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

16 **In the Matter of the First Amended**
Accusation Against:
 17
 18 **RANCHO'S CLUB CASINO, INC.**
(GEOW-003233), doing business as
 19 **Magnolia House Casino,**
 20
 21 **FOUR LEAF CLOVER INVESTMENTS**
LLC (GEOW-003716) and
 22
 23 **THOMAS B. SHERIDAN (GEOW-003717)**
 24
 25 **11275 Folsom Boulevard, Rancho Cordova,**
CA 95742
 26
 27
 28
Respondents.

BGC Case No. HQ2019-00003AC
OAH No.
FIRST AMENDED ACCUSATION

1 Complainant alleges as follows:

2 **PARTIES**

3 1. Stephanie Shimazu (Complainant) brings this First Amended Accusation solely
4 in her official capacity as the Director of the California Department of Justice, Bureau of
5 Gambling Control (Bureau).

6 2. Respondent Rancho's Club Casino, Inc. (Corporation), license GEOW-003233,
7 does business as Magnolia House Casino (Casino). The Casino is a 10-table card room
8 presently operating at 11275 Folsom Boulevard, Rancho Cordova, California.

9 3. The Corporation's 90-percent shareholder is Four Leaf Clover Investments LLC
10 (Four Leaf), license GEOW-003716. The Corporation's other shareholders are Ruben L.
11 Marquez and Blanca R. Marquez, who are not named as respondents in this First Amended
12 Accusation. Respondent Thomas B. Sheridan (Mr. Sheridan), license GEOW-003717, is Four
13 Leaf's sole member and is one of the Corporation's directors.

14 4. The Corporation, Four Leaf, and Mr. Sheridan are referred to collectively as
15 "Respondents."

16 5. The California Gambling Control Commission (Commission) issued the above-
17 described licenses to Respondents pursuant to the Gambling Control Act (Act) (Bus. & Prof.
18 Code, § 19800 et seq.).

19 **JURISDICTION, STANDARD OF PROOF, AND COST RECOVERY**

20 6. 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 _____
28 ¹ The statutes and regulations applicable to this First Amended Accusation are quoted in
pertinent part in Appendix A.

1 (a.) The Commission's disciplinary powers include, among other things, revocation and
2 imposition of a fine or monetary penalty. (Bus. & Prof. Code, § 19930, subd. (c); Cal. Code
3 Regs., tit. 4, § 12554, subd. (d).) The Commission may require that any matter of an
4 adjudicative nature that the Commission is authorized to hear regarding the denial or revocation
5 of a license be heard and determined in accordance with Government Code section 11500 et
6 seq. (Bus. & Prof. Code, § 19825.) The Bureau filed the initial Accusation in this matter with
7 the Commission on January 2, 2020.

8 7. In an accusation brought under the Act, the standard of proof is the
9 preponderance of the evidence. (Cal. Code Regs., tit. 4, § 12554, subd. (c).)

10 8. In a matter involving revocation or suspension, the Bureau may recover its costs
11 of investigation and prosecuting the proceeding. (Bus. & Prof. Code, § 19930, subd. (d).)

12 **REGULATION, SUITABILITY, AND THE DUTY OF DISCLOSURE**

13 9. Operating a card room in California is a revocable privilege. (Bus. & Prof.
14 Code, § 19801, subd. (k).) The Act provides for comprehensive regulation to prevent that
15 privilege from being abused. Comprehensive regulation maintains the public trust that
16 permissible gambling will not endanger the public health, safety, and welfare. That
17 comprehensive regulation covers all persons, practices, and associations related to the operation
18 of lawful gambling establishments. (Bus. & Prof. Code, § 19801, subd. (h).)

19 10. Under the Act, the Commission's responsibilities include assuring that no
20 unqualified or disqualified person, or any person whose operations are conducted in a manner
21 that is inimical to the public health, safety, and welfare, has any direct or indirect material
22 involvement with a licensed gambling operation. (Bus. & Prof. Code, § 19823, subd. (a)(2).)

23 11. Determining whether a person is suitable, or whether a person has material
24 involvement in a licensed gambling operation, begins with providing truthful information to the
25 Bureau. Accordingly, the Act directs that every applicant for licensing or any approval required
26 by the Act make full and true disclosure of all information necessary to carry out the state's
27 policies relating to licensing and control of gambling. (Bus. & Prof. Code, § 19866.)

28

1 financial institution in an amount not less than the total of chips in use by the gambling
2 establishment.”

3 16. Patrons’ and players’ funds used in connection with controlled gambling are held
4 by the card room for the benefit those patrons and players, and not for the benefit of the card
5 room. California Code of Regulations, title 11, section 2053, subdivision (c), provides, in part,
6 that a “gambling establishment shall maintain a separate, specifically designated, insured
7 account with a licensed financial institution in an amount not less than the total amount of the
8 monies that patrons of that gambling establishment have on deposit with the gambling
9 establishment.”

10 **THE BUREAU’S JANUARY 6, 2020 EMERGENCY ORDER**

11 17. On January 6, 2020, the Bureau, acting on behalf of Complainant, visited the
12 Casino and performed a financial examination and evaluation. As a result of this examination,
13 other recent examinations, and requests for information, Complainant issued, and the Bureau
14 served, an Emergency Order on Respondents pursuant to Business and Professions Code
15 section 19931. Exhibit 1 to this First Amended Accusation is a true copy of the Emergency
16 Order. The Emergency Order directed the Casino to immediately suspend and cease all
17 gambling and gambling-related activities and close the gambling establishment. The
18 Emergency Order also included conditions for Respondents to meet for the Casino to resume
19 gambling-related activities and reopen. The Emergency Order advised Respondents of their
20 right to a hearing.

21 **FIRST CAUSE FOR REVOCATION**

22 **(Underfunded Chips-in-use Account)**

23 18. Respondents’ licenses are subject to revocation in that Respondents failed to
24 maintain a separate, specifically designated, insured account with a licensed financial institution
25 in an amount not less than the total value of the chips in use by the Casino. Rather,
26 Respondents sold chips to their contracted third-party provider of proposition player services
27 (Third-Party Provider), but did not deposit the funds received or an amount equal to or greater
28 than the funds received into the Casino’s designated account.

1 (Bus. & Prof. Code, §§ 19857, 19920, 19922, 19924; Cal. Code Regs., tit. 4, § 12568, subd.
2 (c)(3); Cal. Code Regs., tit. 11, § 2053, subds. (b), (c).)

3 **SECOND CAUSE FOR REVOCATION**

4 **(Use of Third-Party and Patron Funds in Operations)**

5 19. Respondents' licenses are subject to revocation in that Respondents used, or
6 converted, players' funds for Respondents' own use. Rather than deposit the Third-Party
7 Provider's funds into a separate, specifically designated, insured account, Respondents
8 commingled the Third-Party Provider's funds with the Casino's or Respondents' funds and
9 used, or converted, those funds for Respondents' own use. Respondents had a direct or indirect
10 interest in the funds wagered, lost, or won by the Third-Party Provider. Additionally, the
11 Casino has used, or converted, funds from its separate, specifically designated chips-in-use
12 account for Respondents' own use, including transfers to the Casino's payroll account.

13 (Bus. & Prof. Code, §§ 19857, 19920, 19922, 19924, 19984, subd. (a); Cal. Code Regs., tit. 4, §
14 12568, subd. (c)(3); Cal. Code Regs., tit. 11, § 2053, subds. (b), (c).)

15 **THIRD CAUSE FOR REVOCATION**

16 **(Failing To Provide Information and Documents Requested by the Director)**

17 20. Respondents' licenses are subject to revocation in that Respondents failed to
18 provide information and documents requested by the Director. On December 4, 2019, the
19 Bureau, acting on behalf of the Director, requested information and documents from
20 Respondents, who failed to respond. The request was made in writing to Respondents'
21 designated agent with copies to Mr. Sheridan and the Casino's accounting advisor. The
22 information and documents requested related, and were material, to the Bureau's assessing the
23 Casino's financial condition and viability. Despite the Bureau extending the time for response,
24 Respondents failed to provide any documents as requested and provided misleading and
25 incomplete information.

26 (Bus. & Prof. Code, §§ 19859, subd. (b), 19920, 19922, 19924, 19944; Cal. Code Regs., tit. 4, §
27 12568, subd. (c)(4).)

1 **FOURTH CAUSE FOR REVOCATION**

2 **(Failing To Reveal a Fact Material to Qualification)**

3 21. Respondents' licenses are subject to revocation in that Respondents failed to
4 reveal a fact material to qualification. During the licensing process, the Bureau requested that
5 Mr. Sheridan disclose all businesses in which he held an interest and information relating to
6 each interest. Mr. Sheridan failed to disclose his interest in a limited liability company. This
7 information was material to Mr. Sheridan's qualification for licensing in that business interests
8 outside the card room industry are important to both the Bureau and Commission in
9 determining whether a person is qualified for licensing and the failure to make full and true
10 disclosure is a factor to be considered in determining whether an applicant has good character,
11 honesty, and integrity and does not pose a threat to effective regulation.

12 (Bus. & Prof. Code, §§ 19857, 19859, subd. (b), 19866, 19920, 19922, 19924, 19944; Cal.
13 Code Regs., tit. 4, § 12568, subds. (c)(3), (c)(4).)

14 **FIFTH CAUSE FOR REVOCATION**

15 **(Unqualified for Continued Licensure)**

16 22. Respondents' licenses are subject to revocation in that Respondents have
17 received multiple letters of warning and notices to cure, but have failed to take full, if any,
18 corrective action. As of the date of this First Amended Accusation, the Bureau sent letters of
19 warning on June 20, 2019, June 25, 2019, August 9, 2019, December 6, 2019, and December
20 24, 2019. The Bureau further sent notices to cure on September 3, 2019, and October 7, 2019.
21 Respondents, however, failed to take adequate, if any, corrective action. Additionally,
22 Respondents' licenses are subject to revocation in that Respondents have engaged in
23 undocumented transactions with Mr. Sheridan's affiliates, received monies to operate from the
24 Casino from undisclosed businesses and persons, and engaged in business practices that
25 demonstrate substantial disregard for prudent and usual business controls and oversight.
26 Respondents' failures to act and ongoing business practices pose a threat to the effective
27 regulation and control of controlled gambling, and create or enhance the dangers of unsuitable,
28

1 unfair, or illegal practices, methods, and activities in carrying on the business and financial
2 arrangements incidental to the conduct of controlled gambling.
3 (Bus. & Prof. Code, §§ 19857, 19920, 19922, 19924, 19944; Cal. Code Regs., tit. 4, § 12568,
4 subd. (c)(3).)

5 **PRAYER**

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

8 1. Revoking California State Gambling License Number GEOW-003233, issued to
9 Respondent Rancho's Club Casino, Inc.;

10 2. Revoking California State Gambling License Number GEOW-003716, issued to
11 Respondent Four Leaf Clover Investments LLC;

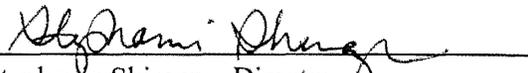
12 3. Revoking California State Gambling License Number GEOW-003717, issued to
13 Respondent Thomas B. Sheridan;

14 4. Imposing fines or monetary penalties against Respondents, jointly and severally,
15 according to proof and to the maximum extent allowed by law;

16 5. Awarding Complainant the costs of investigation and costs of bringing this First
17 Amended Accusation before the Commission, pursuant to Business and Professions Code
18 section 19930, subdivisions (d) and (f), in a sum according to proof; and

19 6. Taking such other and further action as the Commission may deem appropriate.
20

21 Dated: January 7, 2020

22 
23 Stephanie Shimazu, Director
24 Bureau of Gambling Control
25 California Department of Justice
26
27
28

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 department^[2] . . . 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,
registration, permit, or approval, the Commission may do any one or more
of the following:

28 (h.) ² "Department" refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd.

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

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

4 * * *

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

7 **Cost Recovery Provisions**

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

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

14 * * *

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

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

26 (2) The department may enforce the order for payment in the
27 superior court in the county in which the administrative hearing was
28 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.

* * *

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

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

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

4 **Specific Statutory and Regulatory Provisions**

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

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

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

17 * * *

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

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

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

10. Business and Professions Code section 19856 provides, in part:

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

(b) An application to receive a license constitutes a request for a
determination of the applicant's general character, integrity, and ability
to participate in, engage in, or be associated with, controlled gambling.

1 (c) In reviewing an application for any license, the commission
2 shall consider whether issuance of the license is inimical to public
3 health, safety, or welfare, and whether issuance of the license will
4 undermine public trust that the gambling operations with respect to
which the license would be issued are free from criminal and dishonest
elements and would be conducted honestly.

5 11. Business and Professions Code section 19857 provides:

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

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

9 (b) A person whose prior activities, criminal record, if any,
10 reputation, habits, and associations do not pose a threat to the public
11 interest of this state, or to the effective regulation and control of
12 controlled gambling, or create or enhance the dangers of unsuitable,
unfair, or illegal practices, methods, and activities in the conduct of
13 controlled gambling or in the carrying on of the business and financial
arrangements incidental thereto.

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

15 12. Business and Professions Code section 19859 provides, in part:

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

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

19 (b) Failure of the applicant to provide information,
20 documentation, and assurances required by the Chief, or failure of
the applicant to reveal any fact material to qualification, or the
21 supplying of information that is untrue or misleading as to a material
fact pertaining to the qualification criteria.

22
23 13. Business and Professions Code section 19866 provides:

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

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14. Business and Professions Code section 19920 provides:

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

15. Business and Professions Code section 19922 provides:

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

16. Business and Professions Code section 19924 provides:

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

17. Business and Professions Code section 19944 provides:

Any person who willfully resists, prevents, impedes, or interferes with the department or the commission or any of their agents or employees in the performance of duties pursuant to this chapter is guilty of a misdemeanor, punishable by imprisonment in a county jail for not more than six months, by a fine not exceeding one thousand dollars (\$1,000), or by both that imprisonment and fine.

18. Business and Professions Code section 19984, subdivision (a) provides:

Notwithstanding any other provision of law, a licensed gambling enterprise may contract with a third party for the purpose of providing proposition player services at a gambling establishment, subject to the following conditions:

(a) Any agreement, contract, or arrangement between a gambling enterprise and a third-party provider of proposition player services shall be approved in advance by the department, and in no event shall a gambling enterprise or the house have any interest, whether direct or indirect, in funds wagered, lost, or won.

1 19. California Code of Regulations, title 4, section 12568, subdivision (c), provides, in
2 part:

3 A state gambling license, finding of suitability, or approval granted
4 by the Commission . . . and an owner license for a gambling
5 establishment if the owner licensee has committed a separate violation
6 subject to revocation by the Commission on any of the following
7 grounds:

8 * * *

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

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

16 20. California Code of Regulations, title 11, section 2053, provides:

17 (a) The Bureau may require a gambling establishment to present
18 satisfactory evidence that there is adequate financing available to
19 protect the public's health, safety and welfare.

20 (b) A gambling establishment shall maintain a separate,
21 specifically designated, insured account with a licensed financial
22 institution in an amount not less than the total value of the chips in use
23 by the gambling establishment. The funds in that account may only be
24 used to redeem the chips of that gambling establishment. That account
25 may not be used as collateral, or encumbered or hypothecated in any
26 fashion. Alternatively, the Bureau may allow the gambling
27 establishment to provide some other form of security acceptable to the
28 Bureau, in lieu of maintaining the required account.

(c) A gambling establishment shall maintain a separate,
specifically designated, insured account with a licensed financial
institution in an amount not less than the total amount of monies that
patrons of that gambling establishment have on deposit with the
gambling establishment. The funds from that account may only be
used to return to the patrons the balance of the monies on deposit with
the gambling establishment. That account may not be used as collateral
or encumbered or hypothecated in any fashion. Alternatively, the
Bureau may allow the gambling establishment to provide some other
form of security acceptable to the Bureau, in lieu of maintaining the
required amount.

EXHIBIT 1

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Attorneys for Complainant

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

15
16 **In the Matter of the Emergency Order Re:**
17 **RANCHO'S CLUB CASINO, INC.**
18 **(GEOW-003233), doing business as**
Magnolia House Casino (GEGE-001346),
19 **FOUR LEAF CLOVER INVESTMENTS**
20 **LLC (GEOW-003716) and**
21 **THOMAS B. SHERIDAN (GEOW-003717)**
22 **11275 Folsom Boulevard, Rancho Cordova,**
23 **CA 95742**

24 **Respondents.**
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BGC Case No. HQ2019-00003AC

OAH No.

EMERGENCY ORDER
(Bus. & Prof. Code, § 19931)

EMERGENCY ORDER

1
2 TO: **RANCHO'S CLUB CASINO, INC., doing business as Magnolia House**
3 **Casino**

4 **STEPHANIE SHIMAZU**, solely in her official capacity as Director of the California
5 Department of Justice, Bureau of Gambling Control (Bureau), **HEREBY ORDERS**, that
6 Rancho's Club Casino, Inc. (Corporation), doing business as Magnolia House Casino (Casino),
7 GEOW-003233, and any entity or individual operating under or endorsed upon State Gambling
8 License Number GEGE-001346, shall, **EFFECTIVE IMMEDIATELY**:

9 1. Suspend and cease any and all gambling and gambling-related activities at the
10 Casino and close the gambling establishment.

11 2. Within 48 hours of issuance and service of this Emergency Order, the Casino
12 shall provide proof satisfactory to the Bureau of its then-existing chip liability to patrons and its
13 third-party provider of proposition player services (third-party provider). If any chip liability
14 exists, the Casino shall fully fund and maintain a separate, specifically designated, insured
15 account with a financial institution into which an amount equal to the chip liability shall be
16 deposited. The funds in this account shall be used only to redeem chips. No withdrawals shall
17 be made from this account without the Bureau's prior written consent. The account shall not be
18 used as collateral, or encumbered, or hypothecated in any fashion. Within 72 hours of issuance
19 and service of this Emergency Order, the Casino shall provide proof satisfactory to the Bureau
20 of the amount deposited in this account and that the account is fully funded.

21 3. Within 48 hours of issuance and service of this Emergency Order, the Casino
22 shall provide proof satisfactory to the Bureau of its then-existing patron and third-party provider
23 funds liability. If any patron funds liability exists, the Casino shall fully fund and maintain a
24 separate, specifically designated, insured account with a financial institution into which an
25 amount equal to the patron and third-party provider funds liability shall be deposited. The
26 funds in this account shall be used only to redeem patron and third-party provider funds on
27 deposit. No withdrawals shall be made from this account without the Bureau's prior written
28 consent. The account shall not be used as collateral, or encumbered, or hypothecated in any

1 fashion. Within 72 hours of issuance and service of this Emergency Order, the Casino shall
2 provide proof satisfactory to the Bureau of the amount deposited in this account and that the
3 account is fully funded.

4 4. Within 72 hours of the issuance and service of this Emergency Order, the Casino
5 shall provide to the Bureau a complete listing of (a) the Casino's assets, including the amount,
6 identity, and location of its cash assets and cash equivalents and (b) the Casino's current
7 liabilities. Additionally, within 72 hours of issuance and service of this Emergency Order, the
8 Casino shall provide the Bureau with copies of bank statements for (a) all accounts under its
9 control for the period July 1, 2019, through the date such statements are provided, and (b) all
10 accounts that relate to or are maintained in conjunction with the Casino in any way.

11 5. Immediately, and until further order by the Bureau, the Casino shall not pay
12 without the Bureau's prior approval any direct or indirect distributions, draws, compensation,
13 wages, or payment of any kind for any purpose to (a) the Corporation, (b) Four Leaf Clover
14 Investments LLC (Four Leaf), (c) Thomas B. Sheridan (Mr. Sheridan), or (d) any entity
15 affiliated with or under the control of the entities or individuals listed as (a) through (c) of this
16 paragraph (collectively, Licensees).

17 6. With the Bureau's prior written consent, the Casino may resume gambling and
18 gambling-related activities and reopen the gambling establishment if, and only for as long as, all
19 of the following conditions are met:

20 a. Unless the Bureau requires more or less frequently, the Casino shall
21 provide the Bureau each week with a statement of sources and uses of funds, a profit
22 and loss statement, a statement setting forth the balances in each bank account
23 controlled by the Casino or maintained for the Casino's benefit, a statement of
24 outstanding chip liability, a statement of liabilities to patrons or players, and a statement
25 of liabilities to the third-party provider. Each statement shall be in a form satisfactory to
26 the Bureau. Additionally, the Casino shall provide the Bureau with any other reports or
27 statements that the Bureau may require. Further, the Casino shall make its books and
28 records, including without limitation bank account records and information, available to

1 the Bureau for inspection immediately upon demand.

2 b. Any profits arising from the Casino's operations and remaining after
3 payment of operational costs, expenses, and liabilities shall be held in bank accounts to
4 be distributed only upon further order of the Bureau, an Administrative Law Judge, the
5 California Gambling Control Commission (Commission), or a court of appropriate
6 jurisdiction.

7 c. All funds received from the Casino's players, patrons, and third-party
8 provider in exchange for chips shall be held separately for deposit into the accounts
9 required by paragraphs 2 and 3 above. The funds so held shall be used only to redeem
10 chips or patron or third-party provider funds. No less than once every 24 hours, the
11 Casino, or a designated employee or agent, shall deposit such funds into the accounts
12 required by paragraphs 2 and 3 above.

13 7. In connection with, and as a condition to, seeking the Bureau's prior written
14 consent to resume gambling and gambling-related activities and reopen the gambling
15 establishment, the Casino shall provide the Bureau with a report detailing the source of all funds
16 to be used in connection with, or applied to, resuming gambling and gambling-related activities
17 and reopening the gambling establishment. The report shall be signed under penalty of perjury
18 and include:

19 a. If the source of any portion of the funds is an account maintained with a
20 bank or savings institution (Financial Institution), the report shall identify: (1) the
21 Financial Institution, including branch address, at which each source account is
22 maintained; (2) the account number(s); (3) the full name of each account; (4) all account
23 holders and signatories on each account; (5) the source of funds for each account; (6) the
24 account balance of each account for each of the previous 12 months; (7) the date and
25 amount of each deposit during the previous six months; and (8) the date and amount of
26 each withdrawal during the previous six months.

27 b. If the source of any portion of the funds is an account maintained with a
28 securities broker-dealer or registered investment advisor (Investment Institution), the

1 report shall identify: (1) the Investment Institution including branch address, at which
2 each source account is maintained; (2) the account number(s); (3) the full name of each
3 account; (4) all account holders and beneficiaries on each account; (5) the source of
4 funds for each account; (6) the securities value, including, without limitation, equities,
5 options, mutual funds, and bonds, for each account for each of the previous 12 months;
6 (7) the cash and cash equivalents value, including, without limitation, money market
7 funds and margin balances, for each account for each of the previous 12 months; and (8)
8 the date and amount of each deposit and withdrawal for the previous six months.

9 c. If the source of any portion of the funds is an extension of credit from a
10 Financial Institution or commercial lender, the report shall identify: (1) the lender(s); (2)
11 the borrower(s); (3) the guarantor(s); (4) the terms of the loan including, without
12 limitation, interest rate, loan origination fees, and maturity date; and (5) the security for
13 the loan.

14 d. If the source of any portion of the funds is an extension of credit from any
15 person or entity other than a Financial Institution or commercial lender, the report shall
16 identify the following in addition to those items set forth in the immediately preceding
17 subparagraph c: (1) the source of the funds to be provided by the lender; (2) whether the
18 lender is related, or affiliated, in any way to or with Licensees or their affiliates; (3) any
19 conversion or option rights or privileges; and (4) repayment terms.

20 e. If the source of any portion of the funds is cash or currency, the report shall
21 identify: (1) where the cash or currency is located; (2) what was the source of the cash
22 or currency; (3) when the cash or currency was acquired and how it was stored; and (4)
23 how and when the cash or currency was reported to the California Franchise Tax Board
24 or the United States Internal Revenue Service.

25 **GROUND FOR THIS EMERGENCY ORDER**

26 **Jurisdiction – Licensure**

27 1. The Corporation, license GEOW-003233, does business as the Casino, license
28 GEGE-001346. The Casino is a 10-table card room presently operating at 11275 Folsom

1 Boulevard, Rancho Cordova, California. The Corporation's 90-percent shareholder is Four
2 Leaf, license GEOW-003716. The Corporation's other shareholders are Ruben L. Marquez and
3 Blanca R. Marquez. Mr. Sheridan, license GEOW-003717, is Four Leaf's sole member and is
4 one of the Corporation's directors.

5 2. The Commission issued the above-described licenses, which will expire on
6 January 31, 2020.

7 **Factual Basis – Failure to Protect the Public Health, Safety, and General Welfare**

8 3. From June 2019 up to and including January 6, 2020, Bureau agents repeatedly
9 examined and evaluated the Casino's financing and sought to bring the Casino into compliance
10 with the Gambling Control Act (Act) and the regulations adopted under the Act. These
11 examinations and evaluations disclosed that the Casino lacked sufficient funds to cover its
12 liabilities to patrons, players, and its third-party provider. The Bureau's examinations and
13 evaluations also showed that the Casino transferred money on multiple occasions from its
14 designated chips-in-use account to fund its payroll. The monies paid to purchase chips remain
15 the funds of patrons, players, and the third-party provider and are to be used solely to redeem
16 chips. Most recently, on January 6, 2020, the Casino did not have sufficient funds on deposit to
17 cover its chips-in-use liability and its liabilities to patrons, players, and its third-party provider.
18 The Casino was not in compliance with regulations regarding adequate financing. The Casino
19 did not present acceptable documentation of any Bureau-approved alternate security for its
20 chips-in-use and/or patron funds liabilities.

21 4. Additionally, on Complainant's behalf and pursuant to her authority, Bureau
22 employees on multiple occasions requested records regarding the Casino's bank accounts and
23 sources of funds, but the Casino repeatedly failed to provide requested documents in a timely
24 fashion.

25 5. In view of the foregoing, the Casino's continued operation poses an immediate
26 threat to the public's health, safety, and welfare. It also undermines the public's trust and
27 confidence that the Casino employs and maintains suitable methods of operation to protect the
28 public health, safety, and general welfare.

AUTHORITY FOR EMERGENCY ORDER

1
2 6. Public trust and confidence in licensed, controlled gambling can be maintained
3 only by strict compliance with the laws and regulations related to the operation of licensed
4 gambling establishments. (Bus. & Prof. Code, § 19801, subd. (h).)

5 7. All gambling establishment owners, gambling establishments, and gambling
6 operations must be licensed and regulated to protect the public health, safety, and general
7 welfare. (Bus. & Prof. Code, § 19801, subd. (i).)

8 8. All gambling establishments must be operated in a manner suitable to protect the
9 public health, safety, and general welfare of the state's residents. The responsibility for the
10 employment and maintenance of suitable methods of operation rests with the licensed owner.
11 (Bus. & Prof. Code, § 19920.)

12 9. No licensed owner shall operate a gambling enterprise in violation of any
13 provision of the Act or any regulation adopted pursuant thereto. (Bus. & Prof. Code, § 19922.)

14 10. The Bureau may require a gambling establishment to present satisfactory evidence
15 that it has adequate financing available to protect the public's health, safety and welfare. (Cal.
16 Code Regs., tit. 11, § 2053, subd. (a).)

17 11. Gambling establishments are required to maintain a separate, specifically
18 designated, insured account with a licensed financial institution in an amount not less than the
19 total value of the chips in use by the gambling establishment. The funds in that account may
20 only be used to redeem the chips of that gambling establishment. That account may not be used
21 as collateral or encumbered or hypothecated in any fashion. Alternatively, the Bureau may
22 allow the gambling establishment to provide some other form of security acceptable to the
23 Bureau, in lieu of maintaining the required account. (Cal. Code Regs., tit. 11, § 2053, subd.
24 (b).)

25 12. Gambling establishments are required to maintain a separate, specifically
26 designated, insured account with a licensed financial institution in an amount not less than the
27 total amount of the monies that patrons of that gambling establishment have on deposit with the
28 gambling establishment. The funds from that account may only be used to return to the patrons

1 the balance of monies on deposit with the gambling establishment. That account may not be
2 used as collateral, or encumbered or hypothecated in any fashion. Alternatively, the Bureau
3 may allow the gambling establishment to provide some other form of security acceptable to the
4 Bureau, in lieu of maintaining the required account. (Cal. Code Regs., tit. 11, § 2053, subd.
5 (c).)

6 13. The Bureau may issue an emergency order against an owner licensee when the
7 Bureau deems it reasonably necessary for the immediate preservation of the public peace,
8 health, safety, or general welfare. (Bus. & Prof. Code, § 19931, subd. (a).)

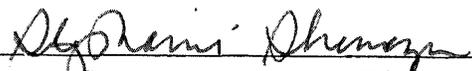
9 14. This Emergency Order is effective immediately upon issuance and its service on
10 the Corporation, doing business as the Casino, or upon any agent of the Corporation, doing
11 business as the Casino, registered with the Bureau for receipt of service. (Bus. & Prof. Code, §
12 19931, subd. (c).)

13 15. This Emergency Order is effective until further order of the Commission or until
14 final disposition of any proceeding conducted pursuant to Business and Professions Code
15 section 19931, subdivision (d). (Bus. & Prof. Code, § 19931, subd. (c).)

16 16. Among other rights, the person or entity against whom the Emergency Order has
17 been issued and served is entitled to a hearing which, if so requested, shall commence within 10
18 business days of the date of the request if a gambling establishment is closed by the order, and
19 in all other cases, within 30 calendar days of the date of the request. On application of the
20 Bureau, and for good cause shown, a court may extend the time within which the hearing is
21 required to be commenced, upon those terms and conditions that the court deems equitable.
22 (Bus. & Prof. Code, § 19931, subd. (d).)

23 IT IS SO ORDERED.

24
25 Dated: January 6, 2020



26 STEPHANIE SHIMAZU, Director
27 California Department of Justice,
28 Bureau of Gambling Control

DECLARATION OF SERVICE

Case Name: **First Amended Accusation Against: Rancho's Club Casino, Inc. dba Magnolia House Casino**

Case No.: **BGC Case No. HQ2019-00003AC**

I declare:

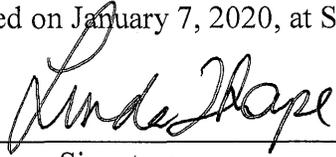
I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter; my business address is 1300 I Street, Suite 125, P.O. Box 944255, Sacramento,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

On January 7, 2020, I caused to be served the attached **FIRST AMENDED ACCUSATION** by placing a true copy thereof enclosed in a sealed envelope and causing such envelope to be personally delivered by Golden State Overnight courier service to the office of the addressee listed below:

JARHETT P. BLONIEN J Blonien A Professional Law Corporation 1121 L Street, Suite 105 Sacramento, CA 95814	FOUR LEAF CLOVER INVESTMENTS LLC 11275 Folsom Boulevard Rancho Cordova, CA 95742
RANCHOS CLUB CASINO, INC. dba Magnolia House Casino 11275 Folsom Boulevard Rancho Cordova, CA 95742	THOMAS B. SHERIDAN 11275 Folsom Boulevard Rancho Cordova, CA 95742

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct and that this declaration was executed on January 7, 2020, at Sacramento, California.

Linda Thorpe
Declarant



Signature