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BEFORE THE

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CALIFORNIA GAMBLING CONTROL COMMISSION

11

12 In the Matter of the Accusation Against:

Case No. DGC # 02001

13 SUSAN BARROWS, Sole Proprietor  
 GOLD RUSH GAMING PARLOR  
 AND SALOON  
 14 106 East Main Street  
 15 Grass Valley, CA 95495

OAH # N2006100932

STIPULATED SETTLEMENT  
 AND DISCIPLINARY ORDER

16 License Number 02001

17

18 IT IS HEREBY STIPULATED AND AGREED by and between the parties to the  
 19 above-entitled proceedings that the following matters are true:

20

## PARTIES

- 21 1. Robert E. Lytle, Jr. ("Complainant"), who is the Director of the Division of  
 22 Gambling Control ("Division") within the California Department of Justice and who brought the  
 23 above-entitled action solely in his official capacity, is represented in this matter by Kenneth R.  
 24 Williams, Deputy Attorney General, Office of the Attorney General of the State of California.
- 25 2. Susan J. Barrows ("Respondent") is the Sole Proprietor of the Gold Rush Gaming  
 26 Parlor and Saloon and is represented in this proceeding by Robert S. Tabor, Esq., whose address  
 27 is 2386 Fair Oaks Boulevard, # 210, Sacramento, California 95825.

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FACTS

1  
2 3. On or about March 15, 2005, the California Gambling Commission  
3 ("Commission") sent a courtesy notice to the Respondent notifying her that her State Gambling  
4 License would expire on August 31, 2005, and that her renewal application was due on or before  
5 April 30, 2005.

6 4. On or about June 23, 2005, the Division in anticipation of the Respondent's  
7 renewal application conducted a preliminary site visit at the Gold Rush Gaming Parlor and found  
8 three violations, including:

- 9 a. Having an employee working in the capacity of a key employee  
10 without and before submitting a key employee application or  
11 receiving a key employee license;  
12 b. failing to submit a timely renewal application for a State Gambling  
13 License late after numerous requests from the Commission and  
14 Division; and  
15 c. violating state law and the city ordinance prohibiting the loaning of  
16 money to a person playing in a card game.

15 The Division sent a letter to the Respondent notifying her of these violations on August 1, 2005.

16 5. On or about August 18, 2005, the Respondent submitted a renewal application for  
17 a State Gambling License to the Commission. The renewal application was approximately 110  
18 days late; it was due to the Commission on or before April 30, 2005.

19 6. On or about August 18, 2005, the Commission issued and served Respondent with  
20 a Closure Order for failing to timely renew her State Gambling License as required by Business  
21 and Professions Code section 19876. Thereafter, the Respondent closed the Gold Rush Gaming  
22 Parlor and Saloon.

23 7. On or about August 19, 2006, the Respondent submitted a completed renewal  
24 application, with the proper fees, to the Commission.

25 8. On or about September 29, 2005, the Commission issued a temporary four-month  
26 State Gambling License Number 020001 to the Respondent which allowed the Gold Rush  
27 Gaming Parlor and Saloon to reopen. The Commission, pursuant to Business and Professions  
28 Code section 19876, conditioned Respondent's temporary license as follows:

- 1 a. The Licensee or a licensed key employee must be present during  
all times that games are in process.
- 2 b. The Licensee will submit all applications for State Gambling  
3 License, Key Employee License, and work permits in a timely  
4 manner, i.e., by required due dates.
- 5 c. The applicant will submit Bi-Annual Reports by the  
required due dates.

6 The Respondent's temporary license was for October 1, 2006, to January 31, 2006. The  
7 Commission asked the Division to investigate the Respondent while the temporary license was  
8 pending to insure that she was in compliance with the conditions in the temporary license and all  
9 gambling related laws.

10 9. On or about January 9, 2006, the Division sent a letter to the Commission  
11 outlining the results of its investigation indicating that there were numerous violations of the  
12 conditions placed on her temporary license, as well as several gambling related laws. The  
13 Division asked that the Respondent's temporary license be suspended.

14 10. On or about January 20, 2006, the Commission sent a letter to Respondent  
15 advising her that the Commission staff's recommendation would be to not renew her temporary  
16 license and to revoke any right she may have to continue to operate the Gold Rush Gaming Parlor  
17 and Saloon. Respondent's counsel was given a copy of the Division's January 9, 2006, letter.

18 11. On or about January 25, 2006, Mr. Tabor, Respondent's counsel, in response to  
19 the Commission's January 20, 2006, letter, requested a hearing pursuant to Business and  
20 Professions Code sections 19870 or 19825.

21 12. On or about January 26, 2006, at its public meeting, and in the presence of  
22 Respondent's counsel, the Commission considered and denied Respondent's renewal application  
23 and referred this matter to an evidentiary hearing and to the Division to prepare an accusation to  
24 enforce the denial. In the interim, and pending the evidentiary hearing, the Commission allowed  
25 the Respondent to continue to operate because Respondent's counsel voluntarily agreed to the  
26 following ten conditions on Respondent's behalf:

- 27 a. The Licensee or a licensed key employee must be present  
28 during all times that games are in process.

- 1                   b. The Licensee will submit all applications for State Gambling  
2 License, Key Employee License, and work permits in a timely  
3                   c. The applicant will submit Bi-Annual Reports by the required due  
4                   d. Cease and desist extension of credit, which is prohibited  
5 by local ordinance. (This was a violation of the Grass  
6 Valley Local Ordinance section 5.10.090, loaning of  
7 money prohibited and Business and Professions Code  
8 section 19923, violation of a local ordinance.)  
9                   e. Maintain sufficient funding to cover Bad Beat Jackpots and  
10 High Hand Bonuses as required and have those records  
11 available to the Division upon request.  
12                   f. Comply with ongoing requests from the Division with regard  
13 to accounting records, enabling the Division to complete a  
14 financial audit.  
15                   g. Owner to refrain from gambling in the establishment unless  
16 she has a key employee on duty to supervise staff and make  
17 discretionary decisions as they arise.  
18                   h. Comply with all accounting, labor, and taxation requirements  
19 as required and requested by State and Federal agencies.  
20 Those agencies include but should not be limited to,  
21 Employment Development Department, Internal Revenue  
22 Service, Franchise Tax Board and California Department of  
23 Insurance.  
24                   i. Cooperate with local law enforcement agencies on any  
25 criminal investigations associated with the operation of the  
26 gambling establishment.  
27                   j. Owner and employees are not to use house funds to gamble in  
28 the establishment.

13. On or about February 9, 2006, the Commission considered and approved a  
purchase agreement to allow Cal-Pac Grass Valley LLC ("Cal-Pac") to purchase the Gold Rush  
Gaming Parlor and Saloon from Respondent. The proposed purchase agreement was approved  
by the Commission with a condition that a portion of the purchase price (\$150,000) would be set  
aside as a reserve fund to pay for any taxes that may be due or any fines, penalties or  
investigatory costs that would result from the Division's enforcement effort.

14. On or about February 10, 2006, Cal-Pac applied to the Commission for a  
Temporary Gambling License to operate the Gold Rush Gaming Parlor and Saloon. Thereafter

1 the Commission referred this application to the Division to conduct the necessary background  
2 investigations with respect to Cal-Pac's application.

3 15. On or about February 23, 2006, the Commission revised and clarified the record  
4 with respect to the denial of the renewal at the January 26, 2006, meeting.

5 16. On or about March 2, 2006, the Commission sent a letter to Respondent outlining  
6 the terms of her continued operation of the Gold Rush Gaming Parlor and Saloon pending the  
7 evidentiary hearing as approved by the Commission on January 26, 2006. The Respondent was  
8 instructed by the Commission to post a copy of the March 2, 2006, letter at the card room. The  
9 Commission's letter of permission for Respondent to continue to operate the Gold Rush Gaming  
10 Parlor and Saloon pending the evidentiary hearing was without prejudice to the Division's filing  
11 of an accusation in support of the Commission's denial of Respondent's renewal application and  
12 without prejudice to the Division's related and subsequent enforcement efforts, if necessary.

13 17. On or about March 9, 2006, the Commission reconsidered and, and at the request  
14 of Respondent's counsel, lowered the \$150,000 reserve fund in the previously approved Cal-Pac  
15 proposed purchase agreement to an \$80,000 reserve fund for any taxes, fines, penalties or  
16 investigatory costs. The \$80,000 reserve fund was to be held for a period of one year from the  
17 date of sale and pending completion of the administrative hearing.

18 18. On or about April 6, 2006, the Commission gave its final approval of the March 9,  
19 2006, minutes and the proposed Cal-Pac purchase agreement and the revised \$80,000 reserve  
20 fund. The Commission's administrative record on this matter was closed.

21 19. On or about April 21, 2006, the Division served the accusation and related  
22 documents on the Respondent and her Counsel.<sup>1</sup> However, by mutual agreement of the parties,  
23 the administrative process was held in abeyance pending the continued settlement discussions  
24 between the Division and the Respondent and concurrent with the Commission's review of the  
25 proposed Cal-Pac purchase agreement.

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27 1. A copy of the Division's Accusation signed and dated April 17, 2006, is attached to this  
28 stipulation as Exhibit A.



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approval, or the imposition of any fine upon any person licensed or approved.

b. Code section 19824, in relevant part, states:

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

\* \* \* \*

(b) For any cause deemed reasonable by the commission, deny any application for a license, permit, or approval provided for in this chapter or regulations adopted pursuant to this chapter, limit, condition, or restrict any license, permit, or approval, or impose any fine upon any person licensed or approved.

\* \* \* \*

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

c. Code section 19825 states:

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

24. The parties agree that the Commission has jurisdiction over this matter and has authority to approve this Stipulated Settlement and Disciplinary Order.

**STIPULATED SETTLEMENT**

25. The parties agree that, if and when the Commission approves the terms of this Stipulated Settlement and Disciplinary Order, the Respondent's renewal application for her State Gambling License # 02001 will be deemed approved by Commission. In that event, the Respondent agrees and acknowledges that her renewed license will be subject to all the same

1 terms and conditions included in her previous permanent and temporary licenses and the March  
2 9, 2006, letter of permission issued by the Commission.

3 26. Respondent, for the purpose of this Stipulated Settlement only, admits the  
4 allegations in the Accusation for Case No. DGC #02001/OAH #N2006100932, and accepts  
5 discipline and punishment, as outlined in this Stipulated Settlement and Disciplinary Order, for  
6 the eight causes alleged in the Accusation. The Respondent waives any right to challenge the  
7 allegations in the Accusation for Case No. DGC #02001/OAH #N2006100932 or to appeal,  
8 challenge or collaterally attack the terms of this Stipulated Settlement and Disciplinary Order.

9 27. Respondent agrees that her previous permanent and temporary gambling licenses,  
10 her March 9, 2006, letter of permission from the Commission, and her renewed license are all  
11 subject to the jurisdiction of, and discipline by the Commission. Respondent agrees to be bound  
12 by the Commission's imposition of discipline as set forth in the Disciplinary Order below.

13 28. The Division agrees, for the purpose of this Stipulated Settlement only, to waive  
14 its investigatory costs and its prosecution costs associated with the attached Accusation provided  
15 that there are no additional violations and provided that Respondent complies with all the terms  
16 and conditions of this Stipulated Settlement and Disciplinary Order, and the terms and conditions  
17 of her renewed license.

18 29. This Stipulated Settlement and Disciplinary Order is subject to approval by the  
19 Commission. The parties agree that this matter shall be considered by the Commission in closed  
20 session. Respondent also specifically agrees that counsel for the Division and the staff of the  
21 Division may communicate directly with the Commission or its staff regarding this Stipulated  
22 Settlement and Disciplinary Order during closed session, without notice to, or participation by,  
23 Respondent or her counsel, and that no such communications shall be deemed a prohibited ex  
24 parte communication.

25 30. The Respondent and the Division acknowledge that there may have been  
26 inadvertent, but prohibited, ex parte communications with the Commission staff by either or both  
27 parties prior to, or after, the Accusation was served and before this Stipulated Settlement and  
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1 Disciplinary Order is approved by the Commission. The parties agree to, and hereby do, waive  
2 any right they may have to challenge or collaterally attack this Stipulated Settlement and  
3 Disciplinary Order because of or based on, any such ex parte communication.

4           31. The Respondent and the Division acknowledge that there are currently only three  
5 Commissioners appointed to the Commission and that it take a minimum of three positive votes  
6 by the Commissioners to approve this Stipulated Settlement and Disciplinary Order. (Bus. &  
7 Prof. Code, § 19819, subd. (c).) Therefore the parties agree that it is necessary for all three  
8 current Commissioners to consider and vote on this Stipulated Settlement and Disciplinary  
9 Order. The parties agree to, and hereby do, waive any right they may have to challenge the  
10 qualifications of any of the current Commissioners to consider and vote on this Stipulated  
11 Settlement and Disciplinary Order. The parties agree to, and hereby do, waive any right they may  
12 have to challenge or collaterally attack this Stipulated Settlement and Disciplinary Order because  
13 of, or based on, any claim that one or more of the Commissioners should have been disqualified  
14 from considering and voting on this Stipulated Settlement and Disciplinary Order.

15           32. Respondent has carefully read, fully discussed with counsel, and understands the  
16 charges and allegations in the Accusation. Respondent has also carefully read, fully discussed  
17 with counsel, and understands the effects of this Stipulated Settlement and Disciplinary Order.

18           33. Respondent is fully aware of her legal rights in this matter, including: the right to  
19 an administrative/evidentiary hearing on the charges and allegations in the Accusation; the right  
20 to be represented by counsel at her own expense; the right to confront and cross-examine the  
21 witnesses who may testify against her; the right to present evidence and to testify on her own  
22 behalf; the right to the issuance of subpoenas to compel the attendance of witnesses and the  
23 production of documents; the right to reconsideration and court review of an adverse decision;  
24 and all other rights accorded by the California Administrative Procedure Act and other applicable  
25 laws. The Respondent, in consultation with her attorney, voluntarily and knowingly waives and  
26 gives up each and every right set forth above with respect to this matter.

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1           34. If the Commission fails to adopt this Stipulated Settlement and Disciplinary Order  
2 as its decision and order, then the Stipulated Settlement and Disciplinary Order shall be of no  
3 force or effect and it shall be inadmissible in legal action between the parties or for any purpose.

4           35. In the event the Commission fails to adopt this Stipulated Settlement and  
5 Disciplinary Order, then this matter shall proceed to an evidentiary hearing as scheduled by the  
6 OAH. Neither the Commission's consideration of this Stipulated Settlement and Disciplinary  
7 Order, nor the Commission's consideration of communications from or with the Division  
8 concerning this Stipulated Settlement and Disciplinary Order, nor the fact that such  
9 communications may have occurred, shall in any way disqualify the Commission, or any of its  
10 members, from further or other action with respect to the Respondent or the Respondent's  
11 operation of the Gold Rush Gaming Parlor and Saloon.

12           36. Respondent agrees to use her best efforts to sell the Gold Rush Gaming Parlor and  
13 Saloon to a qualified buyer as soon as commercially reasonable. Any remaining amount of the  
14 fine shall be immediately due upon any such sale. Also, at the time of the sale, the Respondent  
15 agrees to surrender her gambling license to the Commission and agrees not to apply for another  
16 license from the Commission for 36 months thereafter.

17           37. Within three months of the approval of this Stipulated Settlement, the Respondent  
18 agrees to bring and maintain her accounts and books in compliance with standard accounting  
19 practices, and to the satisfaction of the Division, so they can easily be inspected by, and at the  
20 demand of, the Division whenever necessary to insure that the Respondent has complied with the  
21 terms and conditions of her license and applicable laws and regulations.

22           38. The parties understand and agree that facsimile copies of this Stipulated  
23 Settlement and Disciplinary Order, including facsimile signatures thereto, shall have the same  
24 force and effect as the originals.

25           39. In consideration of the foregoing agreements, admissions and stipulations, the  
26 parties agree that the Commission may, without further notice or formal proceeding, issue and  
27 enter the following Disciplinary Order:

28

DISCIPLINARY ORDER

1  
2 IT IS HEREBY ORDERED that original Gambling License Number 02001 issued to  
3 Respondent Susan Barrows, is renewed subject to all the same terms and conditions of her prior  
4 permanent and temporary licenses and the March 9, 2006, Commission letter of permission and  
5 subject to the following additional terms and conditions:

6 1. **Penalty.** Respondent, in lieu of the imposition of a closure or suspension of  
7 operations, agrees to pay a fine of \$ 75,000 to the Division for the violations listed in the attached  
8 Accusation. Half of the fine (\$37,500) will be waived if the Respondent has no additional  
9 violations over the next 36 months from the date of this Order. The remaining half of the fine  
10 (\$37,500) is payable as follows: \$1,000 per month due and payable on the first day of each  
11 month after the Stipulated Settlement is approved by the Commission starting with March 1,  
12 2007 for the next 36 months. In addition, the remaining \$1,500 shall be due and payable with the  
13 final (36<sup>th</sup>) payment for a total of \$2,500 for the final payment. If at any time during the 36  
14 months immediately following the execution of this Stipulation and Order the Respondent fails  
15 to make a timely payment on the first half of the fine as outlined above, then the remainder of the  
16 total fine (\$75,000) shall be immediately due and payable. Also, if at any time during the 36  
17 months immediately following the execution of this Stipulation and Order the Respondent (after  
18 receiving one written warning notice from the Division and a reasonable opportunity to correct  
19 the claimed violation) violates a term of her gaming license or a specified law or regulation  
20 governing gaming establishments or the terms and conditions of this Stipulated Settlement and  
21 Disciplinary Order (that was previously specified in the written warning notice), then the unpaid  
22 remainder of the first half of the fine (\$37,500 less previous Payments) and the previously  
23 waived portion of the fine (\$37,500) shall be immediately due and payable at \$2,000 per month  
24 until the total fine of \$75,000 is paid. Respondent may also be subject to possible license  
25 revocation or suspension or other potential fines and penalties and all costs, including  
26 investigation and prosecution costs connected with the attached Accusation, if there are  
27 additional violations. Nothing herein is intended to delay or limit other remedies that may be

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1 available to the Division or the Commission to enforce the subsequent violations or the terms of  
2 the Respondent's gaming license or all applicable laws and regulations.

3           **2. Practice Suitable Methods of Operation.** Respondent will not employ  
4 individuals who do not hold a valid work permit or license as required by the Gambling Control  
5 Act. Respondent or a licensed key employee shall be present at any and all times when the Gold  
6 rush Gaming Parlor and Saloon is open to the public. Respondent shall bring and maintain her  
7 accounts and books in compliance with standard accounting practices, and to the satisfaction of  
8 the Division, so they can easily be inspected by, and at the demand of, the Division whenever  
9 necessary to insure that the Respondent has complied with the terms and conditions of her  
10 license, all applicable laws and regulations, the Stipulated Settlement and this Disciplinary Order.

11           **3. Obey all Laws.** Respondent shall obey all state and federal laws and regulations  
12 substantially related to, or governing the practice of, gambling establishments. Respondent shall  
13 report any violations of such laws and regulations to both the Commission and the Division, in  
14 writing, within 72 hours of the occurrence of the violation.

15           **4. Interview with the Commission and Division.** Upon receipt of reasonable  
16 notice, Respondent shall appear in person for interviews with the Commission or Division upon  
17 request at various intervals at a location to be determined by the requesting agency. If requested  
18 by the Division or Commission, Respondent shall bring her accounts and books to the interview  
19 for inspection.

20           **5. Cooperation with Commission and Division Staff.** Respondent shall cooperate  
21 during routine Division inspections and in the Division and Commission's monitoring and  
22 investigation of Respondent's compliance with the terms and conditions of her license,  
23 applicable laws and regulations, the Stipulated Settlement or this Order.

24           **6. Status of License.** Respondent shall, at all times maintain an active current  
25 license with the Commission and shall file timely renewal applications. If Respondent's license  
26 expires or is canceled by operation of law or otherwise, upon renewal or re-application,  
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1 Respondent shall immediately close the Gold Rush Gaming Parlor and Saloon and discontinue  
2 all gambling operations.

3 7. License Surrender and Fine Due on Sale. Respondent shall use her best efforts  
4 to sell the Gold Rush Gaming Parlor and Saloon as soon as commercially reasonable. If  
5 Respondent does sell the Gold Rush Gaming Parlor and Saloon during the next 36 months, any  
6 unpaid portions of the fine shall be immediately due and payable to the Division. And, upon the  
7 sale, the Respondent shall tender her license to the Commission for surrender. Upon acceptance  
8 of the surrender by the Commission, the Respondent may not reapply for license as an owner  
9 from the Commission for three years from the effective date of the surrender. Respondent may  
10 apply for a work permit or key employee license but acknowledges that her prior violations and  
11 this Stipulated Settlement and Disciplinary Order and any subsequent violations will be  
12 considered when the Division and Commission review any such application. If Respondent  
13 decides to apply for another license, she will not have vested right to a license and shall meet all  
14 requirements applicable to the license sought as of the date the application for that license is  
15 submitted to the Division and Commission as a new applicant.

16 **ACCEPTANCE**

17 I have carefully read the above Stipulated Settlement and Disciplinary Order and have  
18 fully discussed it with my attorney, Robert S. Tabor. I understand the stipulation and the effect it  
19 will have on my gambling license. I enter into this Stipulated Settlement and Disciplinary Order  
20 voluntarily, knowingly, and intelligently, and agree to be bound by the Order of the Commission.

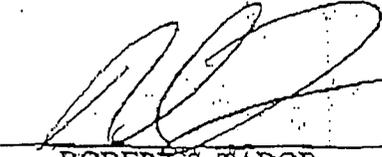
21  
22 Dated: January 24, 2007

  
23 SUSAN I. BARROWS, Sole Proprietor  
24 GOLD RUSH GAMING PARLOR AND SALOON  
25 Respondent

Sent By: MALONEY & TABOR, INC;

1 I have read and fully discussed with Respondent, Susan J. Barrows, the terms and  
2 conditions and other matters contained in the above Stipulated Settlement and Disciplinary  
3 Order. I approve its form and content.

4  
5 Dated: January 24, 2007

  
\_\_\_\_\_  
ROBERT S. TABOR  
Attorney for Respondent

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7  
8 **ENDORSEMENT**

9 The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully  
10 submitted for consideration by the California Gambling Control Commission.

11  
12 Dated: December \_\_, 2006

EDMUND G. BROWN JR.  
Attorney General of the State of California

13  
14  
15 By: \_\_\_\_\_  
KENNETH R. WILLIAMS  
Deputy Attorney General  
16  
17 Attorneys for Complainant

STATEMENT BY EXECUTIVE DIRECTOR:

I have reviewed this Stipulation and recommend its approval.

Dated: 1-30-07

Signature: Steve Giorgi  
Steve Giorgi, Executive Director

DECISION AND ORDER OF THE COMMISSION:

The foregoing Stipulation has been adopted by a majority vote of the Commission as its final decision and order in this matter and is effective upon execution below by the Commission Chair.

IT IS SO ORDERED.

Dated: 2-8-07

Signature: Dean Shelton  
Dean Shelton, Commission Chair