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9
10 **BEFORE THE**
11 **CALIFORNIA GAMBLING CONTROL COMMISSION**
12 **STATE OF CALIFORNIA**
13

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

17 **SEVEN MILE CASINO, formerly known as**
18 **the Village Club (GEGE-000466);**

19 **HARVEY F. SOUZA (GEOW-003395);**

20 **ELIZABETH J. SOUZA (GEOW-003396);**

21 **HARVEY AND BETTE SOUZA LIVING**
22 **TRUST, dated February 7, 2010 (GEOW-**
23 **003394); and**

24 **VC CARDROOM, INC. (GEOW-003390)**

25 **285 Bay Boulevard**
26 **Chula Vista, CA 91910**

27 **Respondents.**
28

BGC Case No. HQ 2015-00004AC

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. VC Cardroom, Inc. (Corporation) is a corporation that does business as Seven
5 Mile Casino, a licensed gambling establishment. The Harvey and Bette Souza Living Trust,
6 dated February 7, 2010 (Trust) is the Corporation’s sole shareholder. Harvey F. Souza (Mr.
7 Souza) and Elizabeth J. Souza (Mrs. Souza) (collectively, Souzas) are the Trust’s settlors,
8 trustees, and beneficiaries.¹ The Accusation and Statement of Issues seeks to discipline, and
9 deny the renewal of, Respondents’ state gambling licenses for violations of, and lack of
10 suitability for continued licensing under, the Gambling Control Act (Act) (Bus. & Prof. Code, §
11 19800 et seq.) and the regulations adopted thereunder.

12 **PARTIES**

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

16 2. The Corporation is a licensed gambling enterprise, California State Gambling
17 License Number GEOW-003390. The Corporation operates and does business as Seven Mile
18 Casino, which is a 20-table card room located at 285 Bay Boulevard, Chula Vista, California.
19 Seven Mile Casino is a licensed gambling establishment (GEGE-000466). The Trust, license
20 number GEOW-003394, is the Corporation’s sole shareholder and endorsed on the gambling
21 establishment’s license. Mr. Souza, license number GEOW-003395, and Mrs. Souza, license
22 number GEOW-003396, are endorsed on the gambling establishment’s license. The California
23 Gambling Control Commission (Commission) issued these licenses.

24 3. On December 10, 2015, the Commission issued interim renewal licenses to
25 Respondents pursuant to California Code of Regulations, title 4, section 12035, subdivision
26 (a)(1) and (3). California Code of Regulations, title 4, section 12035, subdivision (b)(2),

27 ¹ The Corporation, the Trust, and the Souzas are referred to, collectively, as
28 “Respondents” and, individually, as “Respondent” in this Stipulated Settlement.

1 provides that an interim renewal license is valid for a period of two years or until a decision is
2 final under the Commission's regulations, whichever is earlier.

3 JURISDICTION

4 4. On September 23, 2015, Respondents were served with the original Accusation,
5 as well as a Statement to Respondent (Gov. Code, § 11505, subd. (b)), Request for Discovery
6 (Gov. Code, § 11597.6), copies of Government Code sections 11507.5, 11507.6 and 11507.7,
7 and two copies of the Notice of Defense form (Gov. Code, §§ 11505 & 11506).

8 5. Respondents filed timely Notices of Defense.

9 6. On December 17, 2015, Respondents were served with the Accusation and
10 Statement of Issues.²

11 ADVISEMENT AND WAIVERS

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

17 8. Each Respondent is fully aware of his, her, or its legal rights in this matter,
18 including: the right to a hearing on all the allegations in the Accusation and Statement of
19 Issues; the right to be represented by counsel of his, her, or its choice at his, her, or its own
20 expense; the right to confront and cross-examine the witnesses against him, her, or it; the right
21 to present evidence and testify on his, her, or its own behalf; the right to the issuance of
22 subpoenas to compel the attendance of witnesses and the production of documents; the right to
23 apply for reconsideration and court review of an adverse decision; and all other rights afforded
24

25 ² On December 9, 2015, Complainant issued an emergency order that, among other
26 things, ordered the Corporation to suspend and cease any and all gambling related activities at,
27 and close, the gambling establishment until certain conditions were met. The Corporation met
28 the conditions and currently is operating pursuant to the emergency order's provisions. An
independent manager oversees the day-to-day operations of the gambling establishment. That
emergency order remains in effect.

1 by the California Administrative Procedure Act (Gov. Code, § 11370 et seq.), the Act, and all
2 other applicable laws.

3 9. Each Respondent voluntarily, knowingly, and intelligently waives and gives up
4 each and every right set forth in paragraph 8 above, withdraws his, her, or its request for a
5 hearing on the Accusation and Statement of Issues, and agrees to be bound by this Stipulated
6 Settlement.

7 **STIPULATED AGREEMENT OF SETTLEMENT**

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

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

21 12. Upon the effective date of the Decision and Order issued by the Commission
22 adopting this Stipulated Settlement, each Respondent's state gambling license will be revoked.
23 Additionally, upon the effective date of the Decision and Order issued by the Commission
24 adopting this Stipulated Settlement, each Respondent's state gambling license renewal
25 application shall be denied. Each Respondent has been advised and, therefore understands and
26 acknowledges, that upon the effective date of the Decision and Order issued by the Commission
27 adopting this Stipulated Settlement, each Respondent's interim renewal license will cease to be
28 valid.

1 13. Each Respondent agrees that he, she, or it shall be deemed ineligible during his,
2 her, or its lifetime to hold any license or registration issued under the Act or any other law
3 relating to gambling in the state, or for any activity that is under the Commission's, the
4 Bureau's, or any successor agency's jurisdiction.

5 14. Each Respondent warrants and represents that a definitive agreement to sell all
6 Respondents' interests in the gambling establishment (Sale Agreement) has been signed by all
7 parties thereto and submitted to the Bureau for review. Each Respondent further warrants,
8 represents, and agrees that the transactions contemplated by the Sale Agreement shall be subject
9 to the Commission's prior approval. Each Respondent also understands that the sale of his, her,
10 or its interests in the gambling establishment must be closed within 60 days following the
11 effective date of the Decision and Order issued by the Commission adopting the Stipulated
12 Settlement. Each Respondent understands that such 60-day period may be extended by the
13 Commission upon a showing of due diligence.

14 15. Respondents, jointly and severally, agree to pay to the Bureau penalties in the
15 amount of \$2.1 million (Penalties) for the violations alleged in the Accusation and Statement of
16 Issues and admitted to herein. The Penalties shall be paid, and will be deposited, in accordance
17 with Business and Professions Code section 19950, subdivision (a). The Penalties will be paid
18 in accordance with paragraph 17 of this Stipulated Settlement.

19 16. Respondents, jointly and severally, also agree to pay the Bureau the sum of
20 \$400,000 (Cost Recovery) as the reasonable costs of investigation and prosecution of this
21 matter as provided for in Business and Professions Code section 19930. The Cost Recovery
22 shall be paid, and will be deposited, in accordance with Business and Professions Code sections
23 19930, subdivision (f), and 19950, subdivision (b). The Cost Recovery will be paid in
24 accordance with paragraph 17 of this Stipulated Settlement.

25 17. Respondents shall pay the Penalties and Cost Recovery as follows:

- 26 a. The Cost Recovery will be paid in full upon the closing of the
27 transactions contemplated by the Sale Agreement. Respondents shall instruct the
28 purchaser under the Sale Agreement and the escrow holder to pay \$400,000 at the

1 closing to the Bureau, which shall have a lien on the proceeds of the sale for the Cost
2 Recovery.

3 b. The Sale Agreement contemplates that a portion of the purchase price be
4 paid in installments evidenced by a 12-year promissory note (Note) payable to the
5 Corporation. The Penalties shall be paid in monthly installments out of the portion of
6 the purchase price evidenced by the Note. Each monthly installment of the Penalties
7 shall be \$14,583.33. If the purchaser prepays all of the Note, the unpaid balance of the
8 Penalties shall be accelerated and paid immediately without addition, offset, or
9 reduction.

10 c. Respondents irrevocably and unconditionally assign to the Bureau the
11 right, title, and interest in the Note as necessary for payment of the Penalties in
12 accordance with this paragraph 17. The Bureau shall have a lien against the Note for
13 Penalties. Respondents will cooperate with the Bureau to arrange for Penalties to be
14 paid directly to the Bureau by the purchaser under the Sale Agreement. Respondents
15 agree that any Commission approval of the Sale Agreement may include a condition to
16 implement this paragraph 17.

17 d. If Respondents default in payment of the Penalties in any way, the unpaid
18 balance of the Penalties shall be accelerated and become due and payable
19 immediately. Respondents agree that the Commission's Decision and Order adopting
20 the Stipulated Settlement may be presented to the Sacramento County Superior Court
21 and, after notice to Respondents and an opportunity to be heard, judgment entered
22 thereon. Respondents further agree that the judgment shall include interest, calculated
23 at the maximum rate allowed by law to accrue from the effective date of the
24 Commission's Decision and Order. Respondents also agree that the judgment shall
25 include the Bureau's costs of obtaining, enforcing, and collecting the judgment. Costs
26 shall include reasonable attorney fees calculated at then prevailing hourly rates for
27 services provided in the private sector for attorneys of comparable experience.
28

1 18. The parties agree that this Stipulated Settlement fully resolves their dispute
2 concerning the Accusation and Statement of Issues, and that, except upon default, no further
3 penalties, fines, and costs shall be sought against Respondents based solely upon the allegations
4 contained within the Accusation and Statement of Issues.

5 19. This Stipulated Settlement shall be subject to adoption by the Commission.
6 Each Respondent understands and specifically agrees that counsel for the Complainant, and
7 the 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
11 Government Code section 11430.30, subdivision (b).

12 20. By signing this Stipulated Settlement, each Respondent understands and agrees
13 that he, she, or it may not withdraw his, her, or its agreement or seek to rescind the Stipulated
14 Settlement prior to the time the Commission considers and acts upon it. If the Commission fails
15 to adopt this Stipulated Settlement as its Decision and Order, this Stipulated Settlement shall be
16 of no force or effect, and, except for actions taken pursuant to this paragraph and paragraph 19
17 above, 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 Respondent's licensure, including, but not limited to, disposition of the Accusation
20 and Statement of Issues by a decision and order following a hearing on the merits.

21 21. 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.

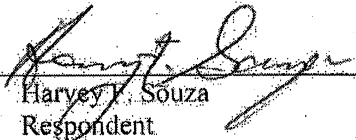
24 22. In consideration of the above admissions and stipulations, the parties agree that
25 the Commission may, without further notice or formal proceeding, issue and enter the Decision
26 and Order adopting this Stipulated Settlement.

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ACCEPTANCE

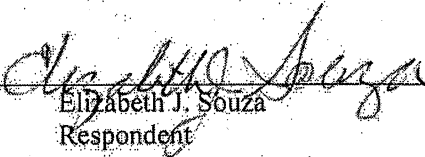
Each Respondent has carefully read and considered the above Stipulated Settlement. Each Respondent has discussed its terms and effects with legal counsel. Each Respondent also understands the Stipulated Settlement and the effects it will or may have on Respondents' state gambling licenses. Each Respondent further understands that his, her, or its state gambling license will be revoked, and his, her, or its renewal application will be denied. Each Respondent further understands that he, she, and it will be obligated to pay the Bureau a total sum of \$2.5 million (\$2.1 million in Penalties and \$400,000 in Cost Recovery). Each Respondent enters into this Stipulated Settlement voluntarily, knowingly and intelligently, and agrees to be bound by its terms.

Dated: February 12, 2017



Harvey J. Souza
Respondent

Dated: February 12, 2017



Elizabeth J. Souza
Respondent

Dated: February 12, 2017

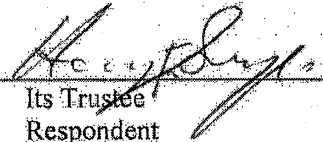
VC CARDROOM, INC., doing business as
Seven Mile Casino

By 

Its President
Respondent

Dated: February 12, 2017

HARVEY AND BETTE SOUZA LIVING TRUST,
dated February 7, 2010

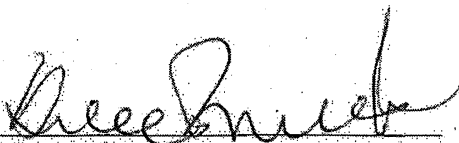
By 

Its Trustee
Respondent

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Approved as to Form:

Dated: February 15, 2017



Willie L. Brown

Attorney for Respondents

COMPLAINANT'S ACCEPTANCE

Dated: February ____, 2017

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: February ____, 2017

XAVIER BECERRA
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

1 Approved as to Form:

2 Dated: February 16, 2017

3 Willie L. Brown

4 *Attorney for Respondents*

5 **COMPLAINANT'S ACCEPTANCE**

6
7 Dated: February 16, 2017

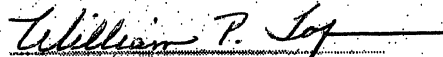
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9 WAYNE L. QUINT, JR., Chief
10 Bureau of Gambling Control
11 California Department of Justice

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

14 Dated: February 16, 2017

15 XAVIER BECERRA
16 Attorney General of California
17 SARA J. DRAKE
18 Senior Assistant Attorney General
19 RONALD L. DIEDRICH
20 Deputy Attorney General

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22 WILLIAM P. TORNGREN
23 Deputy Attorney General

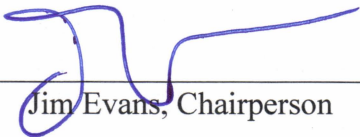
24 *Attorneys for the Complainant*

1 **DECISION AND ORDER OF THE COMMISSION**

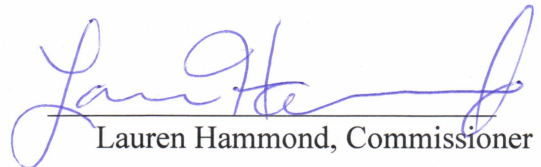
2 The California Gambling Control Commission hereby adopts the foregoing Stipulated
3 Settlement of the parties for the case of *In the Matter of the Accusation Against: Seven Mile*
4 *Casino, et al.*, BGC Case No. HQ2015-00004AC, as its final Decision and Order in this matter
5 to be effective upon execution below by its members.

6 **IT IS SO ORDERED**

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8 Dated: 3/23/17


Jim Evans, Chairperson

9
10 Dated: 3/23/17


Lauren Hammond, Commissioner

11
12 Dated: 3/23/17


Trang To, Commissioner

13
14 Dated: 3/23/17


Paula LaBrie, Commissioner

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