

1 XAVIER BECERRA
Attorney General of California
2 SARA J. DRAKE
Senior Assistant Attorney General
3 T. MICHELLE LAIRD
Supervising Deputy Attorney General
4 COLIN A. WOOD
Deputy Attorney General
5 WILLIAM P. TORNGREN
Deputy Attorney General
6 State Bar No. 58493
1300 I Street, Suite 125
7 P.O. Box 944255
Sacramento, CA 94244-2550
8 Telephone: (916) 210-7782
Fax: (916) 327-2319
9 E-mail: William.Torngren@doj.ca.gov
Attorneys for Complainant

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

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

24 **Respondents.**

BGC Case No. HQ2019-00003AC

OAH No.

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

EMERGENCY ORDER

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

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

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

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

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

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

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

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

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

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

1 the Bureau for inspection immediately upon demand.

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

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

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

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

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

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

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

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

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

25 **GROUND FOR THIS EMERGENCY ORDER**

26 **Jurisdiction – Licensure**

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

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

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

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

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

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

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

AUTHORITY FOR EMERGENCY ORDER

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

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

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

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

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

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

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

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

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

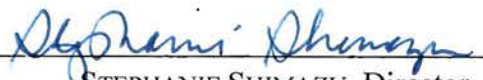
9 14. This Emergency Order is effective immediately upon issuance and its service on
10 the Corporation, doing business as the Casino, or upon any agent of the Corporation, doing
11 business as the Casino, registered with the Bureau for receipt of service. (Bus. & Prof. Code, §
12 19931, subd. (c).)

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

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

23 IT IS SO ORDERED.

24
25 Dated: January 6, 2020

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