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8
9 **BEFORE THE**
10 **CALIFORNIA GAMBLING CONTROL COMMISSION**
11 **STATE OF CALIFORNIA**

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13
14 **In the Matter of the Accusation and
Statement of Issues Against:**

OAH No. 2014060129

15 **GARDEN CITY, INC., doing business as**
16 **CASINO M8TRIX (GEGE-000410);**

BGC Case No. HQ2014-00001AL

17 **ERIC G. SWALLOW (GEOW-001330);**

**STIPULATED SETTLEMENT;
DECISION AND ORDER**

18 **PETER V. LUNARDI III (GEOW-001331);**

19 **JEANINE LYNN LUNARDI (GEOW-**
20 **003119); and**

21 **THE LUNARDI FAMILY LIVING**
22 **TRUST, dated August 27, 2008 (GEOW-**
23 **003259).**

24 **1887 Matrix Boulevard**
25 **San Jose, CA 95110**

Respondents.

26 The parties to this Stipulated Settlement, for themselves and no other party, enter into
27 this Stipulated Settlement to resolve finally the above-titled Accusation and Statement of Issues.
28

1 PURPOSE OF THIS STIPULATED SETTLEMENT

2 This Stipulated Settlement finally resolves the allegations set forth in the Accusation and
3 Statement of Issues as they pertain to Respondents Garden City, Inc. (Garden City), Peter V.
4 Lunardi III (Mr. Lunardi), Jeanine Lynn Lunardi (Mrs. Lunardi), and the Lunardi Family Living
5 Trust, dated August 27, 2008 (Lunardi Trust) (collectively, Respondents). This Stipulated
6 Settlement does not resolve any allegations as they pertain to Eric G. Swallow (Mr. Swallow).
7 The Accusation and Statement of Issues seeks to discipline Respondents' licenses – by denial of
8 renewal, revocation, suspension, and/or fine as appropriate – for violations of, and lack of
9 suitability for continued licensing under, the Act and the regulations adopted pursuant to the
10 Act. The Accusation and Statement of Issues alleges that Respondents, and Mr. Swallow,
11 engaged in self-dealing through affiliated entities to reduce Garden City's reported net income,
12 caused payments to be made to persons and entities not licensed under the Act, engaged in and
13 received undocumented transactions and payments, and allowed, engaged in, and accepted the
14 benefits of patterns and practices that demonstrate a disregard for prudent and usual business
15 controls and oversight. The Accusation and Statement of Issues further alleges that
16 Respondents had prohibited interests in the funds wagered, lost, and won by the company
17 providing third-party proposition player services to Garden City. Respondents denied, and
18 contested, the allegations set forth in the Accusation and Statement of Issues. To resolve the
19 Accusation and Statement of Issues, the parties hereby stipulate as follows.

20 PARTIES

21 1. Wayne J. Quint, Jr. (Complainant) brought the above-titled Accusation and
22 Statement of Issues solely in his official capacity as the Chief of the California Department of
23 Justice, Bureau of Gambling Control (Bureau).

24 2. Garden City is a licensed gambling enterprise, California State Gambling
25 License Number GEGE-000410. That license expired on May 31, 2014, subject to the outcome
26 of the Accusation and Statement of Issues. Garden City does business as Casino M8trix at 1887
27 Matrix Boulevard in San Jose, California. It is a 49-table card room.

1 3. Mr. Lunardi, license number GEOW-001331, was a shareholder of Garden City,
2 is a trustee of the Lunardi Trust, and is endorsed on Garden City's license. Mrs. Lunardi,
3 license number GEOW-003119, also was a shareholder of Garden City, is a trustee of the
4 Lunardi Trust, and is endorsed on Garden City's license. The Lunardis are husband and wife.
5 On August 12, 2010, the California Gambling Control Commission (Commission) approved the
6 transfer of the Lunardis' shares, and issued license number GEOW-003259, to the Lunardi
7 Trust, which then was endorsed on Garden City's license. Mr. Swallow¹ and the Lunardi Trust
8 each own 50 percent of Garden City's stock and constitute all of its shareholders. Their
9 licenses expired on May 31, 2014, subject to the outcome of the Accusation and Statement of
10 Issues.

11 4. Collectively, Garden City, Mr. Lunardi, Mrs. Lunardi, and the Lunardi Trust are
12 referred to as "Respondents" or "Respondent" in this Stipulated Settlement.

JURISDICTION

13
14 5. On or about May 2, 2014, each Respondent was served with an Accusation
15 bearing the above title; as well as a Statement to Respondent (Gov. Code, § 11505, subd. (b));
16 Request for Discovery (Gov. Code, § 11597.6); copies of Government Code sections 11507.5,
17 11507.6 and 11507.7; and two copies of the Notice of Defense form (Gov. Code, §§ 11505 &
18 11506). After the Commission referred Respondents' license renewal applications to an
19 evidentiary hearing, each Respondent was served with the above-titled Accusation and
20 Statement of Issues.

21 6. Each Respondent caused a timely Notice of Defense to be delivered to
22 Complainant's attorneys.

ADVISEMENT AND WAIVERS

23
24 7. Each Respondent has reviewed carefully, and has discussed with counsel, the
25 legal and factual allegations in the Accusation and Statement of Issues. Each Respondent also

26 ¹ The Accusation and Statement of Issues names Mr. Swallow and alleges numerous
27 violations against him. Mr. Swallow is not a party to this Stipulated Settlement. An
28 Administrative Law Judge assigned by the Office of Administrative Hearings presently is
scheduled to hear the case against Mr. Swallow beginning on June 15, 2015.

1 has reviewed carefully, and has discussed with counsel, this Stipulated Settlement. Each
2 Respondent fully understands the terms and conditions contained within this Stipulated
3 Settlement and the effects thereof.

4 8. Each Respondent is fully aware of its, her, or his legal rights in this matter.
5 Those rights include: the right to a hearing on all the allegations in the Accusation and
6 Statement of Issues; the right to be represented by counsel of its, her, or his choice at its, her, or
7 his own expense; the right to confront and cross-examine the witnesses against it, her, or him;
8 the right to present evidence and testify on its, her, or his own behalf; the right to the issuance
9 of subpoenas to compel the attendance of witnesses and the production of documents; the right
10 to apply for reconsideration and court review of an adverse decision; and all other rights
11 afforded by the California Administrative Procedure Act (Gov. Code, § 11370 et seq.), the
12 California Gambling Control Act (Act) (Bus. & Prof. Code, § 19800 et seq.), and all other
13 applicable laws.

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

18 STIPULATED ADMISSIONS

- 19 10. Respondents admit the truth of the following facts:
- 20 a. Garden City has been licensed as a card room in the City of San Jose since
21 approximately 1976. In 1998, it filed for bankruptcy protection. In 2005, Mr.
22 Swallow, Mr. Lunardi, and Mrs. Lunardi, along with Dina DiMartino, entered
23 into a stock purchase agreement to acquire Garden City's stock from the
24 bankruptcy trustee under a proposed reorganization plan. On January 5, 2006,
25 the Commission approved the stock purchase agreement. On March 22, 2007,
26 Ms. DiMartino withdrew her state gambling license application. Mr. Swallow,
27 Mr. Lunardi, and Mrs. Lunardi purchased all issued and outstanding stock in
28 Garden City in 2007. The Commission first endorsed Mr. Swallow, Mr.

1 Lunardi, and Mrs. Lunardi on Garden City's license on March 1, 2007. In
2 August 2010, Mr. Lunardi and Mrs. Lunardi transferred their shares to the
3 Lunardi Trust.

- 4 b. In connection with the Garden City acquisition, Mr. Swallow and the Lunardis
5 received financing from Comerica Bank, a federally regulated commercial
6 lender. That financing has been extended on several occasions. It is secured by
7 Garden City's assets and by the stock acquired by the Mr. Swallow and the
8 Lunardis. The initial financing and extensions were not presented to the
9 Commission for review or approval.
- 10 c. On or about July 17, 2008, the Lunardis, Mr. Swallow, and Deborah Swallow
11 entered into a Buy-Sell Agreement relating to Garden City stockholdings. That
12 agreement states: "Eric Swallow and Pete V. Lunardi, III actively manage the
13 business of the Corporation. Each of them performs approximately half of the
14 overall work. If Eric were to die or become incapacitated, then his wife Deborah
15 would take his place." Deborah Swallow does not have, and never has applied
16 for, a state gambling license.
- 17 d. Since the acquisition of Garden City, Mr. Lunardi was the corporate president
18 and chairman of the board of directors. Mr. Swallow was the corporate
19 secretary. Mrs. Lunardi was not a corporate officer. The board of directors
20 consisted of three directors. At all times, the directors were the Lunardis and
21 Mr. Swallow. In his capacity as president, Mr. Lunardi signed nearly all
22 contracts and agreements on Garden City's behalf.
- 23 e. On May 25, 2007, Dolchee LLC (Dolchee) was lawfully formed as a California
24 limited liability company. At all times since formation and according to its
25 organizational documents, its only members have been the Eric G. and Deborah
26 A. Swallow Family Trust dated August 31, 2004 (Swallow Trust) and the
27 Lunardi Trust. The trustees of the Swallow Trust are Mr. Swallow and his wife
28 Deborah. Dolchee's federal tax returns for 2008 to 2013, however, listed only

1 two members, Mr. Swallow and Mr. Lunardi. Neither the Swallow Trust nor
2 Deborah Swallow has, or has applied for, a state gambling license.

3 f. In 2007 and 2008, Dolchee filed for trademarks on the name "Baccarat Gold."
4 Dolchee has no other trademarks registered in its name with the United States
5 Patent and Trademark Office. On December 31, 2008, Dolchee was lawfully
6 converted out of California to be a Nevada limited liability company. By an
7 undated License Agreement made as of January 1, 2009, Dolchee agreed to
8 provide certain denominated games to Garden City for a monthly minimum
9 payment of \$400,000, or \$4.8 million annually. The agreement does not contain
10 any provision for determining any amount above the minimum. Between
11 January 1, 2009, and December 31, 2012, Garden City's payments to Dolchee
12 totaled \$38,482,000; during that time period, Garden City always paid more than
13 the minimum annually. No invoices or similar billing documents or statements
14 exist with respect to the payments exceeding the minimum.

15 g. On July 21, 2008, Profitable Casino LLC (Profitable Casino) was formed as a
16 California limited liability company. Its sole member is Mr. Swallow. On
17 December 31, 2008, Profitable Casino was converted out of California to be a
18 Nevada limited liability company. By an undated Application Service Provider
19 Agreement made as of January 1, 2009, Profitable Casino agreed to provide
20 access to certain computer applications to Garden City for a monthly minimum
21 consulting fee of \$400,000, or \$4.8 million annually. Profitable Casino was to
22 invoice Garden City for any fees exceeding the minimum. Between January 1,
23 2009, and December 31, 2012, Garden City's payments to Profitable Casino
24 totaled \$14,050,000. No invoices or similar billing documents or statements
25 exist with respect to the payments.

26 h. On December 31, 2008, Potere LLC (Potere) was lawfully formed as a Nevada
27 limited liability company. Its sole member is Mr. Lunardi. By an undated
28 Vendor Contractor Agreement made as of January 1, 2009, Potere agreed to

1 provide general business consulting to Garden City for a monthly minimum
2 consulting fee of \$400,000, or \$4.8 million annually. Potere was to invoice on a
3 monthly basis for all hours worked and to provide services on Garden City's
4 premises during regular business hours. Between January 1, 2009, and
5 December 31, 2012, Garden City's payments to Potere totaled \$14,050,000,
6 which was equal to the payments made to Profitable Casino. No invoices or
7 similar billing documents or statements exist with respect to the payments.

- 8 i. Garden City accounted for its payments to Dolchee, Profitable Casino, and
9 Potere (collectively, Related Companies) as expenses, and not as dividends or
10 distributions to its owners. The Lunardis agreed to the organizational and
11 payment structure to accommodate Mr. Swallow's move from California to
12 Nevada. The structure reduced Mr. Swallow's, but not the Lunardis', tax
13 liability to the State of California. As a consequence of expensing those
14 payments, Garden City's net income ranged between approximately minus 0.31
15 percent and 1.42 percent of its gross gaming revenues between January 1, 2009,
16 and December 31, 2012. For three of those four years, Garden City's net income
17 was essentially zero. In 2013, Garden City's net loss exceeded \$500,000.
- 18 j. No invoices exist with respect to the payments to the Related Companies.
19 Respondents agreed as a standard practice to estimate annual payments to the
20 Related Companies and then make monthly payments based upon available cash
21 flow. None of the Related Companies has, or has applied for, a state gambling
22 license. Potere's and Profitable Casino's owners were licensed by the
23 Commission. One of Dolchee's two owners – i.e., the Lunardi Trust – was
24 licensed by the Commission; three of the four trustees involved in the two trusts
25 were licensed.
- 26 k. On May 30, 2014, Complainant issued an emergency order to Garden City. On
27 June 23, 2014, Complainant issued an amended order (AEO). Respondents have
28 fully complied in all respects with the AEO. Under the AEO's terms, Garden

1 City, among other things, was prevented from making payments to the Related
2 Companies. For calendar year 2014, Garden City's net income was
3 approximately 25 percent of its gross gaming revenues despite making payments
4 to the Related Companies before the AEO's issuance. Dolchee's operating
5 agreement requires a unanimous vote of the members; as a result, the Lunardis
6 cannot unilaterally cause dissolution.

- 7 1. On April 1, 2009, Dolchee entered into a licensing agreement for Baccarat Gold
8 with a California tribal casino. The monthly payment under that licensing
9 agreement is \$1,200 per table per month. On June 1, 2009, Dolchee entered into
10 a licensing agreement for Baccarat Gold with a card room other than Garden
11 City. Mr. Lunardi is informed by the Bureau that the monthly payment under
12 that licensing agreement is \$1,200 per table per month for a minimum of two
13 tables. On November 17, 2009 – 11 months after the effective date of the
14 License Agreement described above – a patent for Baccarat Gold was issued to
15 Scott Hayden, who at the time was Garden City's general manager. Mr. Hayden
16 subsequently assigned the patent to Dolchee for no payment.
- 17 m. On November 25, 2009, Airport Parkway Two LLC (Airport Parkway) was
18 lawfully formed as a California limited liability company. Its sole member is
19 Airport Opportunity Fund LLC (Airport Fund), which was formed as a Delaware
20 limited liability company on December 3, 2009. Airport Fund's members are the
21 Lunardi Trust and the Swallow Trust. Each trust owns a 50-percent interest in
22 Airport Fund. Neither the Swallow Trust nor Deborah Swallow has, or has
23 applied for, a state gambling license.
- 24 n. On January 20, 2010, Airport Parkway closed an \$8 million real estate purchase.
25 Airport Parkway used approximately \$2 million provided by the Related
26 Companies as a down payment and financed the \$6 million balance with
27 Comerica Bank, a federally regulated commercial lender. No written agreements
28 exist between Airport Parkway, on the one hand, and any of the Related

1 Companies, on the other, with respect to this funding. Documents provided to
2 the City of San Jose report the funds as capital contributions while documents
3 provided to the Bureau report the funds as payments of consulting fees.

4 Subsequently, on March 22, 2011, an additional financing with Comerica Bank,
5 a federally regulated commercial lender, closed. The financing is ostensibly
6 secured by, among other things, Garden City's assets and investment securities
7 of Mr. Swallow, Deborah Swallow, the Swallow Trust, and the Lunardi Trust,
8 although this issue is the subject of litigation in the dissolution proceedings
9 between Mr. Swallow and Deborah Swallow as it relates to the ownership of
10 Garden City's shares. Neither the initial nor subsequent financing was
11 presented to the Commission for review or approval.

12 o. The real property was improved with a new eight-story building to house
13 gambling, entertainment, restaurant, meeting, office, and other facilities. The
14 property's address was changed to 1887 Matrix Boulevard. In April 2012,
15 Garden City and Airport Parkway entered into lease backdated to January 1,
16 2011, for 1887 Matrix Boulevard. The lease provides for a fixed monthly rent of
17 \$600,797.67 with no escalation over its 10-year term. Pursuant to the AEO, an
18 independent appraiser established the monthly fair market rent of 1887 Matrix
19 Boulevard as of November 2014 to be \$525,000.

20 p. The Lunardis, basing their belief solely upon information supplied by the
21 Bureau, believe: (1) on January 21, 2010, Team View Player Services, LLC
22 (Team View Player Services) was formed as a California limited liability
23 company with Timothy M. Gustin as its sole member; (2) on February 22, 2010,
24 Secure Stone, LLC (Secure Stone) was formed as a Delaware limited liability
25 company with Deborah Swallow as its sole member; and (3) Secure Stone's
26 address is the same as that of Airport Fund. On May 1, 2010, pursuant to an
27 agreement dated March 30, 2010, and signed by Mr. Lunardi and Mr. Gustin,
28 Team View Player Services agreed to provide third-party proposition player

1 services at Garden City. The Lunardis, basing their belief solely upon
2 information supplied by the Bureau, believe that on or about May 1, 2010, Team
3 View Player Services entered into a contract with Team View Player Associates,
4 LLC (“Team View Associates”) of which Mr. Gustin was the sole member and
5 which, in turn, entered into an agreement with Secure Stone. The Lunardis have
6 been further informed by the Bureau and believe that, pursuant to that
7 agreement, Secure Stone received payments totaling approximately \$3.6 million.

8 q. Under an agreement dated August 22, 2012, with Garden City, Team View
9 Player Services was to pay an annual fee of \$2,226,000, which included
10 \$1,113,000 for parking in Garden City’s parking lot, a designated area on the
11 casino floor, and use of the casino area for meetings with employees. Under a
12 previous agreement, Team View Player Services provided third-party
13 proposition player services at Garden City’s Saratoga Road location. When
14 Garden City’s operations moved to 1887 Matrix Boulevard, demand for parking
15 exceeded capacity. Team View Player Services employees then were not
16 allowed to park in Garden City’s parking lot. Team View Player Services did
17 not use any portion of the casino other than its office for meetings with
18 employees. Team View Player Services’ designated area was approximately 400
19 square feet.

20 r. On August 7, 2012, Garden City, doing business as Casino Matrix, opened a
21 new casino, entertainment, and conference facility at 1887 Matrix Boulevard.

22 s. Exhibit A to the Accusation and Statement of Issues is accurate in most material
23 respects except (1) a conflict exists between the organizational documents and
24 tax returns as to Dolchee’s members and (2) Respondents have no knowledge of
25 payments (a) from Team View Player Services to Team View Associates, (b)
26 from Team View Associates to entities affiliated with Scott Hayden, (c) from
27 Team View Associates to Secure Stone, (d) from Profitable Casino to Bryan
28 Roberts, or (e) made by the Swallow Trust.

1 11. Respondents offer the following facts in mitigation:

- 2 a. The Commission renewed Respondents' licenses in 2012. The City of San Jose
3 issued Mr. Swallow and the Lunardis stock-ownership and key employee
4 licenses in 2007, which were renewed in 2009, 2010, and 2012. The last renewal
5 was for a three-year term after the City of San Jose was paid \$186,000 towards
6 its investigative costs. Due to the lack of gaming operations experience by the
7 licensees, the City of San Jose imposed requirements on the initial licenses
8 mandating, among other things, that Garden City maintain an audit committee,
9 employ an outside independent CPA, maintain a compliance committee with a
10 chief compliance officer who had demonstrable "relevant gaming operational
11 experience and sufficient knowledge of the California Gambling Control Act,"
12 and install an off-site surveillance monitoring system for use by San Jose's
13 Gaming Administrator. In 2010, the City of San Jose prohibited Mr. Swallow
14 and Mr. Lunardi from having any "direct involvement in the day-to-day
15 operations of" Garden City. Neither Mr. Swallow nor Mr. Lunardi could
16 "personally hire, terminate, direct or be personally and directly involved in the
17 activities of Garden City employees involved in gaming and other sensitive areas
18 of the casino operations" Mr. Lunardi's participation in Garden City's
19 operations was limited by the City of San Jose's mandate to his membership in
20 Garden City's operational committees and signing agreements as its president.
- 21 b. As a consequence of the City of San Jose's limitations on his participation in
22 Garden City's day-to-day operations, Mr. Lunardi delegated all such operations
23 to general manager Scott Hayden.
- 24 c. Mrs. Lunardi was not involved, and did not participate, in Garden City's
25 operations.
- 26 d. Garden City employed numerous outside attorneys and maintained an in-house
27 counsel for the purpose of preparing, reviewing, revising, and finalizing Garden
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1 City's contracts, which were then presented to Mr. Lunardi to sign in his
2 capacity as president.

3 e. To the Lunardis' knowledge, Deborah Swallow has never participated in any of
4 Garden City's operations. The Lunardis presumed that Deborah Swallow would
5 need to obtain an Interim State Gambling License under California Code of
6 Regulations, title 4, section 12349, before she could actively manage Garden
7 City under the terms of the July 17, 2008 Buy-Sell Agreement.

8 f. The City of San Jose was informed of the payments from Garden City to
9 Dolchee, but chose not to require Dolchee to obtain or hold any form of license
10 in connection with Garden City's license renewal in 2012, which was based
11 solely on a Landowners Licensing investigation. Dolchee's relationship with
12 Garden City continued in the same manner as had already been examined by the
13 City. In its July 13, 2012 license renewal report the Police Department
14 expressed "concern as the regulating agency with millions of dollars flowing
15 through Mr. Swallow and Mr. Lunardi's other business accounts without
16 adequate accounting records. This is especially the case with Dolchee"
17 Notwithstanding its concerns, in July 2012, the City of San Jose issued the
18 Landowners License, while reserving its authority to call Dolchee forward as a
19 financial source requiring licensure.

20 g. The Lunardis relied upon the advice of legal and accounting professionals in
21 their acquisition of Garden City and the formation of entities affiliated with the
22 owners. Since July 1, 2008, Garden City has been a "subchapter S" corporation
23 ("S" Corp) under the Internal Revenue Code (IRC). Under section 1363(a) of
24 the IRC, an "S" Corp does not pay federal income tax and all profits and losses
25 are passed through directly to shareholders. Similarly, payments to Potere
26 passed through directly to Mr. Lunardi, a California resident. This caused an
27 increase in the Lunardis' federal self employment tax liability that, because it is a
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1 higher rate than the California corporate tax, resulted in their paying more
2 federal taxes than if they had received their profits directly from Garden City.

3 h. As an "S" Corp, Garden City's profits (or losses) passed directly through to its
4 shareholders as ordinary income (or loss), not as "dividends." Garden City's
5 payments to the Related Companies were expensed on its books. The income to
6 the Potere and Dolchee was legally and properly booked as and accounted for
7 "business income." This income, after expenses were deducted, passed through
8 to the respective owners, subjecting the Lunardis to federal taxes, a federal self
9 employment tax, and, because Mr. Lunardi was a California resident, state
10 income taxes. The net result for the Lunardis under what they were advised to
11 be and thus understood to be lawful arrangements was that their overall federal
12 taxes were higher than if Garden City's income had passed directly through to
13 them. DLA Piper reviewed the tax returns for the Lunardis, Garden City,
14 Dolchee and Potere (the Lunardi Related Entities) for years 2009-2012 and
15 discovered (1) no material reporting errors in the tax returns and (2) no-material
16 difference between (a) the California and federal tax liabilities reflected on the
17 returns and (b) the taxes that would have been owed if Garden City had not made
18 certain tax deductible tax payments to the Lunardi Related Entities.

19 i. Following the AEO's issuance, Respondents terminated their relationship with
20 the following, among others: (1) Team View Player Services; (2) Scott Hayden,
21 who was Garden City's general manager in charge of its day-to-day operations,
22 tendered, and Garden City accepted, his resignation; (3) Jerome Bellotti, the
23 CPA who audited the Garden City's financial statements and advised its
24 shareholders with respect to the formation of, and accounting for transactions
25 with, the Related Companies, is no longer doing work for Garden City; (4)
26 Robert Lytle, who was Garden City's compliance officer and advisor and
27 simultaneously under contract with Team View Player Services; (5) Antoinette
28 McGill, Garden City's in-house attorney, who had advised regarding compliance

1 and corporate structuring matters; (6) Potere; (7) Profitable Casino; (8) Bryan
2 Roberts, who purportedly worked for both Profitable Casino and Secure Stone
3 and also was an information technology contractor for Garden City, (9)
4 Imperium, Garden City's outsourced security and surveillance provider (those
5 services are now provided in-house); (10) New York Food & Beverage, Garden
6 City's outsourced food and beverage provider; (11) Flagship, Garden City's
7 outsourced facilities service provider; (12) PMC, Garden City's outsourced
8 janitorial services provider; and (13) Sean Kali Rai, Garden City's lobbyist.
9 Further, Garden City accepted the resignation of Devon Kumar, its outsourced
10 Controller, effective June 30, 2014.

11 j. The Lunardis had no knowledge of Secure Stone, the payments made to it, or
12 Bryan Roberts's work for Secure Stone.

13 12. Subject to the mitigating facts set forth in paragraph 11 above, Garden City
14 admits to the following violations alleged in the Accusation and Statement of Issues:

15 a. From August 2012 until its contract was terminated, Team View Player Services
16 paid for facilities that were not provided as set forth above; therefore, Garden
17 City received more than \$1.1 million annually for renting 400 square feet to
18 Team View Player Services. That fee was substantially disproportionate to the
19 facilities provided. Garden City had a direct or indirect interest in funds
20 wagered, lost, or won by Team View Player Services as described in
21 subparagraph 10q above. Business and Professions Code section 19984,
22 subdivision (a) prohibits the receipt of such payments.

23 b. Garden City, through its officer, director, and agent Mr. Swallow, provided false
24 or misleading information to the City of San Jose as set forth in paragraph 46(a)
25 of the Accusation and Statement of Issues. This violated San Jose's gambling
26 ordinance, as well as Business and Professions Code section 19923.

27 c. As an owner licensee, Garden City was responsible for the employment and
28 maintenance of suitable methods of operation pursuant to Business and

1 Professions Code section 19920. As mitigated by the facts set forth in paragraph
2 11 above, through its officers, directors, and agents, Garden City allowed, used,
3 and tolerated the practices admitted in paragraph 10 (with the exception of
4 subparagraph 10p) above and paragraphs 13 and 14 below, including, among
5 other things, undocumented transactions and payments, payments and
6 distributions to unlicensed persons or entities, Comerica Bank's unapproved
7 security interests in the Garden City stock and assets, and having an interest in
8 funds wagered, lost, or won by Team View Player Services from August 2012
9 until the contract's termination as described in subparagraph 10q above.

10 d. Garden City made payments to the Related Companies, which were not licensed,
11 and indirectly to the Swallow Trust and Deborah Swallow, who also were not
12 licensed. In connection with Respondents' initial license application, Deborah
13 Swallow signed and had submitted a form declaring that she (1) was not directly
14 or indirectly involved in Garden City's management decisions, (2) did not
15 possess the authority to influence Garden City's decision-making, or (3) did not
16 engage in any conduct that required a license, permit or registration.

17 e. Garden City engaged in, and aided, patterns and practices that demonstrate a
18 disregard for prudent and usual business controls and oversight. Those patterns
19 and practices included financial dealings involving millions of dollars that were
20 not documented. Such undocumented transactions include, among others,
21 paying or receiving consulting fees without written consulting agreements,
22 paying rents without leases, receiving equity contributions without related
23 written agreements, paying out millions of dollars without invoices, and
24 engaging in certain transactions with parties related to its shareholders that in
25 some instances were at unfair and inflated prices.

1 13. Subject to the mitigating facts set forth in paragraph 11 above, Mr. Lunardi
2 admits to the following violations alleged in the Accusation and Statement of Issues:

- 3 a. As an owner licensee, Mr. Lunardi was responsible for the employment and
4 maintenance of suitable methods of operation pursuant to Business and
5 Professions Code section 19920. He allowed, used, and tolerated the practices
6 admitted in paragraphs 10 (with the exception of subparagraph 10p) and 12
7 above, including, among other things, undocumented transactions and payments,
8 payments and distributions to unlicensed persons or entities, failing to obtain
9 preapproval for Comerica Bank's security interests in the Garden City stock and
10 assets, and having an interest in funds wagered, lost, or won by Team View
11 Player Services from August 2012 until the contract's termination as described
12 in subparagraph 10q above.
- 13 b. As a beneficiary of the Lunardi Trust and Potere's sole member, Mr. Lunardi
14 benefited from Garden City's direct or indirect interest in funds wagered, lost, or
15 won by Team View Player Services from August 2012 until the contract's
16 termination as described in subparagraph 10q above. Business and Professions
17 Code section 19984, subdivision (a) prohibits the receipt of such payments.
- 18 c. Mr. Lunardi assisted, and knew of, payments made to the Related Companies,
19 which were not licensed, and indirectly to the Swallow Trust and Deborah
20 Swallow, who also were not licensed. Mr. Lunardi did not contest Deborah
21 Swallow's potential ownership interest (if any) in, and potential for co-
22 management of, Garden City.
- 23 d. Mr. Lunardi, directly or through agents, engaged in, aided, or accepted the
24 benefits of patterns and practices that demonstrate a disregard for prudent and
25 usual business controls and oversight. Those patterns and practices included
26 financial dealings involving millions of dollars that were not documented. Such
27 undocumented transactions include, paying consulting fees without written
28 consulting agreements, paying rents without leases, making equity contributions

1 without related written agreements, advancing or providing monies for the
2 benefit of affiliates without notes or similar written agreements, paying out
3 millions of dollars without invoices, and engaging in certain transactions with
4 related parties that in some instances were at unfair and inflated prices.

5 14. Subject to the mitigating facts set forth in paragraph 11 above, Mrs. Lunardi
6 admits to the following violations alleged in the Accusation and Statement of Issues:

- 7 a. As an owner licensee, Mrs. Lunardi was responsible for the employment and
8 maintenance of suitable methods of operation pursuant to Business and
9 Professions Code section 19920. She relied upon Mr. Lunardi and Mr. Swallow
10 to control Garden City. They in turn allowed, used, and tolerated the practices
11 admitted in paragraphs 10 (with the exception of subparagraph 10p) and 12
12 above.
- 13 b. As a beneficiary of the Lunardi Trust, Mrs. Lunardi benefited from Garden
14 City's direct or indirect interest in funds wagered, lost, or won by Team View
15 Player Services from August 2012 until the contract's termination as described
16 in subparagraph 10q above. Business and Professions Code section 19984,
17 subdivision (a) prohibits the receipt of such payments.
- 18 c. Mrs. Lunardi, directly or through agents, accepted the benefits of patterns and
19 practices that demonstrate an indirect disregard for prudent and usual business
20 controls and oversight admitted in paragraphs 10 (with the exception of
21 subparagraph 10p) and 12 above.

22 15. The Lunardi Trust admits to the violations alleged in the Accusation and
23 Statement of Issues that were admitted to by Mr. Lunardi in paragraph 13 and Mrs. Lunardi in
24 paragraph 14.

25 16. The admissions made by Respondents herein are only for the purposes of this
26 proceeding, or any other related proceedings in which the Bureau or the Commission is
27 involved or that involve licensed gambling activities. The admissions made by Respondents
28 herein shall not be admissible in any criminal or civil proceeding.

1 than \$2,500 (identified by payee and services provided).

2 22. If it has not yet done so and except for a lease with Garden City, on or before the
3 15th day after the date the Commission adopts this Stipulated Settlement, Garden City shall
4 terminate all agreements with the Related Companies and any other person or entity affiliated
5 with or controlled by any Respondent. Except as provided in this Stipulated Settlement, Garden
6 City shall not enter into any agreement or arrangement, directly or indirectly, with any person
7 or entity affiliated with or controlled by any Respondent without the Bureau's prior review, and,
8 if deemed necessary, the Commission's prior approval.

9 23. Garden City shall continue to engage the independent accounting firm presently
10 approved by the Bureau pursuant to the AEO's terms. That independent accounting firm shall
11 provide audited financial statements for the periods ending December 31, 2015, and December
12 31, 2016.

13 24. During the 18 months following the month the Commission adopts this
14 Stipulated Settlement, Garden City shall engage a gaming operations expert for at least three
15 days each quarter to review Garden City's operations and procedures and provide employee
16 education.

17 25. During the 24 months following the month the Commission adopts this
18 Stipulated Settlement, Garden City shall employ a general manager, who is experienced in the
19 California card room or gambling industry and is properly licensed in all respects.

20 26. During the 24 months following the month the Commission adopts this
21 Stipulated Settlement, Garden City shall employ a financial officer or controller, who is
22 experienced in the California card room or gambling industry and is properly licensed in all
23 respects.

24 27. During the 24 months following the month the Commission adopts this
25 Stipulated Settlement, the Lunardis and the Lunardi Trust shall comply in all material respects
26 with all provisions of the Act, the regulations adopted pursuant to the Act, the California Penal
27 Code, and San Jose city ordinances relating to controlled gambling.
28

1 28. During the 24 months following the month the Commission adopts this
2 Stipulated Settlement, Garden City shall bear all costs relating to its compliance with the terms
3 set forth in paragraphs 17 through 27 above. Additionally, Garden City shall reimburse the
4 Bureau semi-annually for the Bureau's costs and expenses of monitoring compliance with this
5 Stipulated Settlement. The reimbursement rate shall be \$175 per hour plus actual costs
6 incurred. The Bureau will bill Garden City on June 30 and December 31; Garden City shall pay
7 the bill in full within 15 days.

8 29. Until the Accusation and Statement of Issues is resolved by Commission or court
9 order, Garden City shall comply with the AEO, as it relates to payments to Mr. Swallow,
10 Deborah Swallow, the Related Companies, the Swallow Trust, or any person or entity affiliated
11 with or controlled by Mr. Swallow. In its monthly reports to the Bureau, Garden City shall
12 report any payment to Mr. Swallow, Deborah Swallow, or any person or entity affiliated with or
13 controlled by them.

14 30. Respondents agree that it shall be a default under this Stipulated Settlement to
15 (a) fail to pay the Fine or the Cost Recovery when due or (b) fail otherwise to comply with any
16 term of this Stipulated Settlement.

17 31. Respondents agree that upon a default, any state gambling license issued by the
18 Commission to them shall be deemed to be revoked automatically and immediately and shall be
19 of no further effect. Each Respondent expressly waives any right to hearing with respect to, or
20 arising out of, any license revocation based upon a default in paying the Fine, the Cost
21 Recovery, or based upon the allegations of the Accusation and Statement of Issues that are
22 admitted to in paragraphs 10 through 15 above. The parties understand and acknowledge that
23 Respondents may request a hearing as to any other basis for default.

24 32. The parties agree that in light of Respondents' admissions as noted in paragraphs
25 10 through 15 above, and Respondents' acceptance of the penalties for that behavior,
26 Complainant concludes that Respondents are suitable for licensure and each Respondent's
27 application should now be approved, and state gambling licenses renewed.

1 33. 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 discipline, including revocation, suspension, or denial shall be sought against Respondents'
4 licenses based solely upon the allegations contained within the Accusation and Statement of
5 Issues and admitted in paragraphs 10 through 15 above.

6 34. This Stipulated Settlement shall be subject to adoption by the Commission. The
7 parties agree that neither they nor their counsel will communicate directly with the Commission
8 regarding this Stipulated Settlement without notice to, or participation by, all parties or their
9 counsel. The parties further agree that, because the Accusation and Statement of Issues remains
10 pending against Mr. Swallow, any communications with the Commission will be limited only to
11 this Stipulated Settlement.

12 35. By signing this Stipulated Settlement, each Respondent understands and agrees
13 that it or he may not withdraw its or his agreement or seek to rescind the Stipulated Settlement
14 prior to the time the Commission considers and acts upon it. If the Commission fails to adopt
15 this Stipulated Settlement as its decision, this Stipulated Settlement shall be of no force or
16 effect, and, except for actions taken pursuant to this paragraph and paragraph 34 above, it shall
17 be inadmissible in any legal action between the parties. The Commission's consideration of
18 this Stipulated Settlement shall not disqualify it from any further action regarding Respondents'
19 licensure, including, but not limited to, disposition of the Accusation and Statement of Issues by
20 a decision and order following a hearing on the merits.

21 36. 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 37. In consideration of the above admissions and stipulations, the parties agree that
25 without further notice or formal proceeding, the Commission may issue and enter an order
26 consistent herewith and adopting this Stipulated Settlement.

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ACCEPTANCE (GARDEN CITY)

Garden City, by its authorized officers and agents, has carefully read and considered the above Stipulated Settlement. Garden City has discussed the terms and effects with legal counsel. Garden City, and its authorized officers and agents, understands the Stipulated Settlement and the effects it will have on Garden City's state gambling license. Garden City understands that, even though \$250,000 of the Fine has been allocated to Mr. Lunardi, it will be obligated, jointly and severally with the Lunardis, to pay the Bureau a sum of \$1,775,000 (\$1.5 million in Fines and \$275,000.00 in Cost Recovery), and that the failure to pay any portion of that amount when due could result in the revocation of Garden City's state gambling license. Garden City further understands that it will be required to comply with other conditions set forth in the Stipulated Settlement, and that the failure to comply with those conditions could result in the revocation of Garden City's state gambling license. Garden City enters into this Stipulated Settlement voluntarily, knowingly and intelligently, and agrees to be bound by its terms.

Dated: March 30, 2015

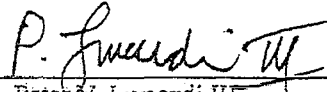
Garden City, Inc., doing business as Casino M8trix

By P. Lunardi III
Peter V. Lunardi III
Its President
Respondent

1 ACCEPTANCE (THE LUNARDIS AND THE LUNARDI TRUST)

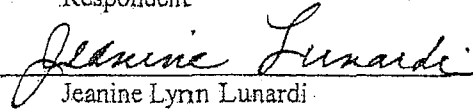
2 Mr. Lunardi and Mrs. Lunardi, individually and on behalf of the Lunardi Trust, each has
3 carefully read and considered the above Stipulated Settlement. Each has discussed its terms and
4 effects with legal counsel. Each understands that, even though \$1.25 million of the Fine has
5 been allocated to and the entire Cost Recovery assessed against Garden City, he or she will be
6 obligated, jointly and severally with Garden City, to pay the Bureau a sum of \$1,775,000 (\$1.5
7 million in Fines and \$275,000.00 in Cost Recovery), and that the failure to pay any portion of
8 that amount when due could result in the revocation of my state gambling license. Each of us
9 further understands that he or she will be required to comply with other conditions set forth in
10 the Stipulated Settlement, and that the failure to comply with those conditions could result in
11 the revocation of Garden City's state gambling license. Mr. Lunardi and Mrs. Lunardi,
12 individually and on behalf of the Lunardi Trust, enter into this Stipulated Settlement
13 voluntarily, knowingly and intelligently, and agree to be bound by its terms.

14 Dated: March 30, 2015



Peter V. Lunardi III
Respondent

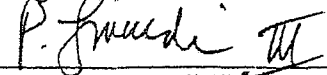
16 Dated: March 30, 2015



Jeanine Lynn Lunardi
Respondent

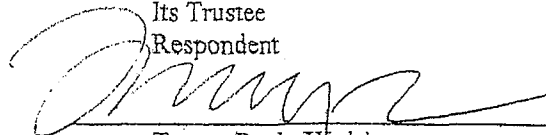
19 Dated: March 30, 2015

The Lunardi Family Living Trust,
Dated August 27, 2008

21 By 

Peter V. Lunardi III
Its Trustee
Respondent

24 Dated: March 30, 2015

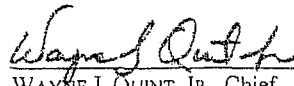


Tracey Buck-Walsh
Law Offices of Tracey Buck-Walsh
Attorney for the Lunardis

COMPLAINANT'S ACCEPTANCE

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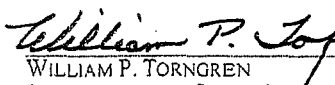
Dated: March ^{27TH} 2015


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: March 30, 2015

KAMALA D. HARRIS
Attorney General of California
SARA J. DRAKE
Senior Assistant Attorney General


WILLIAM P. TORNGREN
Deputy Attorney General
Attorneys for the Complainant

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DECISION AND ORDER OF THE COMMISSION

The California Gambling Control Commission hereby adopts the foregoing Stipulated Settlement of the Complainant, on the one hand, and respondents Garden City, Inc., doing business as Casino M8trix, Peter V. Lunardi III, Jeanine Lynn Lunardi, and the Lunardi Family Living Trust, dated August 27, 2008, on the other, for the case of *In the Matter of the Accusation and Statement of Issues Against: Garden City, Inc., doing business as Casino M8trix, et al.*, OAH No. 2014-60129, as its final Decision and Order in this matter to be effective upon execution below by its members.

Accordingly, also effective upon execution below by the Commission members, the California Gambling Control Commission renews for a two-year term the state gambling licenses of Garden City, Inc., doing business as Casino M8trix (GEGE-000410), Peter V. Lunardi III (GEOW-001331), Jeanine Lynn Lunardi (GEOW-003119), and the Lunardi Family Living Trust, dated August 27, 2008 (GEOW-003259) subject to the terms and conditions of the foregoing Stipulated Settlement.

IT IS SO ORDERED

Dated: _____

Richard J. Lopes, Chairperson

Dated: May 14, 2015

Tiffany E. Conklin, Commissioner

Dated: 5-14-2015

Lauren Hammond, Commissioner

Dated: May 14, 2015

Richard Schuetz, Commissioner