

1 XAVIER BECERRA
Attorney General of California
2 SARA J. DRAKE
Senior Assistant Attorney General
3 T. MICHELLE LAIRD
Supervising Deputy Attorney General
4 COLIN A. WOOD
Deputy Attorney General
5 WILLIAM P. TORNGREN
Deputy Attorney General
6 State Bar No. 58493
1300 I Street, Suite 125
7 P.O. Box 944255
Sacramento, CA 94244-2550
8 Telephone: (916) 210-7782
Fax: (916) 327-2319
9 E-mail: William.Torngren@doj.ca.gov
Attorneys for the Complainant

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

16 **In the Matter of the First Amended
Accusation Against:**

17 **RANCHO'S CLUB CASINO, INC.**
18 **(GEOW-003233), doing business as**
19 **Magnolia House Casino,**

20 **FOUR LEAF CLOVER INVESTMENTS**
21 **LLC (GEOW-003716) and**

22 **THOMAS B. SHERIDAN (GEOW-003717)**

23 **11275 Folsom Boulevard, Rancho Cordova,**
24 **CA 95742**

25 **Respondents.**

BGC Case No. HQ2019-00003AC

**STIPULATED SETTLEMENT;
DECISION AND ORDER**

1 13. Upon the effective date of the Decision and Order issued by the Commission
2 adopting this Stipulated Settlement (Effective Date), Respondents' pending state gambling
3 license applications will be granted and their state gambling licenses will be renewed.
4 Immediately thereafter, Respondents' state gambling licenses will be suspended. The
5 suspensions, however, shall be stayed as provided in paragraph 14 of this Stipulated Settlement.
6 Each Respondent acknowledges, understands, and agrees that the stay of suspending his or its
7 state gambling license is intended to preserve the Casino's existence for purposes of Business
8 and Professions Code sections 19962 and 19963, to allow a possible sale of Mr. Sheridan's
9 membership interest in the LLC, the sale of the LLC's shareholder interest in the Corporation,
10 or the sale of the Casino's assets or business. In addition to and as part of their waivers set forth
11 in paragraphs 9 and 10 above, each Respondent expressly, voluntarily, and knowingly waives
12 any privilege or right available under, or conferred by, Government Code section 11522.

13 14. Suspension of Respondents' licenses shall be stayed for 12 months from the
14 Effective Date (the Stay Period) during which time Respondents shall make a good faith and
15 diligent effort to sell Mr. Sheridan's membership interest in the LLC, the LLC's shareholder
16 interest in the Corporation, or the Casino's assets or business. Upon Respondents' showing of
17 good cause and diligence, the Commission may extend the Stay Period for an additional 12
18 months. Except as provided herein, under no circumstances may the Stay Period be extended or
19 otherwise lengthened beyond 24 months from the Effective Date. At the end of 12 months and
20 any extension not to exceed 12 months, the Stay Period will expire, except if a complete
21 application for approval of a sale (the Sale Application) is pending before the Bureau or the
22 Commission, in which case the Stay Period shall continue until the earliest of (a) August 31,
23 2022, or any license-extension period allowed by the Act, (b) the date the Commission denies
24 the Sale Application, or (c) the date that a sales transaction is closed and ownership is
25 transferred following the Commission's approval of the Sale Application. The Bureau
26 recognizes and acknowledges that good cause exists to expedite review of any Sale Application
27 because of Respondents' license suspension and the desire to preserve and protect the possible
28 interests of the Casino's employees, the community, and the general public.

1 a. The Stay Period shall terminate, and Respondents' licenses be revoked, upon
2 any of the following events: (1) Respondents close a sale of Mr. Sheridan's
3 membership interest in the LLC or the LLC's shareholder interest in the Corporation or
4 the Casino's assets or business (Sales Event); or (2) a violation of, or failure to comply
5 with, the conditions set forth in paragraph 17 of this Stipulated Settlement if they
6 become applicable. Each Respondent understands, acknowledges, warrants, represents,
7 and agrees that any Sales Event shall be subject to the Commission's prior approval.

8 b. Except as provided in subparagraph 14c below, upon the expiration or
9 termination of the Stay Period, Respondents' state gambling licenses shall be
10 automatically revoked without hearing or any right to appeal. Each Respondent
11 expressly waives any right to appeal, or to contest, such revocation. Each Respondent
12 further expressly waives any right to hearing on such revocation.

13 c. If the Sales Event is a (i) sale of Mr. Sheridan's membership interest in the
14 LLC or the LLC's shareholder interest in the Corporation and (ii) Mr. Sheridan has no
15 ownership interest, direct or indirect, in the Casino, the suspension shall be lifted as to
16 the LLC or the Corporation as appropriate without revocation of the entity's state
17 gambling license.

18 15. Respondents have demonstrated, or proffered, the following in mitigation: (a) they
19 incurred substantial losses in operating the Casino; (b) they relied upon advice and actions of
20 general managers, attorneys, and accountants, who represented that they were experienced with
21 and had expertise in gambling matters and card room operations; (c) Respondents realized no
22 economic gain from acts, omissions, and violations alleged in the Operative Pleading; (d) Mr.
23 Sheridan provided personal funds to correct violations and assure that patron and player funds
24 were fully restored and paid; (e) Respondents immediately took responsibility for the acts,
25 omissions, and violations alleged in the Operative Pleading; (f) Respondents acknowledged that
26 inexperience, lack of direct oversight, and reliance on others created a threat to the public
27 health, safety, and general welfare; and (g) Respondents cooperated with the Bureau with
28 respect to the Casino's shutdown, funding of liabilities, and chip redemption. Based upon

1 Respondents' demonstrated and proffered mitigation and as further consideration for this
2 Stipulated Settlement, Complainant waives her prayer for, or claim to, monetary penalties or
3 fines under Business and Professions Code section 19930, subdivision (c).

4 16. Respondents, jointly and severally, agree to pay the Bureau the sum of \$50,000
5 (Cost Recovery) as the reasonable costs of investigation and prosecution of this matter as
6 provided for in Business and Professions Code section 19930. When paid, the Cost Recovery
7 will be deposited, in accordance with Business and Professions Code sections 19930,
8 subdivision (f), and 19950, subdivision (b). The Cost Recovery will be paid upon expiration or
9 termination of the Stay Period. If the Stay Period terminates as the result of a Sales Event, the
10 Cost Recovery will be paid in full upon the closing. Respondents shall instruct the purchaser
11 under any sales or similar agreement and the escrow holder to pay \$50,000 at the closing to the
12 Bureau, which shall have a lien on the proceeds of the sale for the Cost Recovery.

13 17. The Casino presently is closed. During the Stay Period and with the Bureau's prior
14 written consent, the Casino may resume gambling and gambling-related activities and reopen if,
15 and only for as long as, Respondents meet, or perform, the following conditions:

16 a. Respondents shall employ a general manager (General Manager), who holds
17 a portable key employee license issued by the Commission. The General Manager shall
18 be independent, and certify under penalty of perjury his or her independence, from, and
19 not be affiliated with or recommended by, the Casino's prior general manager, attorneys,
20 or accountants.

21 b. Unless the Bureau requires more or less frequently, the Casino shall provide
22 the Bureau each week with a statement of sources and uses of funds, a profit and loss
23 statement, a statement setting forth the balances in each bank account controlled by the
24 Casino or maintained for the Casino's benefit, a statement of outstanding chip liability, a
25 statement of liabilities to patrons or players, and a statement of liabilities to the third-party
26 provider. Each statement shall be in a form satisfactory to the Bureau. Additionally, the
27 Casino shall provide the Bureau with any other reports or statements that the Bureau may
28 require. Further, the Casino shall make its books and records, including without limitation

1 bank account records and information, available to the Bureau for inspection immediately
2 upon demand.

3 c. All funds received from the Casino's players, patrons, and third-party
4 provider in exchange for chips shall be held separately for deposit into accounts required
5 by California Code of Regulations, title 11, section 2053, and the Bureau. The funds so
6 held shall be used only to redeem chips or patron or third-party provider funds. No less
7 than once every 24 hours, the Casino, or a designated employee or agent, shall deposit
8 such funds into the accounts required by California Code of Regulations, title 11, section
9 2053, and the Bureau.

10 d. In connection with, and as a condition to, seeking the Bureau's prior written
11 consent to resume gambling and gambling-related activities and reopen the gambling
12 establishment, the Casino shall provide the Bureau with a report detailing the source of all
13 funds to be used in connection with, or applied to, resuming gambling and gambling-
14 related activities and reopening the gambling establishment. The report shall be signed
15 under penalty of perjury and include:

16 1) If the source of any portion of the funds is an account maintained with a
17 bank or savings institution (Financial Institution), the report shall identify: (a) the
18 Financial Institution, including branch address, at which each source account is
19 maintained; (b) the account number(s); (c) the full name of each account; (d) all
20 account holders and signatories on each account; (e) the source of funds for each
21 account; (f) the account balance of each account for each of the previous 12
22 months; (g) the date and amount of each deposit during the previous six months;
23 and (h) the date and amount of each withdrawal during the previous six months.

24 2) If the source of any portion of the funds is an account maintained with a
25 securities broker-dealer or registered investment advisor (Investment Institution),
26 the report shall identify: (a) the Investment Institution including branch address, at
27 which each source account is maintained; (b) the account number(s); (c) the full
28 name of each account; (d) all account holders and beneficiaries on each account; (e)

1 the source of funds for each account; (f) the securities value, including, without
2 limitation, equities, options, mutual funds, and bonds, for each account for each of
3 the previous 12 months; (g) the cash and cash equivalents value, including, without
4 limitation, money market funds and margin balances, for each account for each of
5 the previous 12 months; and (h) the date and amount of each deposit and
6 withdrawal for the previous six months.

7 3) If the source of any portion of the funds is an extension of credit from a
8 Financial Institution or commercial lender, the report shall identify: (a) the
9 lender(s); (b) the borrower(s); (c) the guarantor(s); (d) the terms of the loan
10 including, without limitation, interest rate, loan origination fees, and maturity date;
11 and (e) the security for the loan.

12 4) If the source of any portion of the funds is an extension of credit from
13 any person or entity other than a Financial Institution or commercial lender, the
14 report shall identify the following in addition to those items set forth in the
15 immediately preceding subparagraph 3): (a) the source of the funds to be provided
16 by the lender; (b) whether the lender is related, or affiliated, in any way to or with
17 Licensees or their affiliates; (c) any conversion or option rights or privileges; and
18 (d) repayment terms.

19 5) If the source of any portion of the funds is cash or currency, the report
20 shall identify: (a) where the cash or currency is located; (b) what was the source of
21 the cash or currency; (c) when the cash or currency was acquired and how it was
22 stored; and (d) how and when the cash or currency was reported to the California
23 Franchise Tax Board or the United States Internal Revenue Service.

24 e. Respondents and the Casino shall comply in all material respects with the
25 Act, the regulations adopted under the Act, the Penal Code, and any federal, state, or local
26 laws, ordinances, and regulations governing gambling or the operation of gambling
27 establishments.
28

1 f. Respondents shall bear all costs relating to complying with the terms set
2 forth in this Stipulated Settlement.

3 18. Pending the Commission’s adoption of this Stipulated Settlement, Respondents
4 shall continue to suspend any and all gambling and gambling-related activities at the Casino,
5 and the Casino shall remain closed. From the Effective Date and during the Stay Period,
6 Respondents shall comply in all respects with the conditions set forth in this Stipulated
7 Settlement. Each Respondent understands and agrees that the violation of, or failure to comply
8 with, any of the conditions set forth in this Stipulated Settlement shall constitute a sufficient
9 basis, in and of itself, to terminate the stay, making revocation of his or its state gambling
10 license immediately effective.

11 19. Respondents agree that it shall be a default under this Stipulated Settlement to (a)
12 fail to pay the Cost Recovery when due, or (b) fail otherwise to comply with any term of this
13 Stipulated Settlement.

14 20. If Respondents default in payment of any monies due under this Stipulated
15 Settlement in any way, Respondents agree that the Commission’s Decision and Order adopting
16 the Stipulated Settlement may be presented to the Sacramento County Superior Court and, after
17 notice to Respondents and an opportunity to be heard, judgment entered thereon. Respondents
18 further agree that the judgment shall include interest, calculated at the maximum rate allowed
19 by law to accrue from the Effective Date. Respondents also agree that the judgment shall
20 include the Bureau’s costs of obtaining, enforcing, and collecting the judgment. Costs shall
21 include reasonable attorney fees calculated at then prevailing hourly rates for services provided
22 in the private sector for attorneys of comparable experience.

23 21. Respondents agree that upon a default, any license issued by the Commission to
24 them shall be deemed to be revoked automatically and immediately and shall be of no further
25 effect. Each Respondent expressly waives any right to hearing with respect to, or arising out of,
26 any license revocation based upon a default in paying the Cost Recovery or based upon the
27 allegations of the Operative Pleading. The parties understand and acknowledge that
28 Respondents may request a hearing as to any other basis for default.

1 22. If the Stay Period exceeds the term, or expiration date, of any license granted and
2 issued pursuant to this Stipulated Settlement, Respondents acknowledge and agree that any
3 renewal license granted by the Commission will require their continued compliance with this
4 Stipulated Settlement for the entire Stay Period.

5 23. Mr. Sheridan agrees that he shall be deemed ineligible during his lifetime to hold
6 any license, registration, finding, or permit issued under the Act or any other law relating to
7 gambling in the state, or for any activity that is under the Commission's, the Bureau's, or any
8 successor agency's jurisdiction.

9 24. The parties agree that this Stipulated Settlement fully resolves their dispute
10 concerning the Operative Pleading, and that, except upon default, no further penalties, fines,
11 and costs shall be sought against Respondents based solely upon the allegations contained
12 within the Operative Pleading.

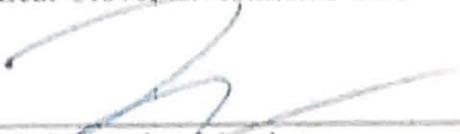
13 25. This Stipulated Settlement shall be subject to adoption by the Commission.
14 Respondents understand and specifically agree that counsel for the Complainant, and the
15 Bureau's staff, may communicate directly with the Commission regarding this Stipulated
16 Settlement, without notice to, or participation by, Respondents or their counsel, and that no such
17 communication shall be deemed a prohibited ex parte communication. Respondents
18 specifically acknowledge and agree that such communications are permissible pursuant to
19 Government Code section 11430.30, subdivision (b).

20 26. By signing this Stipulated Settlement, each Respondent understands and agrees that
21 he or it may not withdraw his agreement or seek to rescind the Stipulated Settlement prior to the
22 time the Commission considers and acts upon it. If the Commission fails to adopt this
23 Stipulated Settlement as its Decision and Order, this Stipulated Settlement shall be of no force
24 or effect and, except for actions taken pursuant to this paragraph and paragraph 25 above, it
25 shall be inadmissible in any legal action between the parties. The Commission's failure to
26 adopt the Stipulated Settlement shall not disqualify the Commission from any further action
27 regarding Respondents' licensure, including, but not limited to, disposition of the Operative
28 Pleading by a decision and order following a hearing on the merits.

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

Dated: March 25, 2020

Four Leaf Clover Investments LLC

By 
Its Managing Member
Respondent

Approved as to form and content:

Dated: March 25, 2020


Thomas B. Sheridan
Sheridan Law Group
Attorney for Respondents

COMPLAINANT'S ACCEPTANCE

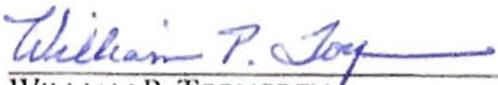
Dated: March 27, 2020


STEPHANIE SHIMAZU, Director
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: March 27, 2020

XAVIER BECERRA
Attorney General of California
SARA J. DRAKE
Senior Assistant Attorney General
T. MICHELLE LAIRD
Supervising Deputy Attorney General
COLIN A. WOOD
Deputy Attorney General


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

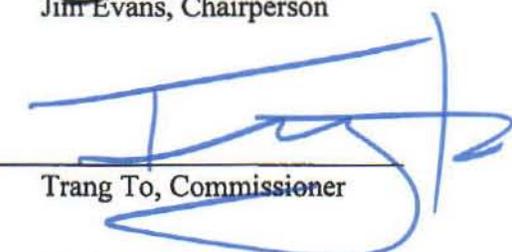
The California Gambling Control Commission hereby adopts the foregoing Stipulated Settlement of the parties for the case of *In the Matter of the First Amended Accusation Against: Rancho's Club Casino, Inc., etc.*, BGC Case No. HQ2019-00003AC, as its final Decision and Order in the matter to be effective upon execution below by its members.

IT IS SO ORDERED

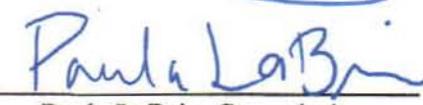
Dated: 5/8/20


Jim Evans, Chairperson

Dated: 5/8/20


Trang To, Commissioner

Dated: 5/7/20


Paula LaBrie, Commissioner

Dated: 5/7/20


Gareth Lacy, Commissioner