



August 29, 2016

Via Email & U.S. Mail

Michael L. Lipman, Esq.
Duane Morris
750 B Street, Ste. 2900
San Diego, CA 92121-4681

RE: Response to July 18, 2016 Letter

Dear Mr. Lipman:

I am in receipt of your July 14, 2016 Request for Withdrawal of Application pursuant to San Jose Municipal Code §16.32.13; and a July 18, 2016 letter in response to the Division's July 11, 2016 Notice of Meeting Regarding Intention to Deny Application for Stockowner License. Because your request to withdraw was already discussed during the July 17, 2016 meeting at the Division offices with you and Ms. Heather U. Guerena in attendance, and that we have placed this discussion on hold until sometime in September 2016 as a professional courtesy to you due to your federal trial situation, the July 14th request will not be addressed herein.

This letter is intended to respond to your July 18th letter in response to the Division's July 11, 2016 Notice of Meeting Regarding Intention to Deny Application for Stockowner License.

After a careful review of your July 18th letter, it is apparent that I have a different understanding, and my notes clearly reflect a vastly contradictory picture, regarding your representation during our initial phone conversation on February 3, 2016; during our meeting at the Division offices on February 9, 2016; and at the meeting regarding the Division's intent to deny the application of Ryan Stone, Masis Kevorkian and Kermit Schalytz ("Stone Group") on July 17, 2016. As such, nothing in your July 18th response changes the Division's opinion on the grounds for denial asserted in the July 11, 2016 Notice of Meeting Regarding Intention to Deny Application for Stockowner License.

Without going into protracted details in rebutting your assertions in your July 18th response, I would simply state that the Division is not in the business of licensing just for



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the sake of licensing. The Division does not have the resources nor does it have the desire to have someone go through the strict licensing protocols knowing beforehand that an applicant(s) may have been involved in any activity that would fall within the disqualification criteria as outlined under Title 16 of the San Jose Municipal Code, specifically §16.32.070.

Except for a copy of the June 15, 2016 Accusation (BGC Case No. HQ 2016-00002AC) filed against the Stones Group, et.al., by the California Department of Justice - Bureau of Gambling Control (“BGC”) which was provided to the Division on June 20, 2016; a copy of June 30, 2016 “Stipulated Settlement, Decision, And Order” reached between the Stone Group, et.al., and the BGC; and a copy of the “Factors in Mitigation” which you referred to as an “accusation and settlement package deal” on July 14, 2016 which the BGC provided to the Division with your approval the same date, no other information relating to the Stone Group’s involvement with the operation of the Seven Mile Casino was provided to the Division¹. In fact, the Division developed its own sources and information relating to the involvement of the Stone Group in the operation of the Seven Mile Casino in Chula Vista through the vetting process, including the procurement of testimonies and documentation.

Please contact me if you have any questions regarding the above. Thank you.

Sincerely,



Richard Teng, Administrator
Division of Gaming Control

Cc: Eduardo Garcia, Chief of Police (via email only)
Terra Chaffee, Deputy City Attorney (via email only)
Applicants’ Permanent File

¹ A 3 million dollar loan was included in the application of the Stone Group and was not a concern to the Division of Gaming Control, and therefore not used as a disqualification factor in the Division’s July 11, 2016 notice of meeting regarding intention to deny application for stockowner license.