

1 KAMALA D. HARRIS
Attorney General of California
2 SARA J. DRAKE
Senior Assistant Attorney General
3 RONALD L. DIEDRICH
Deputy Attorney General
4 WILLIAM P. TORNGREN
Deputy Attorney General
5 State Bar No. 58493
1300 I Street, Suite 125
6 P.O. Box 944255
Sacramento, CA 94244-2550
7 Telephone: (916) 323-3033
Fax: (916) 327-2319
8 E-mail: William.Torngren@doj.ca.gov
Attorneys for the Complainant

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

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

14 **KINGS CASINO LLC (GEOW-003406;**
15 **GEOW-003407), doing business as The**
16 **Tavern at Stones Gambling Hall (GEGE-**
17 **001337) and doing business as The Saloon at**
Stones Gambling Hall (GEGE-001336);

18 **RYAN E. STONE (GEOW-003408; GEOW-**
003409; GEOW-003487; GEOW-003499);

19 **MASIS A. KEVORKIAN (GEOW-003410;**
20 **GEOW-003411; GEOW-003486; GEOW-**
003498);

21 **KERMIT D. SCHAYLTZ (GEOW-003413;**
22 **GEOW-003414; GEOW-003488; GEOW-**
003496); and

23 **KING'S CASINO MANAGEMENT CORP.**
24 **(GEOW-003482; GEOW-003483).**

25 **6508 and 6510 Antelope Road**
26 **Citrus Heights, CA 95621**

27 **Respondents.**
28

OAH No.

BGC Case No. HQ 2016-00002AC

STIPULATED SETTLEMENT,
DECISION, AND ORDER

1 This Stipulated Settlement resolves the Accusation in above-titled matter. The
2 Accusation seeks to discipline respondents' licenses for violations of, and lack of suitability for
3 continued licensing under, the Gambling Control Act (Act) (Bus. & Prof. Code, § 19800 et seq.)
4 and the regulations promulgated thereunder.

5 **PARTIES**

6 1. Wayne J. Quint, Jr. (Complainant) brought the Accusation solely in his official
7 capacity as the Chief of the California Department of Justice, Bureau of Gambling Control
8 (Bureau).

9 2. Respondent The Tavern at Stones Gambling Hall (Tavern) is a licensed
10 gambling establishment, California State Gambling License Number GEGE-001337. It is a 17-
11 table card room operating at 6510 Antelope Road, Citrus Heights, California 95621.
12 Respondent The Saloon at Stones Gambling Hall (Saloon) is a licensed gambling establishment,
13 California State Gambling License Number GEGE-001336. It is a 17-table card room operating
14 at 6508 Antelope Road, Citrus Heights, California 95621. The following persons and entities
15 are endorsed on Tavern's and Saloon's licenses:

- 16 a. Respondent Ryan E. Stone (Mr. Stone), license numbers GEOW-003408 and
17 GEOW-003499, is endorsed on Tavern's license. He is endorsed on Saloon's
18 license as license numbers GEOW-003409 and GEOW-003487.
- 19 b. Respondent Masis A. Kevorkian (Mr. Kevorkian), license numbers GEOW-
20 003410 and GEOW-003498, is endorsed on Tavern's license. He is endorsed on
21 Saloon's license as license numbers GEOW-003411 and GEOW-3486.
- 22 c. Respondent Kermit D. Schayltz (Mr. Schayltz), license numbers GEOW-003413
23 and 003496, is endorsed on Tavern's license. He is endorsed on Saloon's license
24 as license numbers GEOW-003414 and GEOW-003488.
- 25 d. Respondent King's Casino, LLC (LLC), license number GEOW-003406, does
26 business as Tavern and is endorsed on Tavern's license. The LLC, under license
27 number GEOW-003407, does business as Saloon and is endorsed on Saloon's
28 license.

1 e. Respondent King's Management Corp. (Corporation) is endorsed on Tavern's
2 license under license number GEOW-003482. The Corporation is endorsed on
3 Saloon's license under license number GEOW-003483.¹

4 **JURISDICTION**

5 4. On June 17, 2016, Respondents were served with the Accusation, as well as a
6 Statement to Respondent (Gov. Code, § 11505, subd. (b)), Request for Discovery (Gov. Code, §
7 11597.6), copies of Government Code sections 11507.5, 11507.6 and 11507.7, and two copies
8 of the Notice of Defense form (Gov. Code, §§ 11505 & 11506).

9 5. Respondents submitted timely Notices of Defense.

10 **ADVISEMENT AND WAIVERS**

11 6. Each Respondent has carefully reviewed, and has discussed with counsel, the
12 legal and factual allegations in the Accusation. Each Respondent has also carefully reviewed,
13 and has discussed with counsel, this Stipulated Settlement. Each Respondent fully understands
14 the terms and conditions contained within this Stipulated Settlement and the effects thereof.

15 7. Each Respondent is fully aware of his or its legal rights in this matter, including:
16 the right to a hearing on all the allegations in the Accusation; the right to be represented by
17 counsel of his or its choice at his or its own expense; the right to confront and cross-examine the
18 witnesses against him or it; the right to present evidence and testify on his or its own behalf; the
19 right to the issuance of subpoenas to compel the attendance of witnesses and the production of
20 documents; the right to apply for reconsideration and court review of an adverse decision; and
21 all other rights afforded by the California Administrative Procedure Act (Gov. Code, § 11370 et
22 seq.), the Act, and all other applicable laws.

23 8. Each Respondent voluntarily, knowingly, and intelligently waives and gives up
24 each and every right set forth in paragraph 7 above, agrees not to request a hearing on the
25 Accusation, and agrees to be bound by this Stipulated Settlement.

26 _____
27 ¹ Tavern, Saloon, the LLC, the Corporation and Messrs. Stone, Kevorkian, and Schayltz
28 are referred to, collectively, as "Respondents" and, individually, as "Respondent" in this
Stipulated Settlement.

1 **STIPULATED ADMISSIONS**

2 9. Each Respondent admits the truth of the following facts, and warrants, represents,
3 and agrees that each is true, accurate, and complete:

4 a. Respondents failed to make full and true disclosure of information necessary to
5 carry out the state's policies relating to licensing and control of gambling.
6 Respondents did not disclose agreements regarding financing and ownership
7 arrangements. Respondents, or their affiliates, funded a \$3 million loan made to
8 the owners of a card room in Chula Vista, which was to be secured by the assets
9 of the Chula Vista gambling establishment upon approval by the Commission.
10 In addition, with the Commission's approval, the loan was convertible at
11 Respondents' option into an ownership interest in the Chula Vista card room.
12 The loan proceeds were used in that gambling establishment's operations and to
13 construct new premises. Respondents, or their affiliates, also acquired a 50-
14 percent interest in the Chula Vista card room's new premises, and guaranteed
15 commercial loans for improvements. In sum, Respondents, or their affiliates,
16 had in essence entered into a venture to renovate a property, relocate a gambling
17 establishment, and become co-owners when they had not been licensed to do so.
18 Even though Respondents had license applications and other approvals pending
19 before the Commission, they failed to disclose the venture, for which they were
20 financing sources and through which they had obtained an option to acquire an
21 ownership interest; they also failed to disclose their involvement in the Chula
22 Vista card room. This breached Respondents' duties under the Act and made
23 them unqualified for licensing.

24 b. Additionally, without being licensed to do so, Respondents participated, in part,
25 in the management of the Chula Vista card room. Respondents, either directly or
26 through the Chula Vista card room's owners, were involved with certain
27 employment decisions, and advised on certain operational policies, practices, and
28 operations, for the card room. Respondents, or their affiliates, thus exercised

1 improper influence over the gambling operation. Respondents' failure to
2 disclose this conduct prevented both the Bureau and the Commission from
3 learning the true extent of their involvement in the Chula Vista card room's
4 affairs.

5 **STIPULATED AGREEMENT OF SETTLEMENT**

6 10. The foregoing admitted facts and any other admissions made by Respondents
7 herein are made for the purpose of resolving the Accusation and also are made to be used in any
8 other matter now and in the future involving the Commission or the Bureau. Each Respondent
9 admits, and agrees, that under the Act such facts provide a sufficient factual basis to discipline
10 his or its licenses. Each Respondent further admits, and agrees, that such facts establish that his
11 or its license is subject to discipline.

12 11. Each Respondent understands and agrees that the admissions made in paragraphs 9
13 and 10 above may be entered into evidence in any legal proceeding brought or prosecuted by
14 the Commission or the Bureau, as if those admissions were made under oath and penalty of
15 perjury. The admissions made by Respondents herein are only for the purposes of this
16 proceeding, or any current or future proceedings in which the Bureau, the Commission, or any
17 successor agency is involved regarding gambling activities, and shall not be otherwise
18 admissible in any criminal, civil, or unrelated administrative proceeding.

19 12. Upon the effective date of the Decision and Order issued by the Commission
20 adopting this Stipulated Settlement, each Respondent's state gambling license will be
21 suspended for 24 months (Suspension Period). The suspensions, however, shall be stayed
22 provided that Respondents, and each of them, perform and comply with each and every
23 condition and term of this Stipulated Settlement. If the suspensions remain stayed in
24 accordance with this paragraph 12 for the entire Suspension Period, the suspensions shall be
25 deemed satisfied and shall expire without any further order by the Commission.

26 13. Respondents, jointly and severally, agree to pay the Bureau monetary penalties in
27 the amount of \$500,000 (Current Penalties) for the violations alleged in the Accusation and
28 admitted to in paragraphs 9 and 10 above. Respondents further agree that the Current Penalties

1 shall be paid in full within 15 days after the effective date of the Decision and Order issued by
2 the Commission adopting this Stipulated Settlement. The Current Penalties will be deposited in
3 accordance with Business and Professions Code section 19950, subdivision (a).

4 14. Respondents, jointly and severally, also agree to pay the Bureau the sum of
5 \$49,500 (Cost Recovery) as the reasonable costs of investigation and prosecution of this matter
6 as provided for in Business and Professions Code section 19930. Respondents further agree
7 that the Cost Recovery shall be paid in full within 15 days after the effective date of the
8 Decision and Order issued by the Commission adopting this Stipulated Settlement. The Cost
9 Recovery will be paid, and will be deposited, in accordance with Business and Professions
10 Code sections 19930, subdivision (f), and 19950, subdivision (b).

11 15. Respondents, jointly and severally, also agree to pay the Bureau additional
12 monetary penalties in the amount of \$375,000 (Additional Penalties) for the violations alleged
13 in the Accusation in the event that any Respondent (a) defaults in paying the Current Penalties
14 or Cost Recovery in a timely manner, (b) fails to comply with the Act or any regulation adopted
15 thereunder in any material respect for 24 months after the effective date of the Decision and
16 Order issued by the Commission adopting this Stipulated Settlement, or (c) fails to comply with
17 any condition or term set forth in this Stipulated Settlement. Each Respondent understands and
18 agrees that the failure to comply with the Act or any regulation adopted thereunder in any
19 material respect shall constitute a sufficient basis, in and of itself, to lift the stay and suspend
20 any and all licenses that he or it may have under the Act. If required to be paid, the Additional
21 Penalties will be deposited in accordance with Business and Professions Code section 19950,
22 subdivision (a).

23 16. Each Respondent agrees to cooperate fully, and if requested to testify by
24 Complainant to do so without subpoena, with respect to the allegations made in *In the Matter of*
25 *the Accusation and Statement of Issues Against: Seven Mile Casino, et al.*, BGC Case No. HQ
26 2015-00004AC.

27 a. Cooperation includes, but is not limited to, providing information and documents
28 requested by Complainant's attorneys, submitting to interviews, signing truthful

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and accurate declarations, and testifying.

- b. Each Respondent understands, acknowledges, and agrees that (1) his or its obligation of cooperation requires him or it to be truthful at all times, (2) his or its agreement to cooperate is given voluntarily, and (3) Complainant is not compelling or coercing the cooperation.

17. During the Suspension Period, Respondents shall meet, or perform, the following conditions:

- a. Within 15 days following the end of each month, they shall submit monthly unaudited financial reports to the Bureau for each gambling establishment under their direct or indirect management and control. The financial reports shall include monthly profit and loss statements, statements of cash flows, balance sheets, a listing of any payment or distribution greater than \$6,000 (identified by payee and services provided), a listing of any payment or distribution made to any of the Respondents or any person or entity affiliated with a Respondent, and a reconciliation of outstanding patron and player liabilities and accounts for those patron and player liabilities.
- b. Respondents shall engage a gambling operations expert for at least three days each quarter to review the operations and procedures and provide employee education at each gambling establishment under any Respondent's direct or indirect management or control.
- c. Within five days of entering into any letter of intent or agreement, whether directly or indirectly through an affiliate, with a person or entity licensed or registered under the Act or an affiliate of such person or entity, Respondents shall report in writing such agreement to the Bureau and provide copies of written documents evidencing, summarizing, or memorializing the letter of intent or agreement.
- d. Within five days of entering into any letter of intent or agreement, whether directly or indirectly through an affiliate, to acquire any interest whatsoever in a

1 gambling establishment, Respondents shall report in writing such agreement to
2 the Bureau and provide copies of written documents evidencing, summarizing,
3 or memorializing the letter of intent or agreement.

4 e. Within five days of entering into any letter of intent or agreement, whether
5 directly or indirectly through an affiliate, to provide financing, loan monies, or
6 extend credit to any person or entity licensed or registered under the Act or an
7 affiliate of such person or entity, Respondents shall report in writing such
8 agreement to the Bureau and provide copies of written documents evidencing,
9 summarizing, or memorializing the letter of intent or agreement.

10 f. Respondents shall comply in all material respects with the Act, the regulations
11 adopted under the Act, the California Penal Code, and any local ordinances and
12 regulations governing gambling or the operation of gambling establishments.

13 g. Respondents shall bear all costs relating to complying with the terms set forth in
14 this Stipulated Settlement. Additionally, Respondents shall reimburse the
15 Bureau semi-annually for the Bureau's costs and expenses of monitoring
16 compliance with this Stipulated Settlement. The reimbursement rate shall be
17 \$175 per hour plus actual costs incurred. The Bureau will bill Respondents
18 semi-annually; Respondents shall pay the bill in full within 15 days after receipt.

19 18. Respondents agree that it shall be a default under this Stipulated Settlement to
20 (a) fail to pay the Current Penalties or the Cost Recovery when due or (b) fail otherwise to
21 comply with any term of this Stipulated Settlement.

22 19. Respondents agree that upon a default, any state gambling license issued by the
23 Commission to them shall be deemed to be suspended automatically and immediately and shall
24 be of no effect for the remainder of the Suspension Period. Each Respondent expressly waives
25 any right to hearing with respect to, or arising out of, any license suspension based upon a
26 default in paying the Current Penalties, the Cost Recovery, or based upon the allegations of the
27 Accusation that are admitted to in paragraphs 9 and 10 above. The parties understand and
28 acknowledge that Respondents may request a hearing as to any other basis for default.

1 20. The parties agree that this Stipulated Settlement fully resolves their dispute
2 concerning the Accusation, and that, except upon default, no further discipline, including
3 revocation or suspension, shall be sought against Respondents based solely upon the allegations
4 contained within the Accusation.

5 21. This Stipulated Settlement shall be subject to adoption by the Commission. Each
6 Respondent understands and specifically agrees that counsel for the Complainant, and the
7 Bureau's staff, may communicate directly with the Commission regarding this Stipulated
8 Settlement, without notice to, or participation by, Respondents or their counsel, and that no such
9 communication shall be deemed a prohibited ex parte communication. Each Respondent
10 specifically acknowledges and agrees that such communications are permissible pursuant to
11 Government Code section 11430.30, subdivision (b).

12 22. By signing this Stipulated Settlement, each Respondent understands and agrees
13 that it or he may not withdraw its or his agreement or seek to rescind the Stipulated Settlement
14 prior to the time the Commission considers and acts upon it. If the Commission fails to adopt
15 this Stipulated Settlement as its Decision and Order, this Stipulated Settlement shall be of no
16 force or effect, and, except for actions taken pursuant to this paragraph and paragraph 21 above,
17 it shall be inadmissible in any legal action between the parties. The Commission's
18 consideration of this Stipulated Settlement shall not disqualify it from any further action
19 regarding Respondents' licensure, including, but not limited to, disposition of the Accusation by
20 a decision and order following a hearing on the merits.

21 23. The parties agree that a photocopy, facsimile or electronic copy of this Stipulated
22 Settlement, including copies with signatures thereon, shall have the same force and effect as an
23 original.

24 24. In consideration of the above admissions and stipulations, the parties agree that
25 the Commission may, without further notice or formal proceeding, issue and enter the Decision
26 and Order adopting this Stipulated Settlement.


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ACCEPTANCE

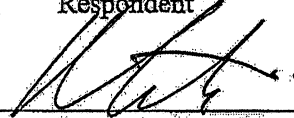
Each Respondent has carefully read and considered the above Stipulated Settlement. Each Respondent has discussed its terms and effects with legal counsel. Each Respondent also understands the Stipulated Settlement and the effects it will or may have on Respondents' state gambling licenses. Each Respondent further understands that its or his state gambling license will be suspended for 24 months subject to a stay and conditions. Each Respondent further understands that it or he will be obligated to pay the Bureau a total sum of \$549,500 (\$500,000 in Current Penalties and \$49,500 in Cost Recovery), and, possibly an additional \$375,000 as Additional Penalties, and that the failure to pay any portion of that amount when due, or to abide by the conditions and terms of the Stipulated Settlement, could result in lifting the stay and suspension of its or his state gambling license. Each Respondent enters into this Stipulated Settlement voluntarily, knowingly and intelligently, and agrees to be bound by its terms.

Dated: June 30, 2016




Ryan E. Stone
Respondent

Dated: June 30, 2016



Masis A. Kevorkian
Respondent

Dated: June 30, 2016



Kermit D. Schayltz
Respondent

Dated: June 30, 2016

KINGS CASINO LLC, doing business as
The Tavern at Stones Gambling Hall and
The Saloon at Stones Gambling Hall

By 

Its Manager
Respondent

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Dated: June 30 2016

KINGS CASINO MANAGEMENT CORP.

By Ryan E Stone
its President
Respondent

Approved as to Form:

Dated: June 30, 2016

Michael I. Lipman
Michael I. Lipman
Duane Morris LLP
Attorney for Respondents

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COMPLAINANT'S ACCEPTANCE

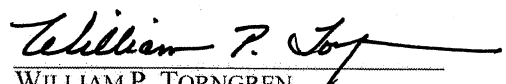
Dated: June 30, 2016


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

The foregoing Stipulated Settlement is hereby respectfully submitted for consideration by the California Gambling Control Commission.

Dated: June 30, 2016

KAMALA D. HARRIS
Attorney General of California
SARA J. DRAKE
Senior Assistant Attorney General
RONALD L. DIEDRICH
Deputy Attorney General


WILLIAM P. TORNGREN
Deputy Attorney General
Attorneys for the Complainant

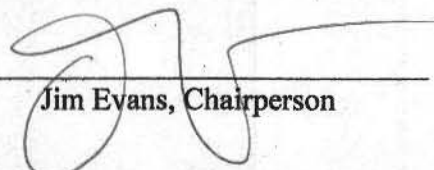
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DECISION AND ORDER OF THE COMMISSION

The California Gambling Control Commission hereby adopts the foregoing Stipulated Settlement of the parties for the case of *In the Matter of the Accusation Against: Kings Casino LLC, et al.*, BGC Case No. HQ2016-00002AC, as its final Decision and Order in this matter to be effective upon execution below by its members.

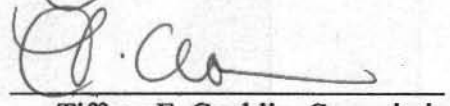
IT IS SO ORDERED

Dated: 9/8/16



Jim Evans, Chairperson

Dated: Sept 8, 2016

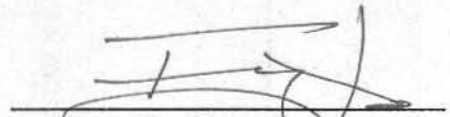


Tiffany E. Conklin, Commissioner

Dated: _____

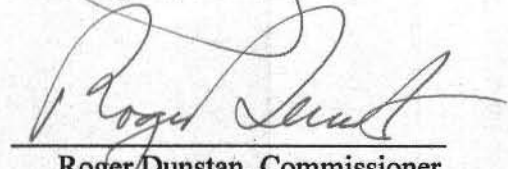
Lauren Hammond, Commissioner

Dated: 9/8/16



Trang To, Commissioner

Dated: 9/8/16



Roger Dunstan, Commissioner