."

20 (Bus. & Prof. Code, §§ 19823, 19856, 19857, 19859, subds. (a), (b), 19866, 19920, 19922,
21 19944; Cal. Code Regs., tit. 4, §§ 12315, 12395, subd. (a)(3); Cal. Code Regs., tit. 11, § 2052,
22 subd. (c); Pen. Code, § 14164, subd. (b); 31 C.F.R. § 1021.320(d).)

23 **FACTORS IN AGGRAVATION**

24 20. On November 10, 2011, the Commission approved a stipulated settlement with
25 Applicants in which they paid a fine and reimbursed the Bureau's costs. The underlying
26 accusation alleged, among other things, that Applicants tolerated the then third-party provider,
27 which was owned by their relatives, using unregistered and unlicensed employees, who displayed
28 fraudulent badges. Applicants' defense was that they did not know of the acts and omissions, but

1 took action once they learned through the Bureau's accusation. That defense was the same, or
2 similar to the, defense Applicants raised in the 2016 Administrative Hearing.

3 21. In the 2016 Administrative Hearing, the Commission found that Applicants built an
4 organizational structure and work culture in which employees and supervisors failed to notify
5 Applicants of Rene Medina's conduct, failed to exercise reasonable oversight over the Casino's
6 significant financial and personnel expenditures, and failed to disclose Rene Medina's use of the
7 Casino's resources. Applicants' defense was that they did not know the specifics of Rene
8 Medina's activities, but took action once they learned through the Bureau's accusation. That
9 defense was the same, or similar to the, defense Applicants raised in settling the matter in 2011.
10 The 2016 Administrative Hearing is currently on appeal. This Statement of Particulars does not
11 address, waive, or pertain to any issues, claims, causes for discipline or other matters raised or
12 arising from the 2016 Administrative Hearing or the pending appeal.

13 22. Despite the Commission's imposing a condition on the Casino's license that
14 Applicants prohibit Rene Medina's involvement in the Casino, Rommel Medina has testified at
15 least twice that he believes the Commission should not require Applicants to prohibit, or
16 otherwise restrict, Rene Medina's entry in, presence in, or patronage of the Casino. Rommel
17 Medina stated that the Bureau, not the Casino, should have the burden restricting or barring entry
18 into the Casino.

19 **FACTORS IN MITIGATION**

20 23. Even though their designated agent asserted that Applicants had no disclosure
21 duties to the Bureau beyond what is required in a renewal application, Applicants eventually
22 provided to the Bureau the documents that it requested including, among others, the Letter 1112
23 and accompanying documents, documents showing gross revenues for their numerous
24 businesses, and Forms K-1, 1065-P, 1120-S, or similar documents filed with the IRS.
25 Applicants represent: (a) 12 out of 18 business entities referred to this Statement of Particulars
26 have no relationship with the Casino; (b) one of the six business entities that have a relationship
27 with the Casino is equally owned by Rommel and Ruell Medina and provides or provided,
28 health insurance services; (c) one entity is a holding company that owns a national banking

1 association; (d) one entity provides staffing, food, beverage, human resource, and housekeeping
2 services for Casino; and (e) three entities formerly allowed advertising or provided advertising
3 brokerage services for the Casino, but said advertising ended.

4 24. Applicants represent that they took actions to correct BSA/AML deficiencies. They
5 engaged an outside consultant having substantial and well-known experience in reviewing
6 BSA/AML compliance and developing recommendations for and assisting in compliance in the
7 state's card rooms, as well as in gaming facilities outside of California. Applicants represent
8 that the Casino implemented many of the recommendations made by the consultant. Applicants
9 represent that in approximately 2014, the Casino collected, reported, and filed currency
10 transaction reports (CTRs) and suspicious activity reports (SARs) manually. Since
11 approximately 2015 or 2016, the Casino now collects, reports and files CTRs and SARs
12 electronically. The outside consultant audits the Casino's BSA/AML program at least yearly to
13 make sure that the Casino fully complies with requirements under the Bank Secrecy Act.

14 25. In 2017, following the Commission's decision in the 2016 Administrative Hearing,
15 Rene Medina brought suit in federal court against the Commission's Commissioners, the
16 Bureau's Director, and the Attorney General. Despite Rommel Medina's testimony that Rene
17 Medina's presence in the Casino should not be restricted, Applicants voluntarily participated in
18 court-supervised settlement negotiations and agreed to certain conditions for restricting, and
19 enhanced reporting regarding, Rene Medina's presence in the Casino. In part as a result of
20 Applicants' voluntary participation, the case settled.

21 26. Applicants represent that the cousin referenced in paragraphs 14(c) and 14(d) above
22 no longer works for any of the business entities owned by Rommel Medina and Ruell Medina.

23 27. Applicants represent that Rommel Medina resigned as CEO of the money
24 transmitter business described in paragraph 14(a) above. Rommel and Ruell Medina applied to
25 various state agencies for approval of the transfer. They are awaiting final approval from all
26 state agencies to complete the transfer.

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