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BEFORE THE
CALIFORNIA GAMBLING CONTROL COMMISSION
STATE OF CALIFORNIA

In the Matter of the Statement of Reasons for Denial of Renewal Application for a Third-Party Provider of Proposition Player Services License for:

**DEBBIE M. WILLHALM, sole proprietor;
 d.b.a.: 21 VAULT GAMING**

5819 Montevino Dr.
 San Jose, Ca 95123

Respondent.

BGC Case No. BGC-HQ2018-00029SL
 CGCC Case No: CGCC-2018-0426-8A

STATEMENT OF REASONS

22 Complainant alleges as follows:

PARTIES

- 23
- 24 1. Stephanie K. Shimazu (Complainant) brings this Statement of Reasons solely in her
 25 official capacity as Director of the California Department of Justice, Bureau of Gambling Control
 26 (Bureau).
- 27 2. On April 15, 2016, the California Gambling Control Commission (Commission)
 28 approved, with conditions, the initial Application for Third-Party Proposition Player Services

1 License for Business Entities and Owners submitted by Debbie Willhalm, sole proprietor (license
2 number TPOW-000460), doing business as, 21 Vault Gaming, license number TPPP-000101,
3 (collectively, Respondent).

4 3. On January 10, 2018, the Bureau received a renewal Application for Third-Party
5 Proposition Player Services License for Business Entities and Owners, dated January 5, 2018
6 (Application), from Respondent to allow her to provide third-party proposition player services.

7 4. On or about March 20, 2018, the Bureau submitted a Third-Party Provider of
8 Proposition Player Services and Owner Renewal Report to the Commission, in which it
9 recommended that Respondent's Application be denied.

10 5. On April 26, 2018, the Commission referred consideration of Respondent's
11 Application to an evidentiary hearing, which is to be held pursuant to California Code of
12 Regulations, title 4, section 12060.¹

13 6. On or about May 9, 2018 Respondent submitted a Notice of Defense which was
14 signed and dated May 5, 2018.

15 **BURDEN OF PROOF**

16 7. Respondent has the burden of proving that she is qualified to receive a license.
17 (Bus. & Prof. Code, § 19856, subd. (a).)

18 **FIRST CAUSE FOR DENIAL**

19 **(Failure to Disclose and Provide Requested Information to the Bureau of Contractual** 20 **Relationship with Affiliate of Towers Casino)**

21 8. Respondent's Application is subject to denial in that she failed to disclose to the
22 Bureau that she received payments from Christofer Communications, Inc., an entity affiliated
23 with the owner(s) of Tower Casino, for services provided during 2015 and 2016.² After
24 confronted by the Bureau, Respondent provided false or misleading information to the Bureau

25 _____
26 ¹ The statutes and regulations applicable to this Statement of Reasons are quoted in
pertinent part in Appendix A.

27 ² The payments totaled \$7,800 in 2015, and \$13,862.50 in 2016.
28

1 regarding the existence of her contractual relationship with Christofer Communications, Inc. in
2 2015 and 2016.³

3 (Bus. & Prof. Code, §§ 19856, 19857, subds. (b) & (c), 19859, subds. (a) & (b) [mandatory
4 denial], 19866 & 19984; subd. (b); Cal. Code. Regs., tit. 4, §§ 12200.7, subds. (b)(21), 12218.11,
5 subds. (e) [mandatory denial], (f) [mandatory denial] & (j) [mandatory denial].)

6 **SECOND CAUSE FOR DENIAL**

7 **(Failure to Maintain Required Financial Reports)**

8 9. Respondent's Application is subject to denial in that on or about March 6, 2018, she
9 provided financial information to the Bureau that failed to comply with the requirements for
10 general ledgers and chart of accounts, in violation of California Code of Regulations, title 4,
11 section 12312, subdivisions (d) and (e), for which she was issued a Notice of Violation by the
12 Bureau on or about March 14, 2018.

13 (Bus. & Prof. Code, §§ 19856, & 19857, 19859, subd. (b), 19984, subd. (b); Cal. Code. Regs., tit.
14 4, §§ 12312, subds. (d) & (e), 12218.11, subds. (e) [mandatory denial], (f) [mandatory denial] &
15 (j) [mandatory denial].)

16 **THIRD CAUSE FOR DENIAL**

17 **(Pattern of Regulatory Violations Due to Lack of Adequate Supervision to Protect the** 18 **Integrity of Controlled Gambling)**

19 10. Respondent's Application is subject to denial in that Respondent has failed to provide
20 adequate supervision over the operations for which she is licensed. During the Commission's
21 meeting on September 10, 2015, Respondent admitted that although she lives in San Jose,
22 California, she does not employ an on-site supervisor for 21 Vault Gaming's business at Towers
23 Casino. During an on-site inspection of Towers Casino by the Bureau, employees of 21 Vault
24 Gaming and Towers Casino confirmed to the Bureau that Respondent is rarely on the premises of
25 Towers Casino. Respondent's lack of supervision over 21 Vault Gaming's business and her
26 employees has resulted in a pattern of regulatory violations, as follows:

27 ³ Respondent indicated to the Bureau that "looking back at my taxes I have not worked
28 [for Christofer Communications, Inc.] since I think 2013."

1 a. Failure to make lease payments as stipulated in the third-party contract between
2 Respondent and Towers Casino, for the contract effective September 1, 2017 through August 31,
3 2019, for card-shuffle machines used at Towers Casino, in violation of California Code of
4 Regulations, title 4, section 12200.7, subdivisions (b)(14) and (b)(21).

5 b. Respondent failed to timely submit and receive the Bureau's approval for loss
6 notification procedures as required by California Code of Regulations, title 4, sections 12285 and
7 12287, for which she was issued a Letter of Warning on or about November 8, 2018.

8 c. Respondent's third-party provider of proposition player services contract with Towers
9 Casino does not embody all agreements and/or arrangements, including access to surveillance
10 recordings by employees, and tipping arrangements, in violation of California Code of
11 Regulations, title 4, section 12200.7, subdivisions (b)(13) and (b)(19), for which she was issued a
12 Letter of Warning on or about February 21, 2018.

13 d. Respondent allowed her employees: (1) to play poker while off-duty without wearing
14 the required identifying badge, in violation of Business and Professions Code section 19984,
15 subdivision (b); (2) to leave chips unsecured and unattended on multiple-occasions, in violation
16 of California Code of Regulations, title 4, section 12290, subdivision (b); and (3) to file playing
17 book forms with ending balances in rounded numbers, in violation of California Code of
18 Regulations, title 4, section 12260, subdivisions (b) and (g)(4). Respondent was issued a Letter of
19 Warning for all violations in the paragraph on or about February 21, 2018.

20 (Bus. & Prof. Code, §§ 19856, 19857, subs. (b) & (c), 19859, subs. (a) [mandatory denial] &
21 (b) [mandatory denial], 19866 & 19984, subd. (b); Cal. Code. Regs., tit. 4, §§ 12200.7, subs.
22 (b)(7), (b)(14), (b)(19) & (b)(21), 12260, subd. (b) & (g)(4), 12285, 12287, 12218.11, subs. (e)
23 [mandatory denial], (f) [mandatory denial] (i) [mandatory denial] & (j) [mandatory denial],
24 12290, subd. (b).)

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PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing the Commission issue a decision:

1. Denying Respondent's renewal Application for Third-Party Proposition Player Services License for Business Entities and Owners;
2. Cancelling Respondent's license numbers TPPP-000101 and TPOW-00460; and
3. Taking such other and further action as the Commission may deem appropriate.

Dated: November 27, 2018


STEPHANIE K. SHIMAZU, Director
Bureau of Gambling Control
California Department of Justice
Complainant

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APPENDIX A

1. Business and Professions Code section 19811 provides, in part:

(b) Jurisdiction, including jurisdiction over operation and concentration, and supervision over gambling establishments in this state and over all persons or things having to do with the operations of gambling establishments is vested in the commission.

2. Business and Professions Code section 19823 provides:

(a) The responsibilities of the commission include, without limitation, all of the following:

(1) Assuring that licenses, approvals, and permits are not issued to, or held by, unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(2) Assuring that there is no material involvement, directly or indirectly, with a licensed gambling operation, or the ownership or management thereof, by unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(b) For the purposes of this section, "unqualified person" means a person who is found to be unqualified pursuant to the criteria set forth in Section 19857, and "disqualified person" means a person who is found to be disqualified pursuant to the criteria set forth in Section 19859.

3. Business and Professions Code section 19824 provides, in part:

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

* * *

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

1 individual owner endorsed on the license certificate of the gambling
2 enterprise whether or not the commission takes action against the
3 license of the gambling enterprise.

4 * * *

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

8 4. Business and Professions Code section 19826 provides, in part:

9 The department^[4] . . . shall have all of the following
10 responsibilities:

11 * * *

12 (c) To investigate suspected violations of this chapter or laws
13 of this state relating to gambling

14 * * *

15 (e) To initiate, where appropriate, disciplinary actions as
16 provided in this chapter. In connection with any disciplinary
17 action, the department may seek restriction, limitation, suspension,
18 or revocation of any license or approval, or the imposition of any
19 fine upon any person licensed or approved.

20 5. Business and Professions Code section 19984 provides, in part:

21 (a) Any agreement, contract, or arrangement between a
22 gambling enterprise and a third-party provider of proposition player
23 services shall be approved in advance by the department

24 (b) The commission shall establish reasonable criteria for, and
25 require the licensure and registration of, any person or entity that
26 provides proposition player services to gambling establishments
27 pursuant to this section, including owners, supervisors, and players.
28

(c) The department, pursuant to regulations of the
commission, is empowered to perform background checks,
financial audits, and other investigatory services as needed to assist
the commission in regulating third party providers of proposition
player services

⁴ "Department" refers to the Department of Justice of which the Bureau is a part. (Bus. & Prof. Code, § 19805, subd. (h).)

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9. Business and Professions Code section 19855 provides, in part:
Except as otherwise provided by statute or regulation, every person who, by statute or regulation, is required to hold a state license shall obtain the license prior to engaging in the activity or occupying the position with respect to which the license is required.

10. California Code of Regulations, title 4, section 12200 provides, in part:

(b) As used in this chapter:

* * *

(4) "Badge" means a form of identification issued by the Commission identifying a registrant or licensee.

11. California Code of Regulations, title 4, section 12200.7, subdivision (b) provides, in part:

* * *

(13) Any agreement between the primary owner and the house for owners or supervisors to inspect or receive a copy of surveillance recordings of tables at which proposition player services are provided under the contract during the times the services are provided, as necessary for business purposes.

(14) A full disclosure of any financial arrangements entered into during the term of the contract for any purpose between the house and any registrant or licensee covered by the proposition player contract. If there is no financial consideration that passes under the contract, a statement to that effect shall be included.

* * *

(19) That any tipping arrangements shall be specified in the contract and that percentage tips shall not be given. If there are no tipping arrangements, a statement to that effect shall be included.

* * *

(21) That the contract is a complete expression of all agreements and financial arrangements between the parties; that any addition to or modification of the contract, including any supplementary written or oral agreements, must be approved in advance by the Bureau pursuant to Section 12200.10B (Review and Approval of Amendments to

1 Proposition Player Contracts) before the addition or
2 modification takes effect.

- 3 12. California Code of Regulations, title 4, section 12200.9, subdivision
4 (a)(1) provides, in part:

5 Proposition player services shall not be provided except
6 pursuant to a written proposition player contract approved in
7 advance by the Bureau. Provision of proposition player services by
8 any person subject to registration and licensing under this chapter,
9 or engagement of proposition player services by the holder of a
10 state gambling license without a contract as required by this section
11 is a violation of this section.

- 12 13. California Code of Regulations, title 4, section 12218.11 provides,
13 in part:

14 A requester shall be ineligible for licensing for any of the
15 following reasons:

16 * * *

17 (e) The requester has failed to meet the requirements of
18 Business and Professions Code sections 19856 or 19857.

19 (f) The requester would be ineligible for a state gambling
20 licensing under any of the criteria set forth in Business and
21 Professions Code section 19859, subdivisions (b), (e), or (f).

22 (i) The registrant or licensee buys or sells chips other than to
23 or from the house, except for exchanging with a patron chips of one
24 denomination for chips of another denomination.

25 (j) The registrant or licensee lends money or chips to
26 gambling establishment patrons or proposition players, except for
27 exchanging with a patron chips of one denomination for chips of
28 another denomination

14. California Code of Regulations, title 4, section 12260 provides in
part:

* * *

(b) The primary owner of a TPPPS company or gambling
business is responsible for assuring that its players maintain
accurate, complete, legible, and up-to-date playing books in
conformity with regulations of the Commission for all sessions of

1 play. A playing book must be established and maintained in either
2 hardcopy or electronic form.

3 * * *

4 (g) A playing book form may use any method of data entry
5 acceptable to the Bureau, including, but not limited to, fillable
6 spaces, pre-filled spaces, drop-down menus, or check-boxes, as
7 applicable. Each form in a playing book must include, but is not
8 limited to, all of the following information:

9 * * *

10 (4) The beginning and ending balances of the session of play
11 and for each player that operated during the session of play;

12 15. California Code of Regulations, title 4, section 12285 provides:

13 (a) Any written procedures required pursuant to this Chapter
14 must be submitted to the Bureau for their review and approval.
15 This includes any amendments made to the written procedures
16 after initial approval.

17 (b) The written procedures must be established and
18 implemented in accordance with the applicable provisions of this
19 chapter on or before July 1, 2018.

20 16. California Code of Regulations, title 4, section 12287 provides, in part:

21 (a) A licensed or registered TPPPS company and gambling
22 business must develop written procedures which:

23 (1) Establish a dollar threshold for notification to the primary
24 owner of any significant loss incurred in a single controlled game
25 immediately upon the determination of the loss.

26 (2) Includes a provision that requires notification to the
27 Bureau's Criminal Intelligence Unit 24 hours after notification has
28 been made to the primary owner.

17. California Code of Regulations, title 4, section 12290 provides, in part:

* * *

(b) Only an authorized player for a TPPPS and Gambling
Business, as applicable, may possess, direct, or otherwise control
currency, chips, or other wagering instruments used for play in the
operation of the gambling business.

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18. California Code of Regulations, title 4, section 12312 provides, in part:

Each licensee shall:

* * *

(d) Maintain a uniform chart of accounts and accounting classifications in order to ensure consistency, comparability, and effective disclosure of financial information. The chart of accounts shall provide the classifications necessary to prepare a complete set of financial statements including, but not limited to, a statement of financial position (balance sheet), a detailed statement of operations (income statement or profit and loss statement), a statement of changes in equity, a statement of cash flow, and other statements appropriate for the particular licensee. A chart of accounts shall be submitted with an initial license or registration application for review and approval by the Bureau.

(e) Keep a general ledger, which documents all accounting transactions completed and posted to accounts listed in the chart of accounts referred to in subsection (d) of this section. General accounting records shall be maintained on a double-entry system of accounting with recorded transactions supported by detailed subsidiary records including, but not limited to, ledgers, invoices, purchase orders, and other source documents.