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

14
15 In the Matter of the Applications for the
Renewal of the State Gambling Licenses for:

16 **Angela K. Harris**, sole proprietor, and doing
17 business as: **Casino 99**
175 East 20th Street, Suite 150
18 Chico, California 95928

19 and

20 **Gary Harris**, community property interest
holder in **Casino 99**
21 175 East 20th Street, Suite 150
Chico, California 95928
22

23 **Applicants.**
24

CGCC Case No. CGCC-2018-0322-4B

BGC Case No. BGC-HQ2018-00017SL

STATEMENT OF PARTICULARS

Hearing Date: February 12 & 13, 2019

Hearing Time: 10:00 a.m.

Hearing Place: 2399 Gateway Oaks, Suite 100
Sacramento, CA 95833

1 **PARTIES**

2 1. Stephanie Shimazu submits this Statement of Particulars solely in her official
3 capacity as the Director of the California Department of Justice, Bureau of Gambling Control
4 (Bureau).

5 2. On October 17, 2017, the Bureau received an Application for State Gambling
6 License, dated October 11, 2017, from Angela K. Harris (Applicant A. Harris or Ms. Harris), to
7 renew her state gambling license, number GEOW-001069, as the sole owner of Casino 99, an 8-
8 table, licensed gambling establishment, license number GEGE-000438, located in Chico,
9 California.¹

10 3. On October 17, 2017, the Bureau received an Application for State Gambling
11 License, dated October 11, 2017, from Gary Harris (Applicant G. Harris or Mr. Harris), the
12 spouse of Ms. Harris, to renew his state gambling license, number GEOW-001070, as a
13 community property interest holder in Casino 99.²

14 4. On or about December 18, 2017, the Bureau submitted a Gambling Establishment and
15 Owner Renewal Report, Level II (Report), to the California Gambling Control Commission
16 (Commission). On or about January 9, 2018, the Bureau submitted an addendum to the Report to
17 the Commission. On or about February 9, 2018, the Bureau submitted a second addendum to the
18 Report to the Commission in which it recommended that the Commission place a condition on
19 Casino 99's license that requires Mr. Harris to submit an Application for a State Gambling
20 License as an owner of Casino 99.

21
22 ¹ Ms. Harris was initially registered to own and operate Casino 99 on September 15,
23 1997, under the Gaming Registration Act (former Bus. & Prof. Code, § 19800 et seq.). The
24 Gaming Registration Act was the predecessor of the current Gambling Control Act (Bus. & Prof.
Code, § 19800 et seq.). Ms. Harris has been continuously registered or licensed to own and
operate Casino 99 since September 15, 1997.

25 ² On or about June 21, 1999, Mr. Harris submitted a Spouse's Declaration,
26 Acknowledgement and Agreement in which he avowed, under of penalty of perjury, that his sole
27 and exclusive interest in Casino 99 was his community property interest and agreed that he could
28 not lawfully engage in any activity at Casino 99 for which a registration, finding of suitability,
permit or license may be required. Mr. Harris has continuously held a state gambling license as a
community property interest holder in Casino 99 since November 2000.

1 9. The Bureau's financial evaluation determined that Casino 99 had sufficient funds to
2 cover its chips in use and patron fund liabilities in compliance with California Code of
3 Regulations, title 11, section 2053.

4 10. The Bureau's financial evaluation revealed that Casino 99 and Gold were not
5 operating in accordance with the terms of their approved contract in violation of current
6 California Code of Regulations, title 4, section 12200.7, subdivisions (b)(14) & (21).⁶ The
7 violation was promptly corrected.

8 11. Since at least January 7, 2016, Applicant G. Harris has been allowed to actively
9 participate in, and exercise significant influence over, the operation of Casino 99 in violation of
10 his Spouse's Declaration, Acknowledgement and Agreement, the scope of his licensure as a
11 community property interest holder, and Business and Professions Code, section 19855. Such
12 conduct includes, but is not limited to:

- 13 a. Signing on behalf of Casino 99, the January 17, 2016, December 29, 2016, June
14 26, 2017, and December 19, 2017 Key Employee Reports that were submitted
 to the Bureau;
- 15 b. Signing the May 25, 2017 contract with Gold on behalf of Casino 99;
- 16 c. Taking a semi-monthly draw from Casino 99 as an owner; and,
- 17 d. Handling banking transactions for Casino 99.

18
19 12. With limited exceptions, such as those noted above, Ms. Harris has owned and
20 operated Casino 99 for approximately 21 years with few problems related to her licensure, none
21 of which put the gambling public directly at significant risk of harm.

22 13. Neither Ms. Harris nor Mr. Harris appear to have attempted to, or did, realize any
23 meaningful advantage, economic or otherwise, from the conduct described in paragraphs 8
24 thought 11 above.

25
26 _____
27 ⁶ At the time, the misconduct violated California Code of Regulations, title 4, section
28 12200.7, subdivisions (b)(15) & (22). Only the numbering, not the content, of these subdivisions
has changed.

1 **APPENDIX A**

2 **JURISDICTION**

- 3 1. Business and Professions Code section 19811, subdivision (b), provides:

4 Jurisdiction, including jurisdiction over operation and
5 concentration, and supervision over gambling establishments in this
6 state and over all persons or things having to do with the operation of
7 gambling establishments is vested in the commission.

- 8 2. Business and Professions Code, section 19823 provides:

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

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

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

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

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

26 The commission shall have all powers necessary and proper to
27 enable it fully and effectually to carry out the policies and purposes of
28 this chapter,⁷ 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
individual owner endorsed on the license certificate of the gambling

⁷ Hereinafter, "chapter" refers to Business and Professions Code, division 8, chapter 5, (commencing with section 19800), also known as the Gambling Control Act.

1 enterprise whether or not the commission takes action against the
2 license of the gambling enterprise.

3 * * *

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

7 4. Business and Professions Code, section 19853, subdivision (a), provides:

8 The commission, by regulation or order, may require that the
9 following persons register with the commission, apply for a finding of
10 suitability as defined in subdivision (i) of 19805, or apply for a
11 gambling license:

12 * * *

13 (6) Every person who, in the judgment of the
14 commission, has the power to exercise a significant influence
15 over the gambling operation.

16 5. Business and Professions Code, section 19855 provides:

17 Except as otherwise provided by statute or regulation, every
18 person who, by statute or regulation, is required to hold a state
19 gambling license shall obtain the license prior to engaging in the
20 activity or occupying the position with respect to which the license is
21 required. Every person who, by order of the commission, is required
22 to apply for a state gambling license or finding of suitability shall file
23 the application within 45 calendar days after receipt of the order.

24 6. Business and Professions Code, section 19870 provides:

25 (a) The commission, after considering the recommendation of
26 the chief^[8] and any other testimony and written comments as may be
27 presented at the meeting, or as may have been submitted in writing to
28 the commission prior to the meeting, may either deny the application
or grant a license to an applicant who it determines to be qualified to
hold the license.

(b) When the commission grants an application for a license or
approval, the commission may limit or place restrictions thereon as it
may deem necessary in the public interest, consistent with the policies
described in this chapter.

(c) When an application is denied, the commission shall
prepare and file a detailed statement of its reasons for the denial.

⁸ "Chief" refers to the Director of the Bureau. (Bus. & Prof. Code, § 19805, subd. (d).)

1 (d) All proceedings at a meeting of the commission relating to
2 a license application shall be recorded stenographically or by audio or
video recording.

3 (e) A decision of the commission denying a license or
4 approval, or imposing any condition or restriction on the grant of a
5 license or approval may be reviewed by petition pursuant to Section
6 1085 of the Code of Civil Procedure. Section 1094.5 of the Code of
7 Civil Procedure shall not apply to any judicial proceeding described in
the foregoing sentence, and the court may grant the petition only if the
court finds that the action of the commission was arbitrary and
capricious, or that the action exceeded the commission's jurisdiction.

8 7. Business and Professions Code, section 19871 provides:

9 (a) The commission meeting described in Section 19870 shall
10 be conducted in accordance with regulations of the commission and as
follows:

11 (1) Oral evidence shall be taken only upon oath or
12 affirmation.

13 (2) Each party shall have all of the following rights:

14 (A) To call and examine witnesses.

15 (B) To introduce exhibits relevant to the issues of
the case.

16 (C) To cross-examine opposing witnesses on any
17 matters relevant to the issues, even though the matter was
not covered on direct examination.

18 (D) To impeach any witness, regardless of which
19 party first called the witness to testify.

20 (E) To offer rebuttal evidence.

21 (3) If the applicant does not testify in his or her own
22 behalf, he or she may be called and examined as if under cross-
examination.

23 (4) The meeting need not be conducted according to
24 technical rules relating to evidence and witnesses. Any relevant
25 evidence may be considered, and is sufficient in itself to support
26 a finding, if it is the sort of evidence on which responsible
27 persons are accustomed to rely in the conduct of serious affairs,
28 regardless of the existence of any common law or statutory rule
that might make improper the admission of that evidence over
objection in a civil action.

1 (b) Nothing in this section confers upon an applicant a right to
2 discovery of the department's⁹ investigative reports or to require
3 disclosure of any document or information the disclosure of which is
4 otherwise prohibited by any other provision of this chapter.

5 8. California Code of Regulations, title 4, section 12035 provides, in part:

6 (a) The Commission shall issue an interim renewal license to
7 an applicant for renewal of a license when:

8 (1) The Commission has elected to hold an evidentiary
9 hearing pursuant to paragraph (2) of subsection (a) of Section
10 12054;

11 (2) The Executive Director determines, pursuant to
12 subsection (a) of Section 12060, that it is appropriate for the
13 application to be considered at a GCA hearing; or,

14 (3) An accusation is pending pursuant to Business and
15 Professions Code section 19930 and under Chapter 10 of this
16 division.

17 (b) The following conditions shall apply to all interim renewal
18 licenses issued under subsection (a):

19 (1) An interim renewal license shall be issued with the
20 same conditions, limitations, or restrictions, if any, that existed
21 for the previous license, except for any condition that by
22 Commission decision has been determined to be satisfied and no
23 longer applicable. This paragraph does not preclude the
24 Commission from applying additional conditions through a
25 separate GCA hearing or with the consent of the applicant.

26 (2) An interim renewal license shall be valid for a period
27 of two years from the date the previous license expires, or until a
28 decision is final under Section 12066, whichever is earlier, and is
not subject to renewal. The Commission may issue additional
interim renewal licenses if the hearing process has not been, or
will not be, concluded by the expiration date of the current
interim renewal license.

(3) The holder of an interim renewal license shall pay all
applicable annual fees associated with that license.

(4) The issue date of the most recently granted interim
renewal license shall serve as the issue date for any regular
license granted thereafter.

(5) The issuance of an interim renewal license does not
limit or impair, and is without prejudice to, any exercise of the

9 "Department" refers to the Department of Justice. (Bus. & Prof. Code, § 19805, subd.
(h).)

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discretion vested in the Commission with respect to the license at issue in the hearing process.

(6) The issuance of an interim renewal license is without prejudice to the Bureau's prosecution of an accusation and has no preclusive effect on any ground for discipline that may exist against the licensee, whether or not presented in an accusation.

9. California Code of Regulations, title 4, section 12056, subdivision (a) provides, in part:

If the Commission elects to hold an evidentiary hearing, the hearing will be conducted as a GCA hearing under Section 12060, unless the Executive Director or the Commission determines the hearing should be conducted as an APA hearing under Section 12058

10. California Code of Regulations, title 4, section 12060, subdivision (b) provides:

When the Commission has elected to hold a GCA hearing, the Executive Director shall give notice to the applicant, pursuant to paragraph (2) subsection (c) of Section 12052, to the Office of the Attorney General, and to the Bureau no later than 60 calendar days in advance of the GCA hearing.

SPECIFIC STATUTORY & REGULATORY PROVISIONS

11. Business and Professions Code section 19856 provides, in part:

(a) Any person who the commission determines is qualified to receive a state license, having due consideration for the proper protection of the health, safety, and general welfare of the residents of the State of California and the declared policy of this state, may be issued a license. The burden of proving his or her qualifications to receive any license is on the applicant.

(b) An application to receive a license constitutes a request for a determination of the applicant's general character, integrity, and ability to participate in, engage in, or be associated with, controlled gambling.

(c) In reviewing an application for any license, the commission shall consider whether issuance of the license is inimical to public health, safety, or welfare, and whether issuance of the license will undermine public trust that the gambling operations with respect to which the license would be issued are free from criminal and dishonest elements and would be conducted honestly. (a) The burden of proving his or her qualifications to receive any license is on the applicant.

1 12. Business and Professions Code, section 19857 provides:

2 No gambling license shall be issued unless, based on all of the
3 information and documents submitted, the commission is satisfied that
4 the applicant is all of the following:

5 (a) A person of good character, honesty, and integrity.

6 (b) A person whose prior activities, criminal record, if any,
7 reputation, habits, and associations do not pose a threat to the public
8 interest of this state, or to the effective regulation and control of
9 controlled gambling, or create or enhance the dangers of unsuitable,
10 unfair, or illegal practices, methods, and activities in the conduct of
11 controlled gambling, or in the carrying on of the business and financial
12 arrangements incidental thereto.

13 (c) A person that is in all other respects qualified to be licensed
14 as provided in this chapter.

15 13. Business and Professions Code section 19859 provides, in part:

16 The commission shall deny a license to any applicant who is
17 disqualified for any of the following reasons:

18 (a) Failure of the applicant to clearly establish eligibility and
19 qualification in accordance with this chapter.

20 (b) Failure of the applicant to provide information,
21 documentation, and assurances required by this chapter or requested
22 by the chief, or failure of the applicant to reveal any fact material to
23 qualification, or the supplying of information that is untrue or
24 misleading as to a material fact pertaining to the qualification criteria.

25 (c) (1) Except as provided in paragraph (2), conviction of a
26 felony, including a conviction by a federal court or a court in
27 another state for a crime that would constitute a felony if
28 committed in California.

(2) A conviction of a felony for the possession of
cannabis, the facts of which would not constitute a felony or
misdemeanor under California law on the date the application for
a license is submitted, shall not constitute a basis to deny a
license pursuant to this section.

(d) Conviction of the applicant for any misdemeanor involving
dishonesty or moral turpitude within the 10-year period immediately
preceding the submission of the application, unless the applicant has
been granted relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of
the Penal Code; provided, however, that the granting of relief pursuant
to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code shall not
constitute a limitation on the discretion of the commission under
Section 19856 or affect the applicant's burden under Section 19857.

1 (e) Association of the applicant with criminal profiteering
2 activity or organized crime, as defined by Section 186.2 of the Penal
Code.

3 (f) Contumacious defiance by the applicant of any legislative
4 investigatory body, or other official investigatory body of any state or
of the United States, when that body is engaged in the investigation of
5 crimes relating to gambling; official corruption related to gambling
activities; or criminal profiteering activity or organized crime, as
6 defined by Section 186.2 of the Penal Code.

7 (g) The applicant is less than 21 years of age.

8 14. California Code of Regulations, title 4, section 12313 provides:

9 (a) Each licensee shall prepare financial statements covering
10 all financial activities of that TPPPS company, gambling business, or
the gambling enterprise, as applicable, for each fiscal year, in
11 accordance with generally accepted accounting principles, unless
otherwise provided in this section. If a gambling enterprise (or a
12 person or entity that has an interest, control, or common control with
the licensee) owns or operates lodging, food, beverage, or any other
13 non-gambling operation at the gambling establishment, the financial
statements must reflect the results of the gambling operation
14 separately from those non-gambling operations.

15 (1) A Group I licensee shall engage an independent
accountant licensed by the California Board of Accountancy to
16 audit the licensee's annual financial statements in accordance
with generally accepted auditing standards.

17 (2) A Group II licensee shall engage an independent
18 accountant licensed by the California Board of Accountancy to,
at a minimum, review the licensee's annual financial statements
19 in accordance with standards for accounting and review services
or with currently applicable professional accounting standards.
20 The licensee may elect to engage an independent accountant
licensed by the California Board of Accountancy to audit the
21 annual financial statements in accordance with generally
accepted auditing standards.

22 (3) A Group III licensee shall prepare financial
23 statements including, at a minimum, a statement of financial
position, a statement of income or statement of operations, and
24 disclosure in the form of notes to the financial statements. If the
licensee is unable to produce the financial statements, it shall
25 engage an independent accountant licensed by the California
Board of Accountancy to perform a compilation of the licensee's
26 annual financial statements in accordance with standards for
accounting and review services or with currently applicable
27 professional accounting standards, including full disclosure in
the form of notes to the financial statements. The licensee may
28 elect to engage an independent accountant licensed by the
California Board of Accountancy to compile or perform a review

1 of the licensee's annual financial statements in accordance with
2 standards for accounting and review services, or to audit the
3 annual financial statements in accordance with generally
4 accepted auditing standards.

5 (4) (A) A Group IV licensee shall prepare financial
6 statements that include, at a minimum, a statement of
7 financial position and a statement of income or statement
8 of operations. If the licensee is unable to produce the
9 financial statements, it shall do one of the following:

10 1. Engage an independent accountant
11 licensed by the California Board of Accountancy to
12 perform a compilation of the licensee's annual
13 financial statements in accordance with standards for
14 accounting and review services or with currently
15 applicable professional accounting standards.
16 Management may elect not to provide footnote
17 disclosures as would otherwise be required by
18 generally accepted accounting principles.

19 2. Submit to the Bureau, no later than 120
20 calendar days following the end of the year covered
21 by the federal income tax return, copies of the
22 licensee's complete, signed, and duly filed federal
23 income tax return for the tax year in lieu of the
24 financial statements as otherwise required under this
25 section.

26 (B) The licensee may elect to engage an
27 independent accountant licensed by the California Board of
28 Accountancy to compile or review the licensee's financial
statements in accordance with standards for accounting and
review services, or to audit the financial statements in
accordance with generally accepted auditing standards.

(b) The Bureau may require a Group II, III, or IV licensee to
engage an independent accountant licensed by the California Board of
Accountancy to compile or review the licensee's financial statements
in accordance with standards for accounting and review services, or to
audit the financial statements in accordance with generally accepted
auditing standards, if there are concerns about the licensee's operation
or financial reporting, including but not limited to:

- (1) Inadequate internal control procedures;
- (2) Insufficient financial disclosure;
- (3) Material misstatement in financial reporting;
- (4) Inadequate maintenance of financial data; or
- (5) Irregularities noted during an investigation.

(c) Unless otherwise provided in this section, a licensee shall

1 submit copies of the annual financial statements, with the independent
2 auditor's or accountant's report issued to meet the requirements under
3 this section, to the Bureau and the Commission no later than 120
4 calendar days following the end of the fiscal year covered by the
5 financial statements. If a management letter is issued, a copy of the
6 management letter must also be submitted to the Bureau, including the
7 licensee's reply to the management letter, if any.

8 (d) The Bureau or Commission may request additional
9 information and documents from either the licensee or the licensee's
10 independent accountant, regarding the annual financial statements or
11 the services performed by the accountant.

12 (e) The Bureau or Commission may require the licensee to
13 engage an independent accountant licensed by the California Board of
14 Accountancy to perform a fraud audit in the event that fraud or illegal
15 acts are suspected by the Bureau or Commission.

16 15. California Code of Regulations, title 4, section 12200.7, subdivisions (b), provides, in
17 pertinent part:

18 (b) Each proposition player contract must specifically require
19 all of the following to be separately set forth at the beginning of the
20 contract in the following order;

21 * * *

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

28 * * *

(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
supplemental written or oral agreements, must be approved in
advance by the Bureau pursuant to Section 12200.10B (Review
and Approval of Amendments to Proposition Player Contracts)
before the addition or modification takes effect.

16. California Code of Regulations, title 11, section 2053, provides:

(a) The Bureau may require a gambling establishment to
present satisfactory evidence that there is adequate financing available
to protect the public's health, safety and welfare.

(b) A gambling establishment shall maintain a separate,

1 specifically designated, insured account with a licensed financial
2 institution in an amount not less than the total value of the chips in use
3 by the gambling establishment. The funds from that account may only
4 be used to redeem the chips of that gambling establishment. That
5 account may not be used as collateral, or encumbered or hypothecated
6 in any fashion. Alternatively, the Bureau may allow the gambling
7 establishment to provide some other form of security acceptable to the
8 Bureau, in lieu of maintaining the required account.

9 (c) A gambling establishment shall maintain a separate,
10 specifically designated, insured account with a licensed financial
11 institution in an amount not less than the total amount of the monies
12 that patrons of that gambling establishment have on deposit with the
13 gambling establishment. The funds from that account may only be
14 used to return to the patrons the balance of monies on deposit with the
15 gambling establishment. That account may not be used as collateral,
16 or encumbered or hypothecated in any fashion. Alternatively, the
17 Bureau may allow the gambling establishment to provide some other
18 form of security acceptable to the Bureau, in lieu of maintaining the
19 required account.

20 17. California Code of Regulations, title 4, section 12218.11, provides, in part:

21 A requester shall be ineligible for licensing for any of the
22 following causes:

23 * * *

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

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

* * *

(j) The applicant is ineligible based on any other provision of
law.