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

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

16 **STAR'S CASINO, formerly known as the**
17 **Comstock Casino (GEGE-001082);**

18 **JOSEPH A. MELECH (GEOW-002594);**

19 **MONICA M. MELECH (GEOW-002593);**

20 **775 West Clover Road**
21 **Tracy, CA 95376**

22 **Respondents.**

OAH No.

BGC Case No. BGC-HQ2017-00002AL

ACCUSATION

23 Complainant alleges as follows:

24 **PARTIES**

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

1 2. Respondent Star’s Casino (Star’s Casino), formerly known as the Comstock
2 Casino, is a licensed gambling establishment, California State Gambling License Number
3 GEGE-001082. It is an eight-table card room presently operating at 775 West Clover Road,
4 Tracy, California. It changed its name and relocated to 775 West Clover Road in 2013.

5 3. Respondent Joseph A. Melech (Mr. Melech), license number GEOW-002594, is
6 endorsed on Star’s Casino’s license. Respondent Monica M. Melech (Mrs. Melech), license
7 number GEOW-002593, is endorsed on Star’s Casino’s license. Mr. and Mrs. Melech presently
8 are Star’s Casino’s owners as sole proprietors.

9 4. Star’s Casino, Mr. Melech, and Mrs. Melech are referred to collectively as
10 “Respondents.”

11 5. The California Gambling Control Commission (Commission) issued the above-
12 described licenses to Respondents. Each license will expire on August 31, 2017. An
13 application for renewal is pending as to each license.

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

15 6. The Commission has jurisdiction over the operation and concentration of
16 gambling establishments and all persons and things having to do with operation of gambling
17 establishments. (Bus. & Prof. Code, § 19811, subd. (b).)¹ The Act tasks the Bureau with,
18 among other responsibilities, investigating suspected violations of the Act and initiating
19 disciplinary actions. (Bus. & Prof. Code, §§ 19826, subds. (c) & (e) & 19930, subd. (b).) Upon
20 the Bureau filing an accusation, the Commission proceeds under Government Code section
21 11500 et seq. (Bus. & Prof Code, § 19930, subd. (b); see Cal. Code Regs., tit. 4, § 12554, subd.
22 (a).) The Commission’s disciplinary powers include, among other things, revocation and
23 imposition of monetary penalties. (Cal. Code Regs., tit. 4, § 12554, subd. (d).)

24 7. In a matter brought under the Act, the standard of proof is the preponderance of
25 the evidence. (Cal. Code Regs., tit. 4, § 12554, subd. (c).)

26
27
28 ¹ The statutes and regulations applicable to this Accusation are quoted in pertinent part
in Appendix A.

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

3 **THE DUTY OF DISCLOSURE**

4 9. Operating a card room in California is a revocable privilege. (Bus. & Prof.
5 Code, § 19801, subd. (k).) The Act provides for comprehensive regulation to prevent that
6 privilege from being abused. The Commission's powers include approving transactions as
7 provided in the Act. (Bus. & Prof. Code, § 19824, subd. (c).) The Act directs that every
8 applicant for licensing or any approval required by the Act make full and true disclosure of all
9 information necessary to carry out the state's policies relating to licensing and control of
10 gambling. (Bus. & Prof. Code, § 19866.)

11 **FIRST CAUSE FOR REVOCATION**

12 **(Unqualified for Continued Licensure)**

13 10. Respondents' gambling licenses are subject to revocation, pursuant to Business
14 and Professions Code sections 19823 and 19857, subdivisions (a) and (b), and California Code
15 of Regulations, title 4, section 12568, subdivision (c)(3). Respondents' conduct in their
16 dealings with the Commission and the Bureau demonstrate that they are unqualified for
17 licensure. That conduct includes, but is not limited to, the following acts and omissions:

- 18 a. Respondents failed to timely make full and true disclosure of information
19 necessary to carry out the state's policies relating to licensing and control of
20 gambling. Respondents did not disclose agreements regarding financing and
21 ownership arrangements. Respondents received more than \$1 million from their
22 co-venturer. The loan convertible at the co-venturer's option into an ownership
23 interest in Star's Casino. The loan proceeds were used to remodel and relocate
24 the gambling establishment. Respondents' co-venturer was not licensed as an
25 owner of, or financial interest holder in, Star's Casino. In sum, Respondents
26 entered into a venture with an unlicensed person to remodel premises, relocate
27 the gambling establishment, and become a co-owner. This breached
28 Respondents' duties under the Act and made them unqualified for licensing.

1 b. Even though Respondents had license applications and other approvals pending
2 before the Commission, they failed to fully disclose the venture, the financing
3 sources, and giving an option to acquire an ownership. These acts and omissions
4 breached Respondents' duties under the Act and made them unqualified for
5 licensing.

6 c. Respondents engaged in patterns and practices that demonstrate a substantial
7 disregard for prudent and usual business practices. They failed to fully
8 document the transactions by which they obtained more than \$1 million and gave
9 their co-venturer a right to obtain an ownership interest in Star's Casino. For
10 nearly three years, Respondents provided incomplete transactional documents to
11 the Bureau. When asked for complete transactional documents, Respondents
12 through their designated agent made false or misleading statements to the
13 Bureau. Respondents' disregard for prudent and usual business practices and
14 providing false or misleading information to the Bureau pose a threat to the
15 public interest and the effective regulation and control of controlled gambling.
16 Respondents engaged in unsuitable patterns and practices in the conduct of
17 controlled gambling or in carrying on the business and financial arrangements
18 incidental to controlled gambling. This made Respondents unqualified for
19 licensing.

20 **SECOND CAUSE FOR REVOCATION**

21 **(Disqualification: Failing To Reveal Material Information to the Bureau)**

22 11. Respondents' gambling licenses are subject to revocation, pursuant to Business
23 and Professions Code sections 19823, 19857, subdivisions (a) and (b), and 19859, subdivisions
24 (a) and (b), and California Code of Regulations, title 4, section 12568, subdivisions (c)(3) and
25 (4). Respondents breached their duty of full and true disclosure to the Commission and the
26 Bureau. Respondents failed to reveal to, and concealed from, the Bureau material information
27 regarding a financial interest holder, indebtedness, and a prospective ownership interest,
28 including, but not limited to, the following:

1 a. Respondents failed to timely make full and true disclosure of information
2 necessary to carry out the state’s policies relating to licensing and control of
3 gambling. Respondents did not disclose agreements regarding financing and
4 ownership arrangements. Respondents received more than \$1 million from their
5 co-venturer. The loan was convertible at the co-venturer’s option into an
6 ownership interest in Star’s Casino. The loan proceeds were used to remodel
7 and relocate the gambling establishment. Respondents’ co-venturer was not
8 licensed as an owner or financial interest holder in Star’s Casino. In sum,
9 Respondents entered into a venture with an unlicensed person to remodel
10 premises, relocate the gambling establishment, and become a co-owner. This
11 information was material to Respondents’ qualification for licensure under the
12 Act. These acts and omissions breached Respondents’ duties under the Act and
13 disqualified them from licensing.

14 b. Even though Respondents had license applications and other approvals pending
15 before the Commission, they failed to fully disclose the venture, the financing
16 sources, and giving an option to acquire an ownership. This information was
17 material to Respondent’s qualification for licensure under the Act. These acts
18 and omissions breached Respondents’ duties under the Act and disqualified them
19 from licensing.

20 **THIRD CAUSE FOR REVOCATION**

21 **(Disqualification: Providing Untrue or Misleading Material Information)**

22 12. Respondents’ gambling licenses are subject to revocation, pursuant to Business
23 and Professions Code sections 19823, 19857, subdivisions (a) and (b), and 19859, subdivisions
24 (a) and (b), and California Code of Regulations, title 4, section 12568, subdivisions (c)(3) and
25 (4). Respondents breached their duty of full and true disclosure to the Commission and the
26 Bureau. Respondents provided the Bureau with untrue or misleading material information
27 pertaining to the qualification criteria for licensing. Specifically, among other things,
28 Respondents repeatedly represented through an agent that all documents for the proposed


1 transactions had been provided to the Bureau; Respondents' agent also represented that their
2 attorney felt complete documentation of the proposed transactions was not required. These
3 representation thus were untrue or misleading.

4 **PRAYER**

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

- 7 1. Revoking California State Gambling License Number GEGE-001082, issued to
8 Respondent Star's Casino;
- 9 2. Revoking California State Gambling License Number GEOW-002594, issued to
10 Respondent Joseph A. Melech;
- 11 3. Revoking California State Gambling License Number GEOW-002593, issued to
12 Respondent Monica M. Melech;
- 13 4. Imposing monetary penalties against Respondents, jointly and severally,
14 according to proof and to the maximum extent allowed by law;
- 15 5. Awarding Complainant the costs of investigation and costs of bringing this
16 Accusation before the Commission, pursuant to Business and Professions Code section 19930,
17 subdivisions (d) and (f), in a sum according to proof; and
- 18 6. Taking such other and further action as the Commission may deem appropriate.

19
20 Dated: July 14, 2017



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

1 **APPENDIX A – STATUTORY AND REGULATORY PROVISIONS**

2 **Jurisdictional and Standard of Proof Provisions**

3 1. Business and Professions Code section 19811 provides, in part:

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

7 2. Business and Professions Code section 19823 provides:

8 (a) The responsibilities of the commission include, without limitation,
9 all of the following:

10 (1) Assuring that licenses, approvals, and permits are not issued
11 to, or held by, unqualified or disqualified persons, or by persons
12 whose operations are conducted in a manner that is inimical to the
 public health, safety, or welfare.

13 (2) Assuring that there is no material involvement, directly or
14 indirectly, with a licensed gambling operation, or the ownership or
15 management thereof, by unqualified or disqualified persons, or by
16 persons whose operations are conducted in a manner that is inimical to
 the public health, safety, or welfare.

17 (b) For the purposes of this section, “unqualified person” means a
18 person who is found to be unqualified pursuant to the criteria set forth in
 Section 19857, and “disqualified person” means a person who is found to
 be disqualified pursuant to the criteria set forth in Section 19859.

19 3. Business and Professions Code section 19824 provides, in part:

20 The commission shall have all powers necessary and proper to enable
21 it fully and effectually to carry out the policies and purposes of this
 chapter, including, without limitation, the power to do all of the following:

22 * * *

23 (b) For any cause deemed reasonable by the commission, . . . limit,
24 condition, or restrict any license, permit, or approval, or impose any fine
25 upon any person licensed or approved. The commission may condition,
26 restrict, discipline, or take action against the license of an individual owner
 endorsed on the license certificate of the gambling enterprise whether or
 not the commission takes action against the license of the gambling
 enterprise.

27 * * *

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 19826 provides, in part:

5 The department² . . . shall have all of the following responsibilities:

6 * * *

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

9 * * *

10 (e) To initiate, where appropriate, disciplinary actions as provided in
11 this chapter. In connection with any disciplinary action, the department
12 may seek restriction, limitation, suspension, or revocation of any license or
13 approval, or the imposition of any fine upon any person licensed or
14 approved.

15 5. California Code of Regulations, title 4, section 12554 provides, in part:

16 (a) Upon the filing with the Commission of an accusation by the
17 Bureau recommending revocation, suspension, or other discipline of a
18 holder of a license, registration, permit, finding of suitability, or approval,
19 the Commission shall proceed under Chapter 5 (commencing with section
20 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

21 * * *

22 (c) The Administrative Law Judge and Commission shall base their
23 decisions on written findings of fact, including findings concerning any
24 relevant aggravating or mitigating factors. Findings of fact shall be based
25 upon a preponderance of the evidence standard. The “preponderance of
26 the evidence standard” is such evidence as when considered and compared
27 with that opposed to it, has more convincing force, and produces a belief in
28 the mind of the fact-finder that what is sought to be proved is more likely
true than not true.

(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:

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

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

8 **Cost Recovery Provisions**

9 6. Business and Professions Code section 19930 provides, in part:

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

15 * * *

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

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

27 (2) The department may enforce the order for payment in the
28 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 (f) For purposes of this section, “costs” include costs incurred for any
2 of the following:

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

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

6 **Specific Statutory and Regulatory Provisions**

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

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

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

19 * * *

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

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

1 9. Business and Professions Code section 19852 provides, in part:

2 [A]n owner of a gambling enterprise that is not a natural person shall
3 not be eligible for a state gambling license unless each of the following
4 persons individually applies for an obtains a state gambling license:

5 * * *

6 (i) Every employee, agent, guardian, personal representative,
7 lender, or holder of indebtedness of the owner who, in the judgment of
8 the commission, has the power to exercise significant influence over the
9 gambling operation.

9 10. 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
12 occupying the position with respect to which the license is required.

12 11. 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
15 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
21 controlled gambling or in the carrying on of the business and financial
22 arrangements incidental thereto.

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

22 12. 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:

24 (a) Failure of the applicant to clearly establish eligibility and
25 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
28 the applicant to reveal any fact material to qualification, or the
supplying of information that is untrue or misleading as to a material
fact pertaining to the qualification criteria.

1 13. Business and Professions Code section 19866 provides:

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

5 14. Business and Professions Code section 19920 provides:

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

12 15. Business and Professions Code section 19922 provides:

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

15
16 16. California Code of Regulations, title 4, section 12556, subdivision (c), provides, in
17 part:

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

22 * * *

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

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

27
28