

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

14  
15 **In the Matter of the Accusation and**  
**Statement of Issues Against:**

16  
17 **PALOMAR CARD CLUB, a general**  
**partnership, doing business as Palomar**  
18 **Card Club (GEGE-001008);**

19 **DONALD STAATS (GEOW-002374);**

20 **SUSAN STAATS (GEOW-002375);**

21 **2724 El Cajon Boulevard**  
**San Diego, CA 92104**

22 **Respondents.**  
23  
24  
25  
26  
27  
28

OAH No. 2015120633

BGC Case No. BGC- HQ2015-00005AC

**AMENDED**  
**STIPULATED SETTLEMENT;**  
**DECISION AND ORDER**

1 **STIPULATED SETTLEMENT**

2 **PURPOSE OF THIS STIPULATED SETTLEMENT**

3 This Stipulated Settlement resolves the Accusation and Statement of Issues in the above-  
4 titled matter. Palomar Card Club (Partnership) is a general partnership that does business as  
5 Palomar Card Club, a licensed gambling establishment. Donald Staats (Mr. Staats) and Susan  
6 Staats (Mrs. Staats) (collectively, Staats) are the Partnership's general partners.<sup>1</sup> The  
7 Accusation and Statement of Issues seeks to discipline Settling Respondents' licenses, and to  
8 deny renewal of their licenses, for violations of, and lack of suitability for continued licensing  
9 under, the Gambling Control Act (Act) (Bus. & Prof. Code, § 19800 et seq.) and the regulations  
10 promulgated thereunder.

11 **PARTIES**

12 1. Wayne J. Quint, Jr. (Complainant) brought the original Accusation and the  
13 Accusation and Statement of Issues solely in his official capacity as the Chief of the California  
14 Department of Justice, Bureau of Gambling Control (Bureau).

15 2. The Partnership is a licensed gambling enterprise, California State Gambling  
16 License Number GEGE-001008. The Partnership operated an 11-table card room at 2724 El  
17 Cajon Boulevard, San Diego, California. Mr. Staats, license number GEOW-002374, and Mrs.  
18 Staats, license number GEOW-002375, are the Partnership's only partners and are endorsed on  
19 its license. The California Gambling Control Commission (Commission) issued these licenses.

20 **JURISDICTION**

21 3. On October 8, 2015, Settling Respondents were served with the original  
22 Accusation, as well as a Statement to Respondent (Gov. Code, § 11505, subd. (b)), Request for  
23 Discovery (Gov. Code, § 11597.6), copies of Government Code sections 11507.5, 11507.6 and  
24 11507.7, and two copies of the Notice of Defense form (Gov. Code, §§ 11505 & 11506).

25 4. Settling Respondents filed timely Notices of Defense.

26  
27  
28 

---

<sup>1</sup> The Partnership and the Staats are referred to, collectively, as "Settling Respondents" and, individually,  
as "Settling Respondent" in this Stipulated Settlement. 1



1 powers of attorney on behalf of, and to bind, the Staats and the Partnership in all respects. Ms.  
2 Von Kaenel understands and agrees that her warranties and representations are material to,  
3 being relied upon by, Complainant and the Bureau in entering into this Stipulated Settlement  
4 and in presenting it to the Commission for adoption.

5 **STIPULATED AGREEMENT OF SETTLEMENT**

6 10. For the purposes of resolving the Accusation and Statement of Issues and for any  
7 other matter now and in the future involving the Commission or the Bureau, each Settling  
8 Respondent admits that all the factual and legal allegations in the Accusation and Statement of  
9 Issues are true, accurate, and complete, and that such allegations provide a sufficient legal and  
10 factual basis to discipline, and deny renewal of, his, her, or its license.

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

18 12. Upon the effective date of the Decision and Order issued by the Commission  
19 adopting this Stipulated Settlement, each Settling Respondent's state gambling license will be  
20 revoked. Additionally, upon the effective date of the Decision and Order issued by the  
21 Commission adopting this Stipulated Settlement, each Settling Respondent's state gambling  
22 license renewal application shall be denied. The revocations and denials, however, shall be  
23 stayed as provided in paragraph 13 of this Stipulated Settlement. Settling Respondents agree  
24 that they will continue to suspend all gambling related activities at, and keep closed, the  
25 gambling establishment at all times during which the revocation is stayed. Each Settling  
26 Respondent acknowledges, understands, and agrees that the stay of revoking, and denying  
27 renewal of, his, her, or its state gambling license is intended solely to preserve the licenses'

1 existence for purposes of Business and Professions Code sections 19962 and 19963 and to  
2 allow a possible sale of the Partnership's assets or the Staats' interests in the Partnership.

3 13. Revocation of Settling Respondents' licenses and denial of their license renewal  
4 applications shall be stayed for no longer than 24 months (Stay Period). The Stay Period shall  
5 be shortened, but under no circumstances lengthened or extended, if and only if: (a) both Mr.  
6 and Mrs. Staats die; or (b) Settling Respondents close a sale of the Partnership's assets or the  
7 Staats' interests in the Partnership (Sales Event). Each Settling Respondent warrants,  
8 represents, and agrees that any Sales Event shall be subject to the Commission's prior approval.  
9 Upon the expiration, or shortening, of the Stay Period, each Settling Respondent's state  
10 gambling license shall be automatically revoked, and renewal application denied, without  
11 hearing or any right to appeal. Each Settling Respondent expressly waives any right to appeal,  
12 or to contest, such revocation and denial. Each Settling Respondent further expressly waives  
13 any right to hearing on such revocation or denial.

14 14. Settling Respondents, jointly and severally, agree to pay to the Bureau a penalty in  
15 an amount equal to 25 percent of the gross sales proceeds arising, directly or indirectly or  
16 immediately or deferred, from a Sales Event (Penalty) for the violations alleged in the  
17 Accusation and Statement of Issues. The Penalty shall be paid, and will be deposited, in  
18 accordance with Business and Professions Code section 19950, subdivision (a). Each Settling  
19 Respondent understands and agrees that a default in timely paying the full amount of the  
20 Penalty shall constitute a sufficient basis, in and of itself, to lift the stay, making revocation of  
21 his, her, or its state gambling licensing immediately effective.

22 15. Settling Respondents, jointly and severally, also agree to pay the Bureau the sum  
23 of \$75,000 (Cost Recovery) as the reasonable costs of investigation and prosecution of this  
24 matter as provided for in Business and Professions Code section 19930. Settling Respondents  
25 further agree that the Cost Recovery shall be paid in installments in accordance with this  
26 Stipulated Settlement. Within 15 days following the effective date of the Decision and Order  
27 issued by the Commission adopting this Stipulated Settlement and thereafter monthly during the  
28

1 Stay Period, but no later than the 15th day of the month, Settling Respondents will pay an  
2 installment on the Cost Recovery of \$1,000. Each installment shall be applied to the Cost  
3 Recovery. At the end of the Stay Period, the balance of the Cost Recovery shall be paid as  
4 provided in paragraph 16 of this Stipulated Settlement. The Cost Recovery shall be paid, and  
5 will be deposited, in accordance with Business and Professions Code sections 19930,  
6 subdivision (f), and 19950, subdivision (b). Each Settling Respondent understands and agrees  
7 that a default in timely paying an installment when due, or the full amount of, the Cost  
8 Recovery shall constitute a sufficient basis, in and of itself, to lift the stay, making revocation of  
9 his, her, or its state gambling licensing immediately effective.

10 16. Settling Respondents shall pay the Penalty and the unpaid balance of the Cost  
11 Recovery on or before the end of the Stay Period and out of the proceeds (Sales Proceeds) of a  
12 Sales Event. The Bureau shall have a lien on the Sales Proceeds in the amount of the Penalty  
13 and unpaid balance of the Cost Recovery. Settling Respondents shall inform any purchaser in a  
14 Sales Event, as well as any escrow holder in connection with such Sales Event, of the Bureau's  
15 lien and provide a copy of this Stipulated Settlement thereto. Any sales agreement shall  
16 expressly provide for payment of the Penalty and unpaid balance of the Cost Recovery. If the  
17 Stay Period expires or is shortened for any reason other than a Sales Event, Settling  
18 Respondents shall have no further obligation to pay, or liability for, the Penalty or unpaid  
19 balance of the Cost Recovery.

20 17. Pending the Commission's adoption of this Stipulated Settlement and during the  
21 Stay Period, Settling Respondents shall comply in all respects with the following conditions.  
22 Each Settling Respondent understands and agrees that the failure to comply with any of the  
23 conditions set forth in this paragraph 17 shall constitute a sufficient basis, in and of itself, to lift  
24 the stay, making revocation of his, her, or its state gambling licenses immediately effective.

- 25 a. The Partnership shall maintain a separate, specifically designated, insured account  
26 with a licensed financial institution in an amount equal to the Partnership's chip  
27 liability. The funds in this account shall be used only to redeem chips. The  
28

1 account shall not be used as collateral, or encumbered, or hypothecated in any  
2 fashion. The Partnership shall redeem valid chips immediately upon demand. The  
3 Partnership shall notify the Bureau in writing monthly of any redemptions, stating  
4 the denominations of the chips redeemed, the identity of each patron or player who  
5 redeemed the chips, and the amounts paid to each such patron or player. Such  
6 written notification shall be made on or before the fifth day of each month.

7 Settling Respondents shall have the right to cure, within five calendar days of  
8 receipt of notice of default, one, and only one, default arising from the failure to  
9 provide the written notification provided herein when due.

- 10 b. Settling Respondents represent, warrant, and acknowledge that the Federal Bureau  
11 of Investigation seized certain amounts deposited with the gambling establishment  
12 by players and patrons (player bank funds). In the event that any Settling  
13 Respondent obtains access to, or possession of, any of the player bank funds, such  
14 funds shall be immediately deposited into a separate, specifically designated,  
15 insured account with a licensed financial institution. The funds in this account  
16 shall be used only to repay players or patrons their player bank funds. The account  
17 shall not be used as collateral, or encumbered, or hypothecated in any fashion.  
18 Further, in the event that any Settling Respondent obtains access to, or possession  
19 of, any of the player bank funds, Settling Respondents shall promptly notify each  
20 player or patron, whose funds were on deposit, that the player bank funds are  
21 available, and shall take all reasonable steps necessary to repay the players and  
22 patrons their player bank funds. The Partnership shall notify the Bureau in writing  
23 within 24 hours of all player bank funds received or obtained. If the Partnership  
24 receives or obtains such player bank funds, it further shall notify the Bureau in  
25 writing within 24 hours of any repayment, stating the identity of the patron or  
26 player who was repaid, and the amounts repaid to each such patron or player.

1 c. Settling Respondents shall post conspicuously at the gambling establishment's  
2 location, and on each page of its website, that its chips may be redeemed. The  
3 posting shall state the hours during which chips can be redeemed, the place at  
4 which chips can be redeemed, and the identity of a contact person by name,  
5 address, telephone number, and email address. Any suggestion by Settling  
6 Respondents, or their agents, that the United States, the State of California, or any  
7 of their agencies has a duty to redeem chips will constitute a violation of this  
8 Stipulated Settlement, the stays shall be automatically lifted, and each Settling  
9 Respondent's license shall be revoked and application for renewal denied.

10 d. If any funds remain in, or have not been redeemed or paid from, either the chip  
11 liability account or player bank account at the Stay Period's termination, such  
12 remaining funds shall be distributed, or disbursed, only in accordance with, and  
13 upon, the Commission's further order.

14 18. The parties agree that this Stipulated Settlement fully resolves their dispute  
15 concerning the Accusation and Statement of Issues, and that, except upon default, no further  
16 discipline, including revocation or suspension, shall be sought against Settling Respondents  
17 based solely upon the allegations contained within the Accusation and Statement of Issues.

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

25 20. By signing this Stipulated Settlement, each Settling Respondent understands and  
26 agrees that he, she, or it may not withdraw his, her, or its agreement or seek to rescind the  
27 Stipulated Settlement prior to the time the Commission considers and acts upon it. If the  
28 Commission fails to adopt this Stipulated Settlement as its Decision and Order, this Stipulated

1 Settlement shall be of no force or effect, and, except for actions taken pursuant to this paragraph  
2 and paragraph 19 above, it shall be inadmissible in any legal action between the parties. The  
3 Commission's consideration of this Stipulated Settlement shall not disqualify it from any  
4 further action regarding Settling Respondent's licensure, including, but not limited to,  
5 disposition of the Accusation and Statement of Issues by a decision and order following a  
6 hearing on the merits.

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

10 22. On November 19, 2015, the Commission issued interim renewal licenses to  
11 Settling Respondents pursuant to California Code of Regulations, title 4, section 12035,  
12 subdivisions (a)(1) and (3). California Code of Regulations, title 4, section 12035, subdivision  
13 (b)(2), provides that an interim renewal license is valid for a period of two years or until a  
14 decision is final under the Commission's regulations, whichever is earlier. The parties have  
15 been advised and, therefore, understand and acknowledge that Settling Respondents' interim  
16 renewal licenses will cease to be valid before the Stay Period expires. The issuance of an  
17 interim renewal license, however, "does not limit or impair, and is without prejudice to, any  
18 exercise of discretion vested in the Commission with respect to the license at issue in the  
19 hearing process." (Cal. Code Regs., tit. 4, § 12035, subd. (b)(5).) Accordingly, the parties  
20 agree:

21 a. The Commission's action of denying Settling Respondents' renewal applications  
22 will not resolve any causes for revocation alleged in the Accusation and Statement  
23 of Issues as to the licenses at issue therein.

24 b. The Commission's action of denying Settling Respondents' renewal applications  
25 will make any further action with respect to the renewal applications unnecessary  
26 in all respects. The Commission's action of denying Settling Respondents'  
27 renewal applications will resolve the Accusation and Statement of Issues only  
28 partially in that the denial will terminate the interim renewal licenses.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

- c. The Commission’s discretion includes “tak[ing] actions deemed to be reasonable to ensure that no ineligible, unqualified, disqualified, or unsuitable persons are associated with controlled gambling activities” (Bus. & Prof. Code, § 19824, subd. (d)) and to “stay [a] revocation for a reasonable period of time to allow such person to sell or divest himself or herself of such person’s ownership interest in the gambling establishment” (Cal. Code Regs., tit. 4, § 12554, subd. (e)).
- d. The Commission’s actions of revoking Settling Respondents’ licenses and staying such revocations are within the Commission’s discretion, are expressly within the powers provided by California Code of Regulations, title 4, section 12554, subdivision (e), and are taken with respect to the licenses at issue in the Accusation and Statement of Issues.

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

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK**

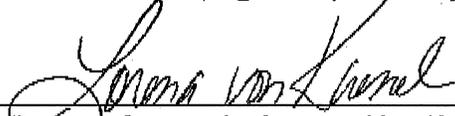
1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

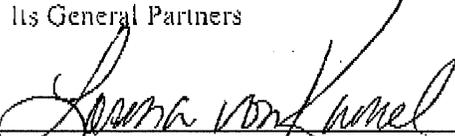
ACCEPTANCE

Ms. Von Kaenel, attorney-in-fact acting on behalf of the Staats individually and as general partners of the Partnership, has carefully read and considered the above Stipulated Settlement. Ms. Von Kaenel, attorney-in-fact acting on behalf of the Staats individually and as general partners of the Partnership, has discussed the above Stipulated Settlement's terms and effects with legal counsel. Ms. Von Kaenel, attorney-in-fact acting on behalf of the Staats individually and as general partners of the Partnership, also understands the Stipulated Settlement and the effects it will have on Settling Respondents' state gambling licenses. Ms. Von Kaenel, attorney-in-fact acting on behalf of the Staats individually and as general partners of the Partnership, further understands that Settling Respondents will be obligated to pay the Bureau a sum to be determined by future events (a Penalty equal to 25 percent of the gross sales proceeds arising from a Sales Event and \$75,000 in Cost Recovery) and that the failure to timely pay any portion of that amount when due could result in the revocation of Settling Respondents' state gambling licenses and denial of their renewal applications. Ms. Von Kaenel, attorney-in-fact acting on behalf of the Staats individually and as general partners of the Partnership, enters into this Stipulated Settlement voluntarily, knowingly and intelligently, and agrees to be bound by its terms.

Dated: June 22, 2016

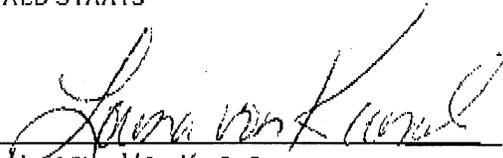
PALOMAR CARD CLUB, a general partnership

By:   
DONALD STAATS, by LORENA VON KAENEL  
His Attorney-in-Fact  
Its General Partners

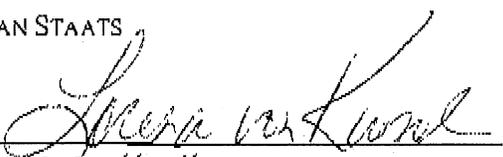
By:   
SUSAN STAATS, by LORENA VON KAENEL  
Her Attorney-in-Fact  
Its General Partner

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

DONALD STAATS

By:   
LORENA VON KAENEL  
Attorney-in-Fact

SUSAN STAATS

By:   
LORENA VON KAENEL  
Attorney-in-Fact

Approved as To Form

Dated: June 22, 2016

  
DORN G. BISHOP  
Attorney for Settling Respondent

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

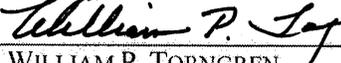
COMPLAINANT'S ACCEPTANCE

Dated: June 24, 2016

  
\_\_\_\_\_  
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 24, 2016    KAMALA D. HARRIS  
Attorney General of California  
SARA J. DRAKE  
Senior Assistant Attorney General  
RONALD L. DIEDRICH  
Deputy Attorney General

By:   
\_\_\_\_\_  
WILLIAM P. TORNGREN  
Deputy Attorney General  
*Attorneys for the Complainant*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**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 and Statement of Issues Against: Palomar Card Club, et al.*, BGC Case No. HQ2015-00005AC, as its final Decision and Order in this matter to be effective upon execution below by its members.

**IT IS SO ORDERED**

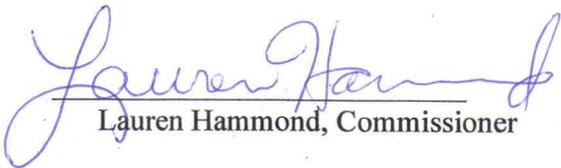
Dated: 8/11/16

  
\_\_\_\_\_  
Jim Evans, Chairperson

Dated: 8/11/2016

  
\_\_\_\_\_  
Tiffany E. Conklin, Commissioner

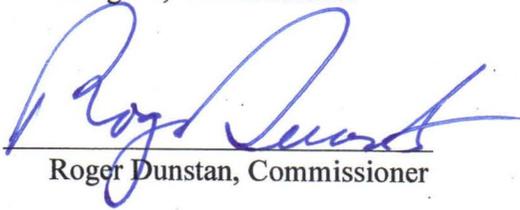
Dated: 8/11/2016

  
\_\_\_\_\_  
Lauren Hammond, Commissioner

Dated: \_\_\_\_\_

\_\_\_\_\_  
Trang To, Commissioner

Dated: 8/11/2016

  
\_\_\_\_\_  
Roger Dunstan, Commissioner