

1 BILL LOCKYER
Attorney General of the State of California
2 ROBERT L. MUKAI
Senior Assistant Attorney General
3 SARA J. DRAKE
Supervising Deputy Attorney General
4 NIROMI L. WIJEWANTHA, State Bar No. 154216
Deputy Attorney General
5 1300 I Street, Suite 125
P.O. Box 944255
6 Sacramento, CA 94244-2550
Telephone: (916) 445-4931
7 Fax: (916) 322-5609

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BEFORE THE

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CALIFORNIA GAMBLING CONTROL COMMISSION

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12 **In the Matter of the Statement of Issues**
13 **Against:**

Application for State Gambling License
DC #1059

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OAH No. N2006110055

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Timothy Eugene Stroud,

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Respondent

STATEMENT OF ISSUES RE: DENIAL
OF APPLICATION FOR A STATE
GAMBLING LICENSE TO OWN AND
OPERATE A CARDROOM

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Complainant, Robert E. Lytle, Jr. alleges as follows:

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PARTIES

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1. Robert E. Lytle, Jr. ("Complainant"), as the Director of the Division of Gambling

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Control ("Division"), within the Department of Justice, brings this Statement of Issues solely in
22 his official capacity.

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2. On October 12, 1999, Timothy Eugene Stroud ("Respondent") submitted to the

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Division an application for a license to own and operate ("License Application") the Gold Rush
25 Casino/Resort ("Cardroom") located in Grover Beach, San Luis Obispo County, California.

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Respondent's License Application requested approval to operate two card tables within the

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cardroom. Respondent has never been issued a gambling license and the cardroom has never

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been opened.

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transaction for which the approval or authorization of the commission or division is required or permitted under this chapter.

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(e) "Controlled gambling" means to deal, operate, carry on, conduct, maintain, or expose for play any controlled game.

* * *

(i) "Finding of suitability" means a finding that a person meets the qualification criteria described in subdivisions (a) and (b) of Section 19857, and that the person would not be disqualified from holding a state gambling license on any of the grounds specified in Section 19859.

* * *

(k) "Gambling" means to deal, operate, carry on, conduct, maintain, or expose for play any controlled game.

* * *

(m) "Gambling establishment," "establishment," or "licensed premises" except as otherwise defined in Section 19812, means one or more rooms where any controlled gambling or activity directly related thereto occurs.

(n) "Gambling license" or "state gambling license" means any license issued by the state that authorizes the person named therein to conduct a gambling operation.

(Division's Statutory Authority)

19. Business and Professions Code, section 19810, states, in relevant part:

There is within the Department of Justice, the Division of Gambling Control as provided in Section 15001 of the Government Code.

20. Business and Professions Code, section 19826, states, in relevant part:

The division shall have all of the following responsibilities:

(a) To investigate the qualifications of applicants before any license, permit, or other approval is issued, and to investigate any request to the commission for any approval that may be required pursuant to this chapter. The division may recommend the denial or the limitation, conditioning, or restriction of any license, permit, or other approval.

(Commission's Statutory Authority)

21. Business and Professions Code, section 19811, states, in relevant part:

(a) There is in state government the California Gambling Control Commission, consisting of five members appointed by the Governor, subject to confirmation by the Senate.

(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.

22. Business and Professions Code, section 19857, states:

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

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

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

23. Business and Professions Code, section 19859, states:

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

* * *

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

24. Business and Professions Code, section 19825 states:

The commission may require that any matter that the commission is authorized or required to consider in a hearing or meeting of an adjudicative nature regarding the denial, suspension, or revocation of a license, permit, or a finding of suitability, be heard and determined in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

1 **FIRST CAUSE FOR DENIAL OF APPLICATION**
2 **FOR A STATE GAMBLING LICENSE**

3 **(Respondent Poses a Threat to the Effective Regulation of Controlled Gambling)**
4 **Business and Professions Code, section 19859, subdivision (b)**

5 25. Respondent's License Application is subject to mandatory denial pursuant to Business
6 and Professions Code, section 19859, subdivision (b) because Respondent failed to provide
7 information, documentation and assurances requested by the Division, and furthermore, supplied
8 information that was untrue or misleading as to a material fact pertaining to his qualifications.

9 The facts supporting the denial under this section are as follows:

10 a. Respondent failed to disclose other potential owners of and/or the investors
11 in the Cardroom in his License Application submitted on October 12, 1999, and in
12 subsequent interviews with the Division. Although not disclosed, Respondent received
13 approximately \$21,669.44 in checks from several investors from 1999 to 2002, as lease
14 payments for the property of the proposed Cardroom. Such investments make these
15 individuals undisclosed partners and/or undisclosed investors who were all required to
16 either apply for a license pursuant to Business and Professions Code, section 19852,
17 subdivisions (d), (f), (g), or (h); or apply for findings of suitability pursuant to Business
18 and Professions Code, section 19853, subdivision (a)(1) or (6).

19 b. Respondent provided false information in his License Application, and
20 subsequent investigation, regarding the initial investment money he had available in
21 accounts at several financial institutions and at home, to open the Cardroom.

22 c. Respondent failed to provide information, documentation, and assurances
23 requested by the Division to address Respondent's lack of assets and to address several
24 inconsistencies such as ownership of various properties from 1980 to 1995, as stated in
25 his License Application and subsequent investigation.

26 d. Respondent failed to disclose on his License Application approximately
27 \$125,000 in outstanding personal liabilities. These personal liabilities are reflected in
28 the following defaults of judgment:

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i. Mid-State Bank v. T. Gene Stroud, et al., Case Number MC 49446, San Luis Obispo County, filed June 10, 1994. C.R. Visions, obtained a \$27,400.78 judgment against T. Gene Stroud, and filed an abstract of judgment on October 5, 1995.

ii. Jonathan Neil & Associates, Inc. v. Timothy Gene Stroud, et al., Case Number 160049, Ventura County. Jonathan Neil & Associates, Inc. obtained a \$36,681.91 judgment against T. Gene Stroud, which was entered on March 31, 1999.

iii. Marion Hamilton v. T. Eugene Stroud, Case Number CIV081573, Riverside County. Plaintiff Marion Hamilton obtained a \$3,521.00 judgment against T. Gene Stroud, and an Execution of Money Judgment was issued on June 8, 1995, and filed on August 6, 1996.

e. Although specifically questioned about any personal tax liabilities in the License Application, Respondent failed to disclose tax liabilities of \$4,000.00 assessed against him on June 11, 1999, by the California State Board of Equalization and a tax liability of \$3,877.23 assessed against him on January 7, 1994, by the California Employment Development Department.

f. Although questioned about any business, corporations, and partnerships with which he had, or is currently associated, Respondent failed to disclose his prior business relationships with C.R. Visions, or that he was listed as President of C.R. Visions. Furthermore, while an employee of C.R. Visions, Inc., from 1993 to 1994, Respondent allegedly issued himself five checks from the corporation's account, without prior approval, which resulted in a civil case titled *Mid-State Bank, a California Corporation v. T. Gene Stroud, Stewart M. Holden and C.R. Visions, Inc., a California Corporation*, Case Number MC49446, San Luis Obispo County, Superior Court, filed on June 10, 1994. An abstract of judgment was filed against Respondent, in favor of C.R. Visions, Inc., in the amount of \$27,400.78, on October 5, 1995.

1 to apply for a license pursuant to Business and Professions Code section 19852,
2 subdivisions (d), (f), (g), or (h); or to apply for findings of suitability pursuant to
3 Business and Professions Code, section 19853, subdivision (a)(1) or (6).

4 ii) Respondent failed to disclose approximately \$125,000 in personal
5 liabilities.

6 iii) Respondent, while an employee of C.R. Visions, Inc., from 1993 to
7 1994, issued himself five checks from the corporation's account, without prior
8 approval. This resulted in a civil case titled *Mid-State Bank, a California*
9 *Corporation v. T. Gene Stroud, Stewart M. Holden and C.R. Visions, Inc., a*
10 *California Corporation*, Case Number MC49446, San Luis Obispo County,
11 Superior Court, filed on June 10, 1994. An abstract of judgment was filed against
12 Respondent, in favor of C.R. Visions, Inc., in the amount of \$27,400.78, on
13 October 5, 1995.

14 iv) Respondent was the named defendant in an unlawful detainer action
15 filed, entitled *Marion Hamilton v. T. Eugene Stroud*, Case Number CIV 081573,
16 in Riverside County Superior Court. A judgment was entered on May 5, 1995,
17 awarding Marion Hamilton possession of the property at 233 North Canyon
18 Circle, Palm Springs, California, forfeiture of the rental agreement, and \$3,360
19 plus \$154 in costs, against Respondent. An Execution of Money Judgment was
20 filed on August 6, 1996, against Respondent, as judgment debtor.

21 v) On November 16, 1995, a complaint was filed against Respondent
22 entitled *Jonathan Neil & Associates, Inc. v. Timothy Gene Stroud, individually*
23 *and formerly doing business as the Juliet Company Video Shop aka Video Super*
24 *Shop aka Video Super Shop of Oxnard*, Case Number 160049, Ventura County
25 Superior Court. The complaint was for: a) goods and services sold and delivered;
26 b) account stated; c) open book account; d) breach of contract; and e) money due
27 on dishonor of check. The court found that Respondent had issued three checks
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1 dated October 14, 1992, November 4, 1992, and November 11, 1992, totaling
2 \$7,308.92, which were all returned due to "non-sufficient funds." A judgment
3 was entered against Respondent on March 31, 1996, in the amount of \$36,681.91,
4 and an Execution of Money Judgment was filed on March 21, 1996, against
5 Respondent individually, and doing business as the Juliet Company Video Super
6 Shop, aka Video Super Shop, aka Video Super Shop of Oxnard; and

7 vi) Three temporary restraining orders were issued by the Santa Barbara
8 County Superior Court against Respondent for the alleged stalking of a Ms.
9 Suzanne Zainhofsky, case numbers: SB218601 on April 23, 1997; SB220397 on
10 August 18, 1997, and; SB221053 on September 22, 1997.

11 **THIRD CAUSE FOR DENIAL OF APPLICATION**
12 **FOR A STATE GAMBLING LICENSE**

13 **(Respondent's prior activities and reputation are a threat to the effective**
14 **regulation and control of controlled gambling)**
15 **Business and Professions Code, section 19857, subdivision (b)**

16 27. Respondent's application is subject to denial pursuant to Business and Professions
17 Code section 19857, subdivision (b), because Respondent's prior activities and reputation are a
18 threat to the effective regulation and control of controlled gambling. Respondent demonstrated
19 past and present business practices that would not be free from criminal and dishonest elements
20 as follows:

21 a) Respondent failed to disclose several financial investors who contributed
22 funds to the proposed Cardroom making them co-owners, without any of them either
23 applying for a license pursuant to Business and Professions Code, section 19852,
24 subdivisions (d), (f), (g), or (h); or applying for findings of suitability pursuant to
25 Business and Professions Code, section 19853, subdivision (a)(1) or (6).

26 b) Respondent failed to disclose approximately \$125,000 in liabilities to
27 financial investors in the Cardroom.
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1 c) Respondent, while an employee of C.R. Visions, Inc. from 1993 to 1994,
2 issued himself five checks from the corporation's account, without prior approval.
3 This resulted in a civil case titled *Mid-State Bank, a California Corporation v. T. Gene*
4 *Stroud, Stewart M. Holden and C.R. Visions, Inc., a California Corporation*, Case
5 Number MC49446, San Luis Obispo County, Superior Court, filed on June 10, 1994.
6 An abstract of judgment was filed against Respondent, in favor of C.R. Visions, Inc., in
7 the amount of \$27,400.78, on October 5, 1995.

8 d) Respondent was the named defendant in an unlawful detainer action filed,
9 entitled *Marion Hamilton v. T. Eugene Stroud*, Case Number CIV 081573, in Riverside
10 County Superior Court. A judgment was entered on May 5, 1995, awarding Marion
11 Hamilton possession of the property at 233 North Canyon Circle, Palm Springs,
12 California, forfeiture of the rental agreement, and \$3,360 plus \$154 in costs, against
13 Respondent. An Execution of Money Judgment was filed on August 6, 1996, against
14 Respondent as judgment debtor.

15 e) On November 16, 1995, a complaint was filed against Respondent titled
16 *Jonathan Neil & Associates, Inc. v. Timothy Gene Stroud, individually and formerly*
17 *doing business as the Juliet Company Video Shop aka Video Super Shop aka Video*
18 *Super Shop of Oxnard*, Case Number 160049, Ventura County Superior Court. The
19 complaint was for: a) goods and services sold and delivered; b) account stated; c) open
20 book account; d) breach of contract; and e) money due on dishonor of check. The
21 court found that Respondent had issued three checks dated October 14, 1992,
22 November 4, 1992, and November 11, 1992, totaling \$7,308.92, which were all
23 returned due to "non-sufficient funds." A judgment was entered against Respondent on
24 March 31, 1996, in the amount of \$36,681.91, and an Execution of Money Judgment
25 was filed on March 21, 1996, against Respondent individually and doing business as
26 the Juliet Company Video Super Shop, aka Video Super Shop, aka Video Super Shop
27 of Oxnard; and
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f) Three temporary restraining orders were issued by the Santa Barbara County Superior Court against Respondent for the alleged stalking of Ms. Zainhofsky, case numbers: SB218601 on April 23, 1997; SB220397 on August 18, 1997, and; SB221053 on September 22, 1997.

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 License Application to own and operate the Cardroom pursuant to Business and Professions Code, sections 19857, subdivisions (a) and (b), and 19859 subdivision (b), and
2. Taking such and further action as is deemed necessary and proper.

Dated: August __, 2006



ROBERT E. LYTLE, JR., Director
Division of Gambling Control
California Department of Justice

Complainant