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

13
 14
 15 **In the Matter of the Accusation Against:**

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

19 5526 El Cajon Boulevard
 San Diego, CA 92115

20 **Respondent.**

BGC Case No. BGC- HQ2016-00003AC
OAH Case No.

FIRST AMENDED ACCUSATION AND
STATEMENT OF ISSUES

21
 22 Complainant alleges as follows:

23 **PARTIES**

24 1. Wayne J. Quint, Jr. (former complainant) brought the initial Accusation solely in
 25 his official capacity as the Chief of the California Department of Justice, Bureau of Gambling
 26 Control (Bureau). Stephanie Shimazu (Complainant) is the successor to the former
 27 complainant and brings this First Amended Accusation and Statement of Issues (Pleading)
 28 solely in her official capacity as the Bureau’s Director.

1 Respondent failed to comply with and implement minimum internal controls fully.
2 Respondent's continued licensure or license renewal is inimical to the public health, safety, and
3 welfare. Respondent's continued licensure or license renewal also undermines the public trust
4 that the licensed gambling industry is free from corruptive elements.

5 **JURISDICTION AND COST RECOVERY**

6 5. The Commission has jurisdiction over the operation and concentration of
7 gambling establishments and all persons and things having to do with operation of gambling
8 establishments. (Bus. & Prof. Code, § 19811, subd. (b).)¹ The Act tasks the Bureau with,
9 among other responsibilities, investigating suspected violations of the Act and initiating
10 disciplinary actions. (Bus. & Prof. Code, §§ 19826, subds. (c) & (e) & 19930, subd. (b).) Upon
11 the Bureau filing an accusation, the Commission proceeds under Government Code section
12 11500 et seq. (Bus. & Prof Code, § 19930, subd. (b); see Cal. Code Regs., tit. 4, § 12554, subd.
13 (a).) The Commission's disciplinary powers include, among other things, revocation and
14 imposition of a fine or monetary penalty. (Cal. Code Regs., tit. 4, § 12554, subd. (d).)

15 6. In a matter involving revocation, suspension, or denial of a license, the Bureau
16 may recover its costs of investigation and prosecuting the proceeding. (Bus. & Prof. Code, §
17 19930, subd. (d).)

18 **INDICTMENT, EMERGENCY ORDER, AND PLEA AGREEMENT**

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

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

1 8. On August 30, 2016, the former complainant issued an emergency order
2 (Emergency Order) to Respondent pursuant to Business and Professions Code section 19931.
3 That Emergency Order established conditions for Lucky Lady’s continued operation.

4 9. On March 29, 2019, Respondent and the United States entered into a Plea
5 Agreement. Under the terms of that agreement, Respondent pleaded guilty to an illegal
6 gambling business charge contained in a superseding indictment and consented to forfeit guns
7 and \$172,801 in cash. Respondent expressly agreed that he understood the offense and its
8 elements. He further expressly agreed to the factual basis for the guilty plea. The Plea
9 Agreement provided that because of Respondent’s “serious cancer diagnosis and poor
10 prognosis, and the particular circumstances of [his] role in the offense,” the United States would
11 request the court to delay acceptance of the plea and sentencing for 12 months. The United
12 States further agreed that if Respondent complied with the terms of the Plea Agreement, the
13 United States would move to dismiss the superseding indictment.

14 **FIRST CAUSE FOR DISCIPLINE AND DENIAL**

15 **(Unqualified for Continued Licensure or License Renewal)**

16 10. Respondent’s gambling license is subject to revocation, and his renewal
17 application to denial, pursuant to Business and Professions Code sections 19823 and 19857,
18 subdivisions (a) and (b), and California Code of Regulations, title 4, section 12568, subdivision
19 (c)(3). Respondent’s continued licensure, or license renewal, is inimical to public health,
20 safety, and welfare. Also, Respondent is not a person of good character, honesty, and integrity.
21 Further, Respondent’s prior activities and associations pose a threat to the effective regulation
22 and control of controlled gambling, and create or enhance the dangers of unsuitable, unfair, or
23 illegal practices, methods, and activities in carrying on the business and financial arrangements
24 incidental to the conduct of controlled gambling. Respondent’s conduct in his dealings with the
25 Commission and the Bureau demonstrate that he is unqualified for licensure. The factual basis
26 for revocation and denial of his renewal application includes, among other things, the
27 following:
28

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

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

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

21 d. On March 29, 2019, Respondent signed the Plea Agreement in which he
22 admitted to the factual basis for a violation of federal laws proscribing illegal gambling
23 businesses and agreed to forfeit guns and \$172,801 in cash. The predicate for the illegal
24 gambling business count was bookmaking in violation of California law. In the Plea
25 Agreement, Respondent expressly agreed that he “has committed each of the elements
26 of the crime, and admits that there is a factual basis for this guilty plea.”

27 e. In monitoring Lucky Lady’s compliance with the Act, regulations
28 adopted under the Act, and compliance with the Emergency Order, the Bureau found,

1 among other things, the following:

2 1) On February 24, 2017, the Bureau issued a letter of warning to
3 Lucky Lady regarding inadequate minimum internal controls. Lucky Lady
4 purportedly revised its minimum internal controls regarding cage employees to
5 ensure proper accounting and safeguarding funds and chips within the cage.
6 Despite the revisions and surveillance video, Lucky Lady's management failed
7 to observe, and take action to prevent, a cage cashier from stealing chips from
8 the cage, putting them in his pocket, and gambling with stolen chips during his
9 shift. Surveillance video showed multiple incidents. Lucky Lady's management
10 also failed to observe, and take action to prevent, an employee from taking chips
11 from a floor podium and giving them to the cage cashier with receiving any cash
12 in exchange.

13 2) Despite the revised minimum internal controls, Lucky Lady failed
14 to have separate or second persons verify the accuracy of chip counts and cash
15 counts at the beginning of the card room's opening shift. Lucky Lady provided
16 the cage cashier direct access to locked-up count sheets in violation of the
17 Commission's regulations. Lucky Lady also provided the cage cashier with
18 access to financial documents and secured areas without adequate oversight.

19 3) Despite the revised minimum internal controls, Lucky Lady failed
20 to maintain appropriate security and accountability for monetary transactions.
21 The failures included, among other things: leaving large stacks of money –
22 thousands of dollars at a time – in plain view of customers; and having a large
23 area within the cage not covered by surveillance video.

24 4) Lucky Lady's vault log was not accurate. Lucky Lady allowed its
25 general manager to commingle another business's money with the card room's
26 funds in the vault. The general manager stored her own cash in the vault without
27 maintaining a record.
28

1 5) Despite the fact that Lucky Lady was operating under the
2 Emergency Order, the Bureau was required to issue a letter of warning on
3 September 17, 2019, regarding (i) Lucky Lady's failure to keep a key and
4 electronic code list as required by the Commission's regulations and (ii)
5 deficiencies in the audio feed for count room surveillance in violation of the
6 Commission's regulations. Lucky Lady remedied the matters raised in the
7 September 17, 2019 letter of warning.

8 **SECOND CAUSE FOR DISCIPLINE AND DENIAL**

9 **(Supplying Untrue or Misleading Material Information to the Bureau)**

10 11. Respondent's gambling license is subject to revocation, and his renewal
11 application to denial, pursuant to Business and Professions Code sections 19823, 19857,
12 subdivisions (a) and (b), and 19859, subdivisions (a) and (b), and California Code of
13 Regulations, title 4, section 12568, subdivision (c)(3) and (4). Respondent's continued
14 licensure, or renewal of his license, is inimical to public health, safety, and welfare.
15 Respondent is not a person of good character, honesty, and integrity. His prior activities and
16 associations pose a threat to the effective regulation and control of controlled gambling, and
17 create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities
18 in carrying on the business and financial arrangements incidental to the conduct of controlled
19 gambling. Respondent breached his duty of full and true disclosure to the Commission and the
20 Bureau. Respondent supplied information that was untrue or misleading as to a material fact
21 pertaining to the qualification criteria.

22 12. The services agreement between Respondent and the unlicensed corporation
23 provided for monthly payments that were nearly equal to the annual median household income
24 for California (approximately \$62,000 annually in 2014) and that substantially exceeded
25 payments made to general managers of other card rooms of similar size. In response to the
26 Bureau's inquiries regarding whether the general manager, through her unlicensed entity, was
27 an independent contractor over whom Respondent did not, and could not, exercise control or an
28 employee for whom certain tax and other payments would be required, Respondent's

1 designated agent wrote that “Mr. Penn simply chooses to let [the general manager] do the ‘grunt
2 work’.” The designated agent’s response was made on Respondent’s behalf and intended to
3 influence both the Bureau and the Commission with respect to qualification matters. The
4 response showed, among other things: (i) the service agreement’s provision for, and
5 denomination of, services was untrue or misleading; (ii) Respondent was classifying an
6 employee as an independent contractor which was untrue or misleading; (iii) Respondent was
7 paying an unlicensed entity substantial monies for insubstantial services characterized as “grunt
8 work”; or (iv) in view of the service agreement’s terms and conditions, Respondent’s
9 designated agent’s response was untrue or misleading.

10 **THIRD CAUSE FOR DISCIPLINE AND DENIAL**

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

12 13. Respondent’s gambling license is subject to revocation, and his renewal
13 application to denial, pursuant to Business and Professions Code sections 19823, 19857,
14 subdivisions (a) and (b), and 19859, subdivisions (a) and (b), and California Code of
15 Regulations, title 4, section 12568, subdivision (c)(3) and (4). Respondent’s continued
16 licensure, or license renewal, is inimical to public health, safety, and welfare. Respondent is not
17 a person of good character, honesty, and integrity. His prior activities and associations pose a
18 threat to the effective regulation and control of controlled gambling, and create or enhance the
19 dangers of unsuitable, unfair, or illegal practices, methods, and activities in carrying on the
20 business and financial arrangements incidental to the conduct of controlled gambling.
21 Respondent breached his duty of full and true disclosure to the Bureau. Respondent failed to
22 reveal to the Bureau a fact material to qualification.

23 14. From at least March 10, 2014, until submitting his 2015 license renewal
24 application, Respondent failed to reveal to the Bureau the services agreement by which he
25 literally ceded management and control of Lucky Lady to an unlicensed entity. Respondent
26 failed to reveal that an unlicensed entity was empowered to make discretionary decisions that
27 regulated, managed, and controlled, and exercised significant influence over, Lucky Lady’s
28 gambling operations.

1 **FACTORS IN AGGRAVATION**

2 15. In considering the penalty in this matter, the Commission may take into account
3 Respondent's previous disciplinary history. (Cal. Code Regs., tit. 4, § 12556, subd. (h).) On
4 November 7, 2011, Respondent was served with an accusation in the case of *In the Matter of*
5 *the Accusation Against: Stanley Penn, et al.* (OAH No. 2011111047; BGC Case No. HQ2011-
6 0001AC). On August 29, 2012, the Commission approved a Stipulated Settlement; Decision
7 and Order (Order).² Therein Respondent admitted that he had failed to establish and implement
8 applicable standards for the functioning of the cage at Lucky Lady. He also admitted that the
9 cage was operated and/or maintained in an unsuitable manner. The indictment unsealed on July
10 22, 2016, alleges, among other things that Respondent gave the RICO co-conspirators access to
11 Lucky Lady's cage, a RICO co-conspirator managed Lucky Lady's cage, and cash from
12 unlawful sports betting was held in Lucky Lady's cage. The conduct alleged in the First Cause
13 for Discipline and Denial above shows continuing and additional deficiencies in how
14 Respondent operated or maintained Lucky Lady's cage.

15 **PRAYER**

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


- 18 1. Revoking, and denying the renewal application for, California State Gambling
19 License Number GEGE-000950, issued to Lucky Lady Card Room;
- 20 2. Revoking, and denying the renewal application for, California State Gambling
21 License Number GEOW-002251, issued to Respondent Stanley S. Penn;
- 22 3. Imposing fines or monetary penalties against Respondent, according to proof and
23 to the maximum extent allowed by law;
- 24 4. Awarding Complainant the costs of investigation and costs of bringing this
25 Pleading before the Commission, pursuant to Business and Professions Code section 19930,
26 subdivisions (d) and (f), in a sum according to proof; and

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

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5. Taking such other and further action as the Commission may deem appropriate.

Dated: February 25, 2020


STEPHANIE SHIMAZU, Director
Bureau of Gambling Control
California Department of Justice

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

2 **Jurisdictional 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
7 establishments is vested in the commission.

8 2. Business and Professions Code section 19823 provides:

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

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

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

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

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

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

28 * * *

(b) For any cause deemed reasonable by the commission, . . . limit,
condition, or restrict any license, permit, or approval, or impose any fine
upon any person licensed or approved. The commission may condition,
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.

* * *

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

4 4. Business and Professions Code section 19825 provides:

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

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

12 The department^[3] . . . shall have all of the following responsibilities:

13 * * *

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

16 * * *

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

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

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

28 * * *

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

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

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

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

4 * * *

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

8 **Cost Recovery Provisions**

9 7. 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
shall file an accusation with the commission in accordance with Chapter 5
12 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the
Government Code.

13 * * *

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

17
18 (1) The costs assessed pursuant to this subdivision shall be fixed
by the administrative law judge and may not be increased by the
19 commission. When the commission does not adopt a proposed decision
and remands the case to the administrative law judge, the administrative
20 law judge may not increase the amount of any costs assessed in the
proposed decision.

21
22 (2) The department may enforce the order for payment in the
superior court in the county in which the administrative hearing was
23 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.

24
25 (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
26 order of payment and the terms for payment.

27 * * *

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 8. 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.

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

Every person . . . who receives, directly or indirectly, any
compensation or reward, or any percentage or share of the money or
property played, for keeping, running, or carrying on any controlled game
in this state, shall apply for and obtain from the commission, and shall
thereafter maintain, a valid state gambling license, key employee license,
or work permit In any criminal prosecution for violation of this
section, the punishment shall be as provided in Section 337j of the Penal
Code.

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

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

5 * * *

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

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

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

10 12. Business and Professions Code section 19857 provides:

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

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

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

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

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

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

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

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

27 14. Business and Professions Code section 19866 provides:
28

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

6 15. Business and Professions Code section 19920 provides:

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

16 16. Business and Professions Code section 19922 provides:

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

20 17. Business and Professions Code section 19924 provides:

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

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

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

* * *

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

(4) If the Commission finds the holder currently meets

1 any of the criteria for mandatory denial of an application set forth
2 in Business and Professions Code sections 19859 or 19860.

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

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

10 * * *

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

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

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