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BEFORE THE
CALIFORNIA GAMBLING CONTROL COMMISSION
STATE OF CALIFORNIA

In the Matter of the Accusation and Statement
of Issues Against:

LUCKY CHANCES, INC., A California
Corporation dba LUCKY CHANCES
CASINO, GEOW-002757;

ROMMEL MEDINA, Chief Executive
Officer and Shareholder, GEOW-001327

RUELL MEDINA, Chief Financial Officer
and Shareholder, GEOW-001326

Respondents.

OAH Case No. 2015110463

GC Case No. HQ2015-00002AC

DECISION AND ORDER

Hearing Dates: August 1-4, 2016

PENDING APPEAL

This matter was heard by the Honorable Kirk E. Miller, Administrative Law Judge (ALJ Miller), State of California, Office of Administrative Hearings, on August 1-4, 2016, in Oakland, California.

Deputy Attorney Generals William P. Torngren and Neil D. Houston represented complainant Wayne J. Quint, Jr., Chief of the Bureau of Gambling Control (Bureau), Department of Justice, State of California.

Charles J. Smith, Attorney at Law, Hartnett Smith & Paetkau, and Jahrett Blonien, Attorney at Law, Blonien, Boyd, and Condit, represented Respondents Lucky Chances, Inc. (LCI) dba Lucky Chances Casino, Rommel Medina (Rommel) and Ruell Medina (Ruell) (collectively, Respondents).

The record was left open until August 12, 2016, to permit the Bureau to submit cost declarations, and until August 19, 2016, to permit Respondents to respond to the Bureau's cost request. The documents were timely received. The Bureau's Cost Declarations were marked as Exhibit 23 and admitted into evidence, and Respondents' Brief in Opposition to the Bureau's Costs was marked as Exhibit P, and made part of the record. ALJ Miller closed the record on

1 August 19, 2016.

2 On or about September 16, 2016, ALJ Miller timely issued a Proposed Decision.

3 On or about November 17, 2016, the California Gambling Control Commission
4 (Commission) rejected the Proposed Decision and Order of ALJ Miller pursuant to Government
5 Code section 11517(c)(2)(E). The Commission served a Notice and Order of Nonadoption on the
6 parties. In its Notice and Order of Nonadoption, the Commission advised the parties that, in
7 accordance with Government Code section 11517(c)(2)(E)(ii), they may submit written argument
8 to the Commission on or before December 23, 2016. The Commission advised the parties that
9 they may not submit any opposition or reply briefs. The Commission also advised the parties that
10 it would decide this matter on the record, transcripts, and written argument from the parties. Both
11 parties timely submitted written argument on or before December 23, 2016.

12 The record closed on December 23, 2016.

13 During the evidentiary hearing, ALJ Miller admitted into evidence the following exhibits
14 offered by the Bureau:

- 15 (1) Jurisdictional Documents:
 - 16 a. Accusation w/ POS, CL 1-1 through CL 1-17;
 - 17 b. First Amended Accusation, CL 1-18 through CL 1-27;
 - 18 c. Second Amended Accusation, CL 1-28 through CL 1-38;
 - 19 d. CGCC Minutes 9/24/15, CL 1-39 through CL 1-47; and
 - 20 e. Notices of Defense, CL 1-48 through CL 1-56;
- 21 (2) License Certificates, CL 2-1 through CL 2-8;
- 22 (3) License History;
- 23 (4) Application for State Gambling License, CL 4-1 through CL 4-29;
- 24 (5) DOJ Level III Application Review, CL 5-1 through CL 5-51;
- 25 (6) Investigation Report No. 1, CL 6-1;
- 26 (7) Investigation Report No. 3, CL 7-1 through 7-20;
- 27 (8) Lucky Chances Casino Minutes of Meeting – April 8, 2014, CL 8-1

- 1 through CL 8-6;
- 2 (9) Investigation Report No. 4, CL 9-1 through CL 9-38;
- 3 (10) Investigation Report No. 5, CL 10-1 through CL 10-16;
- 4 (11) Investigation Report No. 9, CL 11-1 through CL 11-38;
- 5 (12) Investigation Report No. 12, CL 12-1 through CL 12-4;
- 6 (13) Investigation Report No. 13, CL 13-1 through CL 13-7;
- 7 (14) Investigation Report No. 19, CL 14-1 through CL 14-10;
- 8 (15) Investigation Report No. 18, CL 15-1 through CL 15-20;
- 9 (16) Investigation Report No. 22, CL 16-1 through CL 16-46;
- 10 (17) Mah & Associates Workpapers, CL 17-1 through CL 17-47;
- 11 (18) USCJ Judgment in Crim. Case, CL 18-1 through CL 18-7; Criminal Minute
- 12 Order, CL 18-8 through CL 18-11;
- 13 (19) Stipulated Settlement and Disciplinary Order, CL 19-1 through CL 19-9;
- 14 (20) Lucky Chances; Erlinda Cachuela document production, CL 20-1 through
- 15 CL 20-24;
- 16 (21) Stipulation to Lucky Chances Receipts from Rene Medina, CL 21;
- 17 (22) Accusation Amendment; and
- 18 (23) Cost Declarations.

19 During the evidentiary hearing, ALJ Miller admitted into evidence the following exhibits

20 offered by Respondents:

- 21 (D) 2/19/14 Invoice from Lucky Chances Casino to Rene Medina (Invoice
- 22 #R120) in the Amount of \$59,047.00 (Bates #LCI-DOJ 000155);
- 23 (E) 4/16/14 Check from Rene Medina and Mila Medina to Lucky Chances
- 24 Casino in the Amount of \$59,047.00 (Bates #LCI-DOJ 000154);
- 25 (I) 2/8/14 Lucky Chances Inc. receivable from Mr. Medina (Bates # LCI-DOJ
- 26 000156);
- 27 (J) 4/25/14 Invoice from Lucky Chances Casino to Rene Medina (Invoice
- 28

1 #165) in the Amount of \$2,599.00 (Bates # LCI-DOJ 000145); and
2 (M) Court Reporter's Transcript of the September 23, 2008 Hearing before the
3 California Gambling Control Commission.

4 **FACTUAL FINDINGS**

5 *Pleadings*

6 1. On or about August 2, 2015, the Bureau prepared an Accusation against
7 Respondents, and served the Accusation on Respondents via certified mail.

8 2. On or about August 20, 2015, Respondents timely submitted Notices of Defense.

9 3. On or about February 11, 2016, the Bureau prepared and filed a First Amended
10 Accusation against Respondents.

11 4. On or about July 3, 2016, the Bureau prepared and filed a Second Amended
12 Accusation and Statement of Issues (ASI) against Respondents. The ASI is the operative
13 pleading in this matter.

14 *Background*

15 5. Lucky Chances Casino (Lucky Chances) is a 60 table cardroom located in Colma,
16 California, License Number GECE-001108. Lucky Chances contains a restaurant,
17 administrative, accounting and human resource offices, all located off of the gambling floor.
18 Lucky Chances was founded by Rene Medina in 1998. Rene Medina is the father of Rommel and
19 Ruell. Rene Medina owned and operated Lucky Chances until he sold it to his sons, Rommel and
20 Ruell.

21 6. Lucky Chances employs approximately 650 people and its financial statements show
22 that it had revenue of \$47,743,421 in 2013, and \$45,238,976 in 2014. Lucky Chances' income
23 from operations was \$12,887,290 in 2013 and \$10,875,832 in 2014.

24 7. Rene Medina sold LCI to his sons subject to a promissory note for the purchase price
25 of \$48,000,000. The promissory note is held by the Rene and Mila Medina Irrevocable Blind
26 Trust (Trust). Pursuant to the terms of the promissory note, Rommel and Ruell pay the Trust
27 \$600,000 per quarter. These payments are financed from the proceeds of the gambling and
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1 restaurant operations at Lucky Chances. The Commission approved the purchase and sale
2 agreement between Rene Medina and his sons, the establishment of the Trust, and the payment
3 schedule to the Trust.

4 8. On or about October 30, 2008, Rene Medina was convicted of three counts of
5 violating 26 U.S.C. section 201, tax evasion, a felony.

6 9. Business and Professions Code section 9809(c)¹ provides that the Commission shall
7 deny a license to any applicant who is disqualified for conviction of a felony, including a
8 conviction by a federal court or a court in another state for a crime that would constitute a felony
9 if committed in California.

10 10. Rene Medina is disqualified from holding any license issued by the Commission,
11 including a state gambling license to own any portion of a card room in the State of California.²
12 Rene is considered a “disqualified person” under the Gambling Control Act.

13 11. LCI is the corporate owner of Lucky Chances and holds License Number GEOW-
14 002757. Rommel is Chief Executive Officer and Shareholder of LCI and holds License Number
15 GEOW-001327. Ruell is the Chief Operating Officer and Shareholder of LCI and holds License
16 Number GEOW-001326. Rommel and Ruell each own 50% of the shares of LCI.

17 12. The state gambling license of LCI contains five license conditions (License
18 Conditions) as follows:

- 19 1. Rene Medina shall be prohibited from entering, being present in, or in any way
20 patronizing (a) the areas within Lucky Chances Casino in which controlled
21 gambling is conducted and (b) any other areas related to the gambling
22 operation, such as count and surveillance rooms, including all of the 2nd floor.
- 23 2. All future shareholders, corporate officers, key employees, and work permit
24 holders shall be informed of the prohibition (as identified in condition number
25 one) by the General Manager within three business days of their start date and

26 ¹ All statutory citations are to the Business and Professions Code unless otherwise indicated. All regulatory
27 citations are to Title 4, California Code of Regulations (CCR) unless otherwise indicated.

28 ² “License” is defined in Section 19805(z) as “a gambling license, key employee license, or any other
license issued by the commission pursuant to this chapter or regulations adopted pursuant to the chapter.”

1 shall maintain a record of this notification while they are affiliated with the
2 cardroom.

- 3 3. Ruell Medina and Rommel Medina, licensed as shareholders in Lucky
4 Chances, Inc., shall each be individually responsible for ensuring that all
5 conditions placed on the Lucky Chances license are fully complied with,
6 including but not limited to duties placed upon the General Manager.
- 7 4. If Rene Medina is observed at any time by any employee entering, or being
8 present in, (a) the areas within Lucky Chances Casino in which controlled
9 gambling is conducted or (2) any other areas related to the gambling operation,
10 such as count and surveillance rooms, including all of the 2nd floor, the General
11 Manager or manager in charge shall within 10 minutes telephone (1) the
12 California Gambling Control Commission (Commission) and (2) the
13 Department of Justice, Bureau of Gambling Control (Bureau). The call to the
14 Commission shall be made to the Executive Director at (916) 263-0700. The
15 call to the Bureau shall be made to the Bureau Chief at (916) 227-2377.
- 16 5. Any communication between Rene Medina and any shareholder or employee
17 of Lucky Chances concerning the operation of the Lucky Chances card room
18 business shall be disclosed to the Executive Director and to the Bureau Chief
19 within one business day of the communication. This disclosure requirement
20 applies to both oral and written communications. This disclosure must be
21 made in writing. The General Manager shall maintain records documenting
22 each disclosure for four years following the disclosure.

23 13. On or about October 14, 2014, the Bureau received an anonymous complaint asserting
24 that Rene Medina was still running Lucky Chances, and that Lucky Chances' employees were
25 used during normal work hours to work at Rene Medina's house and at Mission National Bank.³

26 14. On or about October 21, 2014, agents from the Bureau's Compliance and Enforcement

27 ³ Rene Medina founded Mission National Bank, but evidence of its current ownership structure was not
28 presented and is not in issue in this matter.

1 Section (CES), together with the Bureau's High Tech Task Force, conducted an unannounced
2 compliance inspection of Lucky Chances. During the inspection, numerous Lucky Chances
3 employees were interviewed, computers were imaged, and documents were taken. The
4 employees cooperated with Bureau personnel, provided access to the requested documents, and
5 gave oral statements. The information obtained from the compliance inspection resulted in the
6 Bureau's filing of the Accusation against Respondents.

7 15. On or about June 4, 2015, LCI filed an application to renew its gambling owner's
8 license, and Rommel and Ruell filed applications to renew their state gambling licenses as
9 shareholders of LCI. The Commission considered the renewal applications at its September 24,
10 2015 meeting, in which the Commission voted to refer consideration of the renewal state
11 gambling license applications to an Administrative Procedures Act (APA) evidentiary hearing, to
12 be consolidated with the pending Accusation against Respondents. The Commission also issued
13 interim renewal licenses for Respondents, valid through September 30, 2017, and subject to the
14 same License Conditions set forth in Factual Finding 12.

15 16. On or about July 8, 2016, the Bureau amended its First Amended Accusation to
16 include a Statement of Issues. The ASI seeks the revocation of the gambling establishment and
17 ownership state gambling licenses of Respondents; the denial of Respondents' renewal state
18 gambling license applications; the imposition of fines and monetary penalties; and the award of
19 the costs of investigation and prosecution of this matter.

20 17. The burden of proof is with the Complainant (Bureau) in a proceeding on the
21 Accusation.⁴

22 18. The burden of proof is with the Respondents in a proceeding on the Statement of
23 Issues.⁵

24 ***Second Amended Accusation***

25 19. The ASI alleges three causes for discipline of the state gambling licenses of
26 Respondents and/or denial of the renewal state gambling applications of Respondents as follows:

27 ⁴ CCR section 12554.

28 ⁵ Section 19856(a).

1 (1) Involvement of disqualified person in Lucky Chances business and financial affairs; (2)
2 Violation of License Condition Five; and (3) Violation of License Condition Three.

3 20. Based on the evidence presented during the evidentiary hearing, ALJ Miller granted
4 the Bureau's Request to Amend According to Proof Pursuant to Government Code section 11507.
5 The Bureau added a fourth cause of discipline and denial as follows: (4) Rommel and LCI,
6 through its management employees and agents, provided untrue and misleading information as to
7 a material fact pertaining to qualification criteria and all Respondents failed to reveal facts
8 material to qualification.

9 *First Cause of Action for Discipline or Denial:*

10 *Involvement of Disqualified Person in Lucky Chances Business and Financial Affairs*

11 21. During the calendar year 2013 and 2014, employees of Lucky Chances' maintenance
12 department performed services during their regular work hours and their days off at Rene
13 Medina's home. In some cases, Rene Medina directly requested the employees to work, while in
14 other cases they were requested to do so either by Kirk Stoner (Stoner), Lucky Chances facility
15 manager, or by Rick Bustamante (Bustamante), the day-shift housekeeping and maintenance
16 supervisor. Rene Medina was building a new house during this period and Stoner, who was
17 previously a general contractor, assisted him with the design and construction of the new
18 property. Lucky Chances maintenance employees provided landscaping, planting, and similar
19 services to Rene Medina when requested to do so. Except for Stoner, the employees who
20 performed the work were hourly employees who reported directly to Bustamante. When the
21 employees worked at Rene Medina's home during their off hours, they were paid directly by
22 Rene Medina; otherwise, they were paid by Lucky Chances.

23 22. It was not unusual for Lucky Chances maintenance employees to perform "off-site"
24 services for other companies owned and/or operated by Rene Medina, Rommel and Ruell,
25 including, among others, Mission National Bank and Lucky Money. When they did so, they
26 would "clock in" on the Kronos time keeping machine located at Lucky Chances, and then go to
27 the assigned offsite location to perform the required service. If, when working offsite, they
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1 worked through a lunch break, they completed a form called the “missed punch log” in order to
2 keep track of the actual hours worked. The same procedure was followed when they worked at
3 Rene Medina’s home. In other words, they would first report to Lucky Chances to clock in, and
4 then they left to work at Rene Medina’s home without first “clocking out,” if they were assigned
5 to do so by their supervisor. They also entered time-keeping information in the missed punch log
6 to account for their breaks. As such, they did not properly account for their time; it appeared that
7 Lucky Chances maintenance employees were performing services for Lucky Chances, when in
8 fact they were working for Rene Medina.

9 23. Erlinda Cachuela (Cachuela) is Lucky Chances’ treasurer and is responsible for
10 assuring that company funds are correctly dispersed. She was not aware of the work that Lucky
11 Chances maintenance employees performed for Rene Medina until she learned about the activity
12 during the Bureau’s unannounced compliance inspection on October 21, 2014. The reason that
13 she was not aware that Lucky Chances maintenance employees were being paid to perform work
14 for Rene Medina is that the time keeping function was controlled by the employees’ direct
15 supervisors who were responsible for approving time entries. The accounting department did not
16 know where the employees were assigned when they worked offsite, and therefore paid the
17 employees for work performed for Rene Medina.

18 24. The maintenance department established codes for special off-site projects, and used
19 “code 50” for work done for Rene Medina and “code 16” for Mission National Bank.⁶

20 25. Lucky Chances is open 24 hours per day, 7 days per week. Lucky Chances
21 maintenance employees are also required to be available at all times. As a result, many of Lucky
22 Chances’ maintenance employees worked weekends and had days off in the middle of the week.

23 26. Rommel is the Chief Executive Officer and 50% shareholder of LCI. His office is
24 located on the second floor of Lucky Chances. He has an open door policy and is often on site at
25 Lucky Chances. Rommel was aware that Lucky Chances maintenance employees, including
26 Stoner, were working at Rene Medina’s house. Rommel noticed Lucky Chances maintenance

27 ⁶ References to these accounting codes is found in Exhibit 8, Lucky Chances Casino Minutes of Meeting –
28 April 8, 2014.

1 employees working at Rene Medina’s house on weekends. Prior to the Bureau’s unannounced
2 compliance inspection, Rommel never investigated or inquired of Rene Medina, Stoner,
3 Bustamente, or any of Lucky Chances’ maintenance staff regarding the financial and employment
4 arrangements between Lucky Chances maintenance staff and Rene Medina.

5 27. Ruell is the Chief Financial Officer and 50% shareholder of LCI. Ruell spends the
6 majority of his time working at his other business entities. Ruell also noticed Lucky Chances
7 maintenance employees working at Rene Medina’s house. Ruell never investigated or inquired of
8 Rene Medina, Stoner, Bustamente, or any of Lucky Chances maintenance staff regarding the
9 financial and employment arrangements between Lucky Chances maintenance staff and Rene
10 Medina.

11 28. The Bureau advised Rommel of the services issue during its unannounced compliance
12 inspection. Rommel then instructed Cachuela to conduct a compliance audit of any payments
13 made to employees for services received by Rene Medina. The accounting team performed a
14 detailed audit and created a schedule of the amounts paid. Because the employees are required to
15 fill out the missed punch log anytime they are away from their regular workplace at Lucky
16 Chances, and the missed punch log only indicates the employee is “off site,” it was not possible
17 for Cachuela to determine when the employees were working at Rene Medina’s home or when
18 they were on regular company business, such as purchasing equipment and supplies. For this
19 reason, when calculating the cost of the services Rene Medina received, the accounting
20 department took a conservative approach and assumed that anytime an employee in the
21 maintenance department completed the missed punch log, and noted it was in connection with
22 off-site work, that the employee was working at Rene Medina’s home. The completed internal
23 audit report was reviewed by Lucky Chances financial consultant Abhi Agrawal (Agrawal). The
24 total labor expense paid by Lucky Chances for this offsite work at all locations was \$76,200 in
25 2013 and \$100,690 in 2014. After the Bureau advised Rommel of the services issue and the
26 detailed audit was complete, Rene Medina reimbursed Lucky Chances for these amounts.

27 29. In addition to the services provided by Stoner and Lucky Chances’ maintenance
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1 employees, Rene Medina also purchased materials for his home that were paid for by Lucky
2 Chances in the amount of \$7,098. Rene Medina also used Lucky Chances' wholesale license to
3 purchase furnishings at a reduced cost. Lucky Chances incurred the sales tax expense associated
4 with his purchases, in the amount of \$60,735. Based on the sales tax rate of approximately 9%,
5 Rene Medina used Lucky Chances' wholesale license to purchase over \$600,000 worth of
6 material and furnishings for his home. Lucky Chances' employees, including the payroll
7 department, assisted Rene Medina with the ordering and purchasing of materials, including
8 furniture, for his home. Lucky Chances' accounting department identified these amounts, and
9 Rene Medina subsequently reimbursed Lucky Chances for these amounts in April 2014, prior to
10 the Bureau's unannounced compliance inspection.

11 30. Prior to his repayment of the owed amounts, the total collar benefit that accrued to
12 Rene Medina for labor, material, and sales tax was \$24,123.85.

13 31. The internal audit performed by Lucky Chances regarding wages paid to its
14 maintenance employees, as well as the materials purchased and sales tax paid by Lucky Chances
15 on behalf of Rene Medina, was reviewed and audited by Lucky Chances' independent audit firm,
16 Mah & Associates, LLP. Mah & Associates is a certified public accounting firm that prepares
17 and certifies LCI's annual financial statements. The financial statements are prepared in
18 accordance with GAAP (Generally Accepted Accounting Principles). Lucky Chances is a Group
19 I licensee, which means a licensee "with a reported gross revenue of \$10 million or more for the
20 preceding fiscal year."⁷ As a result, Lucky Chances must engage an independent accountant
21 licensed by the California Board of Accountancy to audit its annual financial statements in
22 accordance with GAAS (Generally Accepted Auditing Standards).⁸ Mah & Associates' audit
23 partner, Yolanda Aquino, confirmed she received the full cooperation of Lucky Chances
24 employees in connection with her audit of the internal report. The work performed by Mah &
25 Associates was done in accordance with Commission regulations.

26 32. During the hearing, Rommel testified that Lucky Chances did not purchase items for

27 ⁷ CCR section 12311(b)(1).

28 ⁸ CCR section 12313(a)(1).

1 Rene Medina in connection with the construction of his home and did not allow Rene Medina to
2 use its wholesale license to purchase items for the construction of his home. Rommel assumed
3 that Rene Medina, as the former owner of Lucky Chances, was aware of Lucky Chances’
4 wholesale license and used it on his own without notifying Lucky Chances. This is supported by
5 the fact that Rene Medina reimbursed Lucky Chances for these amounts in April 2014, prior to
6 the Bureau’s unannounced compliance inspection. However, as Lucky Chances employees,
7 including the payroll department, assisted Rene Medina with the ordering and purchasing of
8 materials for his home, Rommel’s testimony is not persuasive.

9 33. Rommel and Ruell built an organizational structure and work culture at Lucky
10 Chances in which their employees and supervisors in the payroll and maintenance departments
11 failed to notify them that Rene Medina, a disqualified person under the Gambling Control Act,
12 was availing himself of the labor, counsel, and resources generated by Lucky Chances.

13 34. Prior to the Bureau’s unannounced compliance inspection on October 21, 2014, Lucky
14 Chances made no report to the Bureau or Commission regarding the services provided to Rene
15 Medina, the purchases utilizing Lucky Chances’ wholesale permit for Rene Medina’s benefit, or
16 any other contact Lucky Chances’ employees had with Rene regarding these services and
17 purchases.

18 35. Both Rommel and Ruell noticed Lucky Chances maintenance employees working at
19 Rene Medina’s home on weekends. Yet, from April 2014, when Rene Medina reimbursed Lucky
20 Chances for the sales tax and purchases made by Lucky Chances for Rene Medina’s benefit, to
21 October 21, 2014, when the Bureau’s unannounced compliance inspection revealed that Lucky
22 Chances was paying its maintenance employees to work at Rene Medina’s home, neither Rommel
23 nor Ruell ever made any inquiry into the financial arrangements of Lucky Chances maintenance
24 employees working at Rene Medina’s home.

25 36. Given the above factual circumstances, Rommel and Ruell failed to exercise
26 reasonable oversight over Lucky Chances’ significant financial and personnel expenditures.

27 37. The Commission has the responsibility, without limitation, to “assure that there is no
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1 material involvement, directly or indirectly, with a licensed gambling operation, or the ownership
2 or management thereof, by unqualified or disqualified persons.” Section 19823(a)(2).

3 38. By directing Lucky Chances’ employees, including payroll and maintenance staff, to
4 perform services and purchase furnishings for his home, Rene Medina, a disqualified person
5 under the Gambling Control Act, was materially involved, and exercised managerial and
6 ownership control over the finances and personnel of Lucky Chances, a licensed gambling
7 operation.

8 39. Following the issues involving Lucky Chances maintenance employees working for
9 Rene Medina in the development and landscaping of his home, Rommel and Ruell created Lucky
10 Business Services (LBS). The cost of providing services to related companies is now invoiced
11 and reimbursed by LBS. The creation of LBS enables a more accurate accounting of the
12 employees’ time and activities of Lucky Chances maintenance workers. There are approximately
13 15 related business entities.

14 *Determination on First Cause for Discipline or Denial*

15 40. The evidence established material involvement with a licensed gambling operation,
16 and the ownership or management thereof, by a disqualified person, Rene Medina.

17 *Second Cause of Action for Discipline or Denial:*

18 *Violation of License Condition Five*

19 41. When Rommel and Ruell were issued state gambling licenses as the shareholders of
20 LCI (the owner-licensee of Lucky Chances) in 2007, they understood that Rene Medina was
21 precluded from involvement in Lucky Chances. Rommel and Ruell took steps to ensure that
22 Lucky Chances was operated in accordance with the Gambling Control Act and the conditions
23 placed on Respondents’ state gambling licenses by the Commission.

24 42. To assist them with legal compliance issues, LCI hired a full-time, in-house
25 compliance officer, Chris Tajalle (Tajalle). Tajalle is an attorney who specialized in compliance
26 matters. They also retained the consulting services of Steve Giorgio (Giorgio), who previously
27 served as the Executive Director of the Commission and as the Chief Enforcement Officer of the
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1 Department of Consumer Affairs. Giorgio continues to provide consulting services.

2 43. Among Giorgio's responsibilities when he began working for Lucky Chances was
3 reviewing and revising LCI's policies and procedures. Giorgio strengthened the surveillance
4 room procedures and the policies regarding cage operations and chips in use. He also provided
5 training to all employees regarding Lucky Chance's license conditions. He repeats this employee
6 training annually. He has also provided training regarding cash handling, internal controls,
7 surveillance, and reporting requirements associated with the Bank Secrecy Act, to the extent they
8 apply to the gaming industry.

9 44. License Condition Five provides that "any communication between Rene Medina and
10 any shareholder or employee of Lucky Chances concerning the operation of the Lucky Chances
11 card room business shall be disclosed to the Executive Director and to the Bureau Chief within
12 one business day of the communication. This disclosure requirement applies to both oral and
13 written communications. This disclosure must be made in writing. The General Manager shall
14 maintain records documenting each disclosure for four years following the disclosure."

15 45. Numerous communications occurred in 2013 and 2014 between Rene Medina and
16 employees of Lucky Chances, specifically employees and supervisors in the payroll and
17 maintenance departments. These communications had to do with the purchasing of furnishings
18 and use of Lucky Chances maintenance employees to provide maintenance services in connection
19 with the construction and furnishing of Rene Medina's new home. The total dollar benefit that
20 accrued to Rene Medina for labor, materials and sales tax was \$244,923.85. Rene Medina
21 reimbursed Lucky Chances for the cost of the materials in April 2014, and for the cost of the
22 maintenance labor following the Bureau's unannounced compliance inspection on October 21,
23 2014. None of these communications were reported or disclosed to the Commission or the
24 Bureau.

25 46. There was no evidence presented of any communications between Rene Medina and
26 his sons, Rommel and Ruell, regarding the operations of Lucky Chances.

27 *Determination on Second Cause of Action for Discipline or Denial*

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1 47. The communications between Rene Medina and the payroll and maintenance
2 employees and supervisors of Lucky Chances were for the benefit of Rene Medina in the
3 construction, maintenance and furnishing of his private home. As a result, these communications
4 did not “concern the operations of the Lucky Chances card room business.” Therefore, the
5 evidence did not establish that License Condition Five was violated.

6 *Third Cause of Action for Discipline or Denial:*

7 *Violation of License Condition Three*

8 48. License Condition Three provides that “Ruell Medina and Rommel Medina,
9 licensed as shareholders in Lucky Chances, Inc. shall each be individually responsible for
10 ensuring that all conditions placed on the Lucky Chances license are fully complied with,
11 including but not limited to duties placed upon the General Manager.”

12 49. The ASB alleges that any violation of License Condition Five also constitutes a
13 violation of License Condition Three.

14 *Determination on Third Cause for Discipline or Denial*

15 50. The evidence did not support a finding that Respondents violated License Condition
16 Five, which is the predicate for finding a violation of License Condition Three. Therefore, the
17 evidence did not establish that License Condition Three was violated.

18 *Fourth Cause of Action for Discipline or Denial:*

19 *Providing Untrue and Misleading Information to the Bureau*

20 51. The Bureau alleges that Rommel provided untrue and misleading information as to a
21 material fact pertaining to qualification criteria and that all Respondents failed to reveal facts
22 material to qualification. More specifically, the Bureau alleges that Rommel and Ruell failed to
23 timely report to the Bureau possible violations of the Gambling Control Act and regulations
24 adopted pursuant to the Gambling Control Act by: (1) telling Bureau investigators that
25 Respondents first learned that Lucky Chances employees were being used for the benefit of Rene
26 Medina on October 21, 2014; (2) failing to disclose that Rene Medina was provided the benefit of
27 LCI’s resale permit; (3) failing to disclose that LCI’s employees were being used for the benefit
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1 of Rene Medina; and (4) failing to report this information to the Bureau.

2 52. As provided above, Rene Medina purchased materials for his home that were paid for
3 by Lucky Chances and used Lucky Chances' wholesale license to purchase furnishings at a
4 reduced cost, causing Lucky Chances to incur the sales tax expense associated with his purchases
5 in the amount of \$60,335. Lucky Chances' employees, including the payroll department, assisted
6 Rene Medina with the ordering and purchasing of materials, including furniture, for his home.
7 Lucky Chances' accounting department identified these amounts, and Rene Medina subsequently
8 reimbursed Lucky Chances for these amounts in April 2014, prior to the Bureau's unannounced
9 compliance inspection on October 21, 2014. Lucky Chances did not notify the Bureau of these
10 transactions.

11 53. Rommel testified that he was unaware that Lucky Chances maintenance employees
12 were being paid by Lucky Chances to assist in the construction and maintenance of Rene
13 Medina's home until the Bureau's unannounced compliance inspection on October 21, 2014.

14 54. Rommel and Ruell should have known that Lucky Chances maintenance employees
15 were still on the clock while performing construction and maintenance services for Rene Medina
16 in the development of his private home. Rommel and Ruell failed to exercise reasonable
17 oversight over Rene Medina's use of Lucky Chances maintenance employees.

18 *Determination on Fourth Cause for Discipline or Denial*

19 55. Rommel's statement to the Bureau that Respondents first learned that Lucky Chances
20 employees were being used for the benefit of Rene Medina on October 21, 2014 was not untrue
21 and misleading. Therefore, the evidence did not establish that Rommel provided untrue and
22 misleading information as to a material fact pertaining to qualification criteria.

23 56. Rommel and Ruell failed to disclose to the Bureau that Rene Medina was provided the
24 benefit of LCI's wholesale license. Rommel and Ruell's failure to disclose Rene Medina's use of
25 LCI's wholesale license is a factor in assessing Rommel and Ruell's suitability for licensure.
26 However, the evidence did not establish that Respondents' acts and omissions in failing to report
27 that Rene Medina was provided the benefit of LCI's wholesale license resulted in a violation of
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1 the Gambling Control Act.

2 57. Rommel and Ruell failed to disclose that LCI's employees were being used for the
3 benefit of Rene Medina. However, as Rommel testified that he first learned that Lucky Chances
4 employees were being used for the benefit of Rene Medina on October 21, 2014, the evidence did
5 not establish that Rommel and Ruell's failure to disclose that LCI's employees were being used
6 for the benefit of Rene Medina resulted in a violation of the Gambling Control Act.

7 *Matter in Aggravation*

8 58. On September 18, 2011, LCI entered into a Stipulated Settlement and Disciplinary
9 Order with the Bureau, which was approved by the Commission, pursuant to which LCI
10 acknowledged contracting with a company, owned by relatives of Rommel and Ruell, that
11 provided third party proposition players who were unregistered and/or unlicensed employees,
12 and/or use of fraudulent licenses that were not issued by the Commission. Respondents agreed to
13 pay a fine of \$38,000 and to pay the Bureau's costs of investigation and prosecution of the matter
14 in the amount of \$29,500.

15 *Imposition of Discipline*

16 59. In light of the foregoing, Respondents' licenses are suspended for fourteen (14) days.
17 However, the suspension is stayed, and Respondents are ordered to pay a monetary penalty in lieu
18 of all fourteen (14) days of the suspension. Pursuant to CCR section 12554(d)(7)(A), the
19 monetary penalty shall be fifty percent (50%) of Lucky Chances' average daily gross gaming
20 revenue. The monetary penalty shall be based upon the most recent financial statements
21 submitted by Lucky Chances to the Bureau.

22 *Costs*

23 60. Section 19930(d) provides:

24 (d) In any case in which the administrative law judge recommends that the
25 commission revoke, suspend, or deny a license, the administrative law judge may,
26 upon presentation of suitable proof, order the licensee or applicant for a license to
27 pay the department the reasonable costs of the investigation and prosecution of this
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1 case.

2 61. In issuing his Proposed Decision, ALJ Miller did not recommend the revocation,
3 suspension or denial of Respondents' state gambling licenses or renewal state gambling license
4 applications. As a result, ALJ Miller did not order the payment of reasonable costs by
5 Respondents to the Bureau.

6 62. Since ALJ Miller did not recommend the revocation or suspension of Respondents'
7 state gambling licenses or the denial of Respondents' renewal state gambling license applications,
8 pursuant to Section 19930(d), no costs will be awarded to the Bureau for the investigation and
9 prosecution of this case.

10 ***Statement of Issues***

11 63. Section 19856(c) provides:

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

15 64. Section 19856(c) provides:

16 In reviewing an application for any license, the commission shall consider whether
17 issuance of the license is inimical to public health, safety, or welfare, and whether
18 issuance of the license will undermine public trust that the gambling operations
19 with respect to which the license would be issued are free from criminal and
20 dishonest elements and would be conducted honestly.

21 65. Section 19857(a) provides:

22 No gambling license shall be issued unless, based on all of the information and
23 documents submitted, the commission is satisfied that the applicant is a person of
24 good character, honesty, and integrity.

25 66. Section 19857(b) provides:

26 No gambling license shall be issued unless, based on all of the information and
27 documents submitted, the commission is satisfied that the applicant is a person
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1 whose prior activities, criminal record, if any, reputation, habits and associations
2 do not pose a threat to the public interest of this state, or to the effective regulation
3 and control of controlled gambling, or create or enhance the dangers of unsuitable,
4 unfair, or illegal practices, methods, and activities in the conduct of controlled
5 gambling or in the carrying on of the business and financial arrangements
6 incidental thereto.

7 67. Section 19857(c) provides:

8 No gambling license shall be issued unless, based on all of the information and
9 documents submitted, the commission is satisfied that the applicant is a person that
10 is in all other respects qualified to be licensed as provided in this chapter.

11 68. Rommel is Chief Executive Officer and Shareholder (50%) of LCI and holds License
12 Number GEOV-001326. Rommel does not have a criminal record. Rommel fully cooperated
13 with the Bureau during its unannounced compliance inspection on October 21, 2014. Rommel did
14 not directly assist Rene Medina with using Lucky Chances' funds and wholesale license to
15 purchase materials and furnishings for Rene Medina's home, or in the hiring of LCI's
16 maintenance employees to work at Rene Medina's home. Giorgio testified that Rommel is honest
17 and independent of Rene Medina, and that Rommel is quiet, but approachable, and actively
18 engaged in Lucky Chances' operations. There was no persuasive evidence presented that
19 Rommel lacks honesty or integrity. However, there are significant concerns regarding Rommel's
20 relationship with Rene Medina, and his failure to exercise reasonable oversight over various
21 departments, including payroll and maintenance, that resulted in Lucky Chances' significant
22 financial and personnel expenditures in favor of Rene Medina for the purpose of the development
23 and furnishing of Rene Medina's home.

24 69. Ruell is the Chief Operating Officer and Shareholder (50%) of LCI and holds License
25 Number GEOW-001326. Ruell does not have a criminal record. Ruell did not directly assist
26 Rene Medina with using Lucky Chances' funds and wholesale license to purchase materials and
27 furnishings for Rene Medina's home, or in the hiring of LCI's maintenance employees to work at
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1 Rene Medina's home. Giorgio testified that Ruell is honest and independent of Rene Medina, and
2 that Ruell is less involved than Rommel in Lucky Chances' operations. Despite the fact that
3 Ruell has less direct involvement in the operations of Lucky Chances than Rommel, Ruell
4 remains in a position of authority as Chief Operating Officer. There was no persuasive evidence
5 presented that Ruell lacks honesty or integrity. However, there are significant concerns regarding
6 Ruell's relationship with Rene Medina and his failure to exercise reasonable oversight over
7 various departments, including payroll and maintenance, that resulted in Lucky Chances'
8 significant financial and personnel expenditures in favor of Rene Medina for the purpose of the
9 development and furnishing of Rene Medina's home.

10 70. LCI is owned and operated by its two 50% shareholders, Rommel and Ruell. LCI
11 does not have a criminal record.

12 *Determination on Statement of Issues.*

13 71. The evidence established that Respondents are persons of good character, honesty, and
14 integrity. However, Respondents' failure to disclose Rene Medina's use of LCI's wholesale
15 license, their relationship and association with Rene Medina, a disqualified person under the
16 Gambling Control Act, and their habit of failing to exercise reasonable oversight over various
17 departments, including payroll and maintenance, particularly in relation to those departments'
18 interactions with Rene Medina, poses a threat to the public interest, and creates or enhances the
19 dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of
20 controlled gambling or in the carrying on of the business and financial arrangements incidental
21 thereto. These threats are insufficient, at this time, to warrant the denial of Respondents' renewal
22 state gambling license applications. Rather, Respondents have met their burden of proving their
23 qualifications for licensure under the Gambling Control Act, but only through their strict
24 adherence to the following conditions:

25 License Conditions:

- 26 1. Rene Medina shall be prohibited from entering, being present in, or in any way
27 patronizing any areas on Lucky Chances' property.

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2. All future shareholders, corporate officers, key employees, and work permit holders shall be informed of the prohibition (as identified in condition number one) by the General Manager within three business days of their start date and shall maintain a record of this notification while they are affiliated with the card room.
 3. Rene Medina and Ronnel Medina licensed as shareholders in Lucky Chances, Inc. shall each be individually responsible for ensuring that all conditions placed on the Lucky Chances license are fully complied with, including but not limited to duties placed upon the General Manager.
 4. If Rene Medina is observed at any time by any employee entering, or being present in any areas of Lucky Chances property, the General Manager or manager in charge shall within 30 minutes telephone (1) the California Gambling Control Commission (Commission) and (2) the Department of Justice, Bureau of Gambling Control (Bureau). The call to the Commission shall be made to the Executive Director at (916) 263-0700. The call to the Bureau shall be made to the Bureau Chief at (916) 227-2377.
 5. Rene Medina shall not have any communication, directly or indirectly, with any employee or owner of Lucky Chances, except that Rene Medina may communicate with his immediate family members provided the communication does not relate to any part of LCI's business.
 6. Any communication between Rene Medina and any shareholder or employee of Lucky Chances concerning the operation of the Lucky Chances card room business shall be disclosed to the Executive Director and to the Bureau Chief within one business day of the communication. This disclosure requirement applies to both oral and written communications. This disclosure must be made in writing. The General Manager shall maintain records documenting each disclosure for four years following the disclosure.

1 *All Evidence Considered*

2 72. All documentary and testimonial evidence submitted by the parties that is not
3 specifically addressed in this Decision and Order was considered but not used by the Commission
4 in making its determination on the ASI.

5 **LEGAL CONCLUSIONS**

6 1. Division 1.5 of the Business and Professions Code, the provisions of which govern the
7 denial of licenses on various grounds, does not apply to licensure decisions made by the
8 Commission under the Gambling Control Act. Business and Professions Code section 476(a).

9 2. Public trust and confidence can only be maintained by strict and comprehensive
10 regulation of all persons, locations, practices, associations, and activities related to the operation
11 of lawful gambling establishments and the manufacture and distribution of permissible gambling
12 equipment. Business and Professions Code section 1970 (h).

13 3. In order to effectuate state policy as declared herein, it is necessary that gambling
14 establishments, activities, and equipment be licensed, that persons participating in those activities
15 be licensed or registered, that certain transactions, events, and processes involving gambling
16 establishments and owners of gambling establishments be subject to prior approval or permission,
17 that unsuitable persons not be permitted to associate with gambling activities or gambling
18 establishments, and that gambling activities take place only in suitable locations. Any license or
19 permit issued, or other approval granted pursuant to this chapter, is declared to be a revocable
20 privilege, and no holder acquires any vested right therein or thereunder. Business and Professions
21 Code section 19801(k).

22 4. The Commission has the responsibility of assuring that licenses, approvals, and
23 permits are not issued to, or held by, unqualified or disqualified persons, or by persons whose
24 operations are conducted in a manner that is inimical to the public health, safety, or welfare.
25 Business and Professions Code section 19823(a)(1).

26 5. The Commission has the responsibility of assuring that there is no material
27 involvement, directly or indirectly, with a licensed gambling operation, or the ownership or
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1 management thereof, by unqualified or disqualified persons, or by persons whose operations are
2 conducted in a manner that is inimical to the public health, safety, or welfare. Business and
3 Professions Code section 19823(a)(2).

4 6. An “unqualified person” means a person who is found to be unqualified pursuant to
5 the criteria set forth in Section 19858, and “disqualified person” means a person who is found to
6 be disqualified pursuant to the criteria set forth in Section 19859. Business and Professions Code
7 section 19823(b).

8 7. The Commission has the power, for any cause deemed reasonable by the Commission,
9 to deny any application for a license, permit, or approval provided for in this chapter or
10 regulations adopted pursuant to this chapter, limit, condition, or restrict any license, permit, or
11 approval, or impose any fine upon any person licensed or approved. The commission may
12 condition, restrict, discipline, or take action against the license of an individual owner endorsed
13 on the license certificate of the gambling enterprise whether or not the commission takes action
14 against the license of the gambling enterprise. Business and Professions Code section 19824(b).

15 8. The Commission has the power, for any cause deemed reasonable by the
16 Commission, to take actions deemed to be reasonable to ensure that no ineligible, unqualified,
17 disqualified, or unsuitable persons are associated with controlled gambling activities. Business
18 and Professions Code section 19824(d).

19 9. The burden of proving his or her qualifications to receive any license from the
20 Commission is on the applicant. Business and Professions Code section 19856(a).

21 10. An application to receive a license constitutes a request for a determination of the
22 applicant’s general character, integrity, and ability to participate in, engage in, or be associated
23 with, controlled gambling. Business and Professions Code section 19856(b).

24 11. In reviewing an application for any license, the commission shall consider whether
25 issuance of the license is inimical to public health, safety, or welfare, and whether issuance of the
26 license will undermine public trust that the gambling operations with respect to which the license
27 would be issued are free from criminal and dishonest elements and would be conducted honestly.
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1 Business and Professions Code section 19856(c).

2 12. No gambling license shall be issued unless, based on all of the information and
3 documents submitted, the commission is satisfied that the applicant is a person of good character,
4 honesty, and integrity. Business and Professions Code section 19857(a).

5 13. No gambling license shall be issued unless based on all of the information and
6 documents submitted, the commission is satisfied that the applicant is a person whose prior
7 activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the
8 public interest of this state, or to the effective regulation and control of controlled gambling, or
9 create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities, in
10 the conduct of controlled gambling or in the carrying on of the business and financial

11 arrangements incidental thereto. Business and Professions Code section 19857(b).

12 14. No gambling license shall be issued unless, based on all of the information and
13 documents submitted, the commission is satisfied that the applicant is a person that is in all other
14 respects qualified to be licensed as provided in this chapter. Business and Professions Code
15 section 19857(c).

16 15. The commission shall deny a license to any applicant who is disqualified for failure of
17 the applicant to provide information, documentation, and assurances required by this chapter or
18 requested by the chief, or failure of the applicant to reveal any fact material to qualification, or the
19 supplying of information that is untrue or misleading as to a material fact pertaining to the
20 qualification criteria. Business and Professions Code section 19859(b).

21 16. The commission shall deny a license to any applicant who is disqualified for
22 conviction of a felony, including a conviction by a federal court or a court in another state for a
23 crime that would constitute a felony if committed in California. Business and Professions Code
24 section 19859(c).

25 17. In any case in which the administrative law judge recommends that the commission
26 revoke, suspend, or deny a license, the administrative law judge may, upon the presentation of
27 suitable proof, order the licensee or applicant for a license to pay the department the reasonable
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1 costs of the investigation and prosecution of this case. Business and Professions Code section
2 19930(d).

3 18. The burden of proof is on the applicant to prove his, her, or its qualifications to receive
4 any license or other approval under the Act. Title 4, CCR section 12058(b).

5 19. Upon a finding of a violation of the Act or regulations adopted pursuant thereto, any
6 law related to gambling or gambling establishments, violation of a previously imposed
7 disciplinary or license condition, or laws whose violation is materially related to suitability for a
8 license, registration, permit, or approval, the Commission may do any one or more of the
9 following:

10 ...

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

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13 (4) Impose any condition, limitation, order, or directive;

14 ...

15 (6) Stay, in whole or in part, the imposition of a revocation or suspension against
16 the holder of a license, registration, work permit, finding of suitability, or
17 approval, or

18 (7) Order the holder to pay a monetary penalty in lieu of all or a portion of a
19 suspension. Within the guidelines of Business and Professions Code sections
20 19930, subdivision (c), and 19943, subdivision (b):

21 (A) If the respondent is an owner licensee of a gambling establishment, the
22 monetary penalty shall be equivalent of fifty percent of the average daily
23 gross gaming revenue, but not less than \$300, for the number of days for
24 which the suspension is stayed.

25 Title 4, CCR section 12554.

26 20. Factors in mitigation may reduce a minimal penalty of suspension listed in this
27 chapter, either in number of days suspended and/or in the proposal to stay a suspension for a
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1 period of probation and the payment of any monetary penalty. Factors in aggravation may
2 increase a penalty or be taken into consideration in determining whether or not to allow a
3 suspension to be stayed upon payment of a monetary penalty. Title 4, CCR section 12556.

4 ***Accusation***

5 *First Cause of Action for Discipline or Denial:*

6 *Involvement of Disqualified Person in Lucky Chances Business and Financial Affairs*

7 21. The evidence established material involvement with a licensed gambling operation
8 (Lucky Chances), and the ownership or management thereof, by a disqualified person, Rene
9 Medina. As a result, cause for discipline was established in the first cause of action under Section
10 19823(a)(2).

11 *Second Cause of Action for Discipline or Denial:*

12 *Violation of License Condition Five*

13 22. The communications between Rene Medina and the payroll and maintenance
14 employees and supervisors of Lucky Chances were for the benefit of Rene Medina in the
15 construction, maintenance and furnishing of his private home. As a result, these communications
16 did not “concern the operations of the Lucky Chances card room business.” Therefore, the
17 evidence did not establish that License Condition Five was violated. As a result, no cause for
18 discipline was established in the second cause of action.

19 *Third Cause of Action for Discipline or Denial:*

20 *Violation of License Condition Three*

21 23. The evidence did not support a finding that Respondents violated License Condition
22 Five, which is the predicate for finding a violation of License Condition Three. Therefore, the
23 evidence did not establish that License Condition Three was violated. As a result, no cause for
24 discipline was established in the third cause of action.

25 *Fourth Cause of Action for Discipline or Denial:*

26 *Providing Untrue and Misleading Information to the Bureau*

27 24. The evidence did not establish that Rommel provided misleading information when he
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1 testified that he first learned about Lucky Chances employees were being used for the benefit of
2 Rene Medina on October 21, 2014. Rommel and Ruell's failure to disclose Rene Medina's use of
3 LCI's wholesale license is a factor in assessing Rommel and Ruell's suitability for licensure.
4 However, the evidence did not establish that Respondents' acts and omissions in failing to report
5 that Rene Medina was provided the benefit of LCI's wholesale license resulted in a violation of
6 the Gambling Control Act. Rommel and Ruell also failed to disclose that LCI's employees were
7 being used for the benefit of Rene Medina. However, as Rommel testified that he first learned
8 that Lucky Chances employees were being used for the benefit of Rene Medina on October 21,
9 2014, the evidence did not establish that Rommel and Ruell's failure to disclose that LCI's
10 employees were being used for the benefit of Rene Medina resulted in a violation of the
11 Gambling Control Act. As a result, no cause for discipline was established in the fourth cause of
12 action.

13 *Imposition of Discipline*

14 25. In light of the foregoing, Respondents' licenses are suspended for fourteen (14) days.
15 However, the suspension is stayed, and Respondents are ordered to pay a monetary penalty in lieu
16 of all fourteen (14) days of the suspension. Pursuant to CCR section 12554(d)(7)(A), the
17 monetary penalty shall be fifty percent (50%) of Lucky Chances' average daily gross gaming
18 revenue. The monetary penalty shall be based upon the most recent financial statements
19 submitted by Lucky Chances to the Bureau.

20 *Costs*

21 26. In issuing his Proposed Decision, ALJ Miller did not recommend the revocation,
22 suspension or denial of Respondents' state gambling licenses or renewal state gambling license
23 applications. As a result, ALJ Miller did not order the payment of reasonable costs by
24 Respondents to the Bureau. Since ALJ Miller did not recommend the revocation, suspension or
25 denial of Respondents' state gambling licenses or renewal state gambling license applications,
26 pursuant to Section 19930(d), no costs will be awarded to the Bureau for the investigation and
27 prosecution of this case.
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1 **Statement of Issues**

2 27. The evidence established that Respondents are persons of good character, honesty, and
3 integrity. However, Respondents' failure to disclose Rene Medina's use of LCI's wholesale
4 license, their relationship and association with Rene Medina, a disqualified person under the
5 Gambling Control Act, and their habit of failing to exercise reasonable oversight over various
6 departments, including payroll and maintenance, particularly in relation to those departments'
7 interactions with Rene Medina, poses a threat to the public interest, and creates or enhances the
8 dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of
9 controlled gambling or in the carrying on of the business and financial arrangements incidental
10 thereto. However, these threats are insufficient, at this time, to warrant the denial of

11 Respondents' renewal state gambling license applications. Rather, Respondents have met their
12 burden of proving their qualifications for licensure under the Gambling Control Act, but only
13 through their strict adherence to the following conditions:

14 License Conditions:

- 15 1. Rene Medina shall be prohibited from entering, being present in, or in any way
16 patronizing any areas on Lucky Chances' property.
- 17 2. All future shareholders, corporate officers, key employees, and work permit
18 holders shall be informed of the prohibition (as identified in condition number
19 one) by the General Manager within three business days of their start date and
20 shall maintain a record of this notification while they are affiliated with the
21 cardroom.
- 22 3. Ruell Medina and Rommel Medina, licensed as shareholders in Lucky
23 Chances, Inc. shall each be individually responsible for ensuring that all
24 conditions placed on the Lucky Chances license are fully complied with,
25 including but not limited to duties placed upon the General Manager.
- 26 4. If Rene Medina is observed at any time by any employee entering, or being
27 present in any areas of Lucky Chances' property, the General Manager or
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1 manager in charge shall within 30 minutes telephone (1) the California
2 Gambling Control Commission (Commission) and (2) the Department of
3 Justice, Bureau of Gambling Control (Bureau). The call to the Commission
4 shall be made to the Executive Director at (916) 263-0700. The call to the
5 Bureau shall be made to the Bureau Chief at (916) 227-2377.

6 5. Rene Medina shall not have any communication, directly or indirectly, with
7 any employee or owner of Lucky Chances, except that Rene Medina may
8 communicate with his immediate family members provided the
9 communication does not relate to any part of LCI's business.

10 6. Any communication between Rene Medina and any shareholder or employee
11 of Lucky Chance concerning the operation of the Lucky Chance Card Room
12 Business shall be disclosed to the Executive Director and to the Bureau Chief
13 within one business day of the communication. This disclosure requirement
14 applies to both oral and written communications. This disclosure must be
15 made in writing. The General Manager shall maintain records documenting
16 each disclosure for four years following the disclosure.

17 NOTICE OF APPLICANT'S APPEAL RIGHTS

18 Respondents have the following appeal rights available under state law:

19 Business and Professions Code section 19932 provides:

- 20 (a) Any person aggrieved by a final decision or order of the commission that limits,
21 conditions, suspends, or revokes any previously granted license or approval,
22 made after hearing by the commission, may petition the Superior Court for the
23 County of Sacramento for judicial review pursuant to Section 1094.5 of the
24 Code of Civil Procedure and Section 11523 of the Government Code.
25 Notwithstanding any other provision of law, the standard set forth in paragraph
26 (1) of subdivision (h) of Section 1094.5 of the Code of Civil Procedure shall
27 apply for obtaining a stay of the operation of a final decision or order of the
28 commission. In every case where it is claimed that the findings are not
supported by the evidence, abuse of discretion is established if the court
determines that the findings are not supported by substantial evidence in light of
the whole record.
- (b) The court may summarily deny the petition, or the court may issue an alternative
writ directing the commission to certify the whole record in the case to the court
within a time specified. No new or additional evidence shall be introduced in

1 the court, but, if an alternative writ issues, the cause shall be heard on the whole
2 record as certified by the commission.

3 (c) In determining the cause following issuance of an alternative writ, the court
4 shall enter judgment affirming, modifying, or reversing the order of the
5 commission, or the court may remand the case for further proceedings before, or
6 reconsideration by, the commission.

7 (d) Except as otherwise provided in Section 19870, this section provides the
8 exclusive means to review adjudicatory decisions of the commission.

9 CCR section 12064, subsection (a) and (c) provide, in part:

10 An applicant denied a license, permit, registration, or finding of suitability,
11 or whose license, permit, registration, or finding of suitability has had
12 conditions, restrictions, or limitations imposed upon it, may request
13 reconsideration by the Commission within 30 calendar days of service of the
14 decision, or before the effective date specified in the decision, whichever is
15 later. The request shall be made in writing to the Commission, copied to the
16 Bureau, and shall state the reasons for the request, which must be based
17 upon either newly discovered evidence or legal authorities that could not
18 reasonably have been presented before the Commission's issuance of the
19 decision or at the hearing on the matter, or upon other good cause which the
20 Commission may decide, in its sole discretion, merits reconsideration.

21 Business and Professions Code section 19870, subdivision (e) provides:

22 A decision of the commission denying a license or approval, or imposing
23 any condition or restriction on the grant of a license or approval may be
24 reviewed by petition pursuant to Section 1085 of the Code of Civil
25 Procedure. Section 1094.5 of the Code of Civil Procedure shall not apply to
26 any judicial proceeding described in the foregoing sentence, and the court
27 may grant the petition only if the court finds that the action of the
28 commission was arbitrary and capricious, or that the action exceeded the
commission's jurisdiction.

CCR section 12066, subsection (c) provides:

A decision of the Commission denying an application or imposing conditions on
license shall be subject to judicial review as provided in Business and Professions
Code section 19870, subdivision (e). Neither the right to petition for judicial
review nor the time for filing the petition shall be affected by failure to seek
reconsideration.

ORDER

1. The accusation against Lucky Chances, Inc., Rommel Medina, and Ruell Medina is
PROVEN with regard to the First Cause for Discipline and DISMISSED with regard to the
Second, Third, and Fourth Causes for Discipline.

2. Respondents' licenses are hereby SUSPENDED for fourteen (14) days; however, the

1 suspension shall be stayed and Respondents are ordered to pay a monetary penalty in lieu of all
2 fourteen (14) days of the suspension based upon the most recent financial statements submitted
3 by Lucky Chances to the Bureau.

4 3. The renewal state gambling license applications for Lucky Chances, Inc., Lucky
5 Chances, Rommel Medina, and Rene Medina are APPROVED WITH CONDITIONS, as
6 follows:

- 7 1. Rene Medina shall be prohibited from entering, being present in, or in any way
8 patronizing any areas on Lucky Chances' property.
- 9 2. All future shareholders, corporate officers, key employees, and work permit
10 holders shall be informed of the prohibition (as identified in condition number
11 one) by the General Manager within three business days of their start date and
12 shall maintain a record of this notification while they are affiliated with the
13 cardroom.
- 14 3. Ruell Medina and Rommel Medina, licensed as shareholders in Lucky
15 Chances, Inc. shall each be individually responsible for ensuring that all
16 conditions placed on the Lucky Chances license are fully complied with,
17 including but not limited to duties placed upon the General Manager.
- 18 4. If Rene Medina is observed at any time by any employee entering, or being
19 present in any areas of Lucky Chances' property, the General Manager or
20 manager in charge shall within 30 minutes telephone (1) the California
21 Gambling Control Commission (Commission) and (2) the Department of
22 Justice, Bureau of Gambling Control (Bureau). The call to the Commission
23 shall be made to the Executive Director at (916) 263-0700. The call to the
24 Bureau shall be made to the Bureau Chief at (916) 227-2377.
- 25 5. Rene Medina shall not have any communication, directly or indirectly, with
26 any employee or owner of Lucky Chances, except that Rene Medina may
27 communicate with his immediate family members provided the
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communication does not relate to any part of LCI's business.

6. Any communication between Rene Medina and any shareholder or employee of Lucky Chances concerning the operation of the Lucky Chances card room business shall be disclosed to the Executive Director and to the Bureau Chief within one business day of the communication. This disclosure requirement applies to both oral and written communications. This disclosure must be made in writing. The General Manager shall maintain records documenting each disclosure for four years following the disclosure.

- 4. No costs are to be awarded.
- 5. Each side to pay its own attorneys' fees.

This Order is effective on Mar. 13, 2017.

Dated: 2/9/17

Signature: [Signature]
Jim Evans, Chairman

Dated: 2/9/17

Signature: [Signature]
Lauren Hammond, Commissioner

Dated: 2/9/17

Signature: [Signature]
Trang To, Commissioner

VALID
PENDING APPEAL