

1 KAMALA D. HARRIS
Attorney General of California
2 SARA J. DRAKE
Senior Assistant Attorney General
3 JENNIFER T. HENDERSON
Deputy Attorney General
4 State Bar No. 206231
1300 I Street, Suite 125
5 P.O. Box 944255
Sacramento, CA 94244-2550
6 Telephone: (916) 324-5366
Fax: (916) 327-2319
7 E-mail: jennifer.henderson@doj.ca.gov
Attorneys for Complainant

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CALIFORNIA GAMBLING
CONTROL COMMISSION

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

14 **In the Matter of the Statement of Reasons
Against:**

BGC Case No. 2006-1128-01XL

CCGC Case No. CGCC-2010-02-03

16 **Sharp Image Gaming, Inc.,
Christopher Scott Anderson, and
17 Kelli Anderson**

STATEMENT OF REASONS

18 [REDACTED]
19 [REDACTED]

20 **Respondents.**

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22 Wayne J. Quint, Jr., Complainant herein, alleges as follows:

23 **PARTIES AND BACKGROUND**

24 1. Complainant Wayne J. Quint, Jr., brings this Statement of Reasons solely in his
25 official capacity as the Chief of the California Department of Justice, Bureau of Gambling
26 Control (Bureau).

1 8. At all times relevant, Section 2.12 of the Compact states:

2 "Gaming Resource Supplier" means any person or entity who, directly or
3 indirectly, manufactures, distributes, supplies, vends, leases, or otherwise
4 purveys Gaming Resources to the Gaming Operation or Gaming Facility,
5 provided that the Tribal Gaming Agency may exclude a purveyor of equipment
6 or furniture that is not specifically designed for, and is distributed generally for
7 use other than in connection with, Gaming Activities, if the purveyor is not
8 otherwise a Gaming Resource Supplier as described by Section 6.4.5, the
9 compensation received by the purveyor is not grossly disproportionate to the
10 value of the goods or services provided, and the purveyor is not otherwise a
11 person who exercises a significant influence over the Gambling Operation.

12 9. At all times relevant, Section 6.4.1 of the Compact states:

13 Summary of Licensing Principles. All persons in any way connected
14 with the Gaming Operation or Facility who are required to be licensed or to
15 submit to a background investigation under IGRA, and any others required to
16 be licensed under this Gaming Compact, including but not limited to, all
17 Gaming Employees and Gaming Resource Suppliers, and any other person
18 having a significant influence over the Gaming Operation must be licensed by
19 the Tribal Gaming Agency. The parties intend that the licensing process
20 provided for in this Gaming Compact shall involve joint cooperation between
21 the Tribal Gaming Agency and the State Gaming Agency, as more particularly
22 described herein.

23 10. At all times relevant, Section 6.4.5 of the Compact states in pertinent part:

24 Gaming Resource Supplier: Any Gaming Resource Supplier who,
25 directly or indirectly, provides, has provided, or is deemed likely to provide at
26 least twenty-five thousand dollars (\$25,000) in Gaming Resources in any 12-
27 month period, or who has received at least twenty-five thousand dollars
28 (\$25,000) in any consecutive 12-month period within the 24 month period
immediately preceding application, shall be licensed by the Tribal Gaming
Agency prior to the sale, lease, or distribution, or further sale, lease or
distribution, of any such Gaming Resources to or in connection with the
Tribe's Operation or Facility. . . . The Tribe shall not enter into, or continue to
make payments pursuant to, any contract or agreement for the provision of
Gaming Resources with any person whose application to the State Gaming
Agency for a determination of suitability has been denied or has expired
without renewal. . . .]

29 11. At all times relevant, Section 6.4.7 of the Compact states in pertinent part:

30 Processing Tribal Gaming License Applications. Each applicant for a
31 tribal gaming license shall submit the completed application along with the
32 required information and an application fee, if required, to the Tribal Gaming
33 Agency in accordance with the rules and regulations of that agency. . . . For
34 applicants who are business entities, these licensing provisions shall apply to
35 the entity as well as: (i) each of its officers and directors; (ii) each of its
36 principal management employees, including any chief executive officer, chief
37 financial officer, chief operating officer, and general manager; (iii) each of its
38 owners or partners, if an unincorporated business; (iv) each of its shareholders

1 who owns more than 10 percent of the shares of the corporation, if a
2 corporation; and (v) each person or entity (other than a financial institution that
3 the Tribal Gaming Agency has determined does not require a license under the
4 preceding section) that, alone or in combination with others, has provided
5 financing in connection with any gaming authorized under this Gaming
6 Compact, if that person or entity provided more than 10 percent of (a) the start-
7 up capital, (b) the operating capital over a 12-month period, or (c) a
8 combination thereof. For purposes of this Section, where there is any
9 commonality of the characteristics identified in clauses (i) to (v), inclusive,
10 between any two or more entities, those entities may be deemed to be a single
11 entity. Nothing herein precludes the Tribe or Tribal Gaming Agency from
12 requiring more stringent licensing requirements.

13
14
15 12. At all times relevant, Section 6.5.6 of the Compact states in pertinent part:

16 State Certification Process.

17 * * *

18 (iv) . . . Except for an applicant for licensing as a non-key
19 Gaming Employee, as defined by agreement between the Tribal Gaming
20 Agency and the State Gaming agency, the Tribal Gaming Agency shall
21 require the applicant also to file an application with the State Gaming
22 Agency, prior to issuance of a temporary or permanent tribal gaming
23 license, for a determination of suitability for licensure under the
24 California Gambling Control Act. Investigation and disposition of that
25 application shall be governed entirely by state law, and the State Gaming
26 Agency shall determine whether the applicant would be found suitable
27 for licensure in a gambling establishment subject to that Agency's
28 jurisdiction.

* * *

18 (b) Background Investigation of Applicants. Upon receipt of
19 completed license application information from the Tribal Gaming Agency, the
20 State Gaming Agency may conduct a background investigation pursuant to
21 state law to determine whether the applicant would be suitable to be licensed
22 for association with a gambling establishment subject to the jurisdiction of the
23 State Gaming Agency. . . .

24
25
26 13. Business and Professions Code section 19801, subdivision (i), states, in pertinent part:

27 (i) All gambling operations, all persons having a significant
28 involvement in gambling operations, all establishments where gambling is
conducted, and all manufacturers, sellers, and distributors of gambling
equipment must be licensed and regulated to protect the public health, safety,
and general welfare of the residents of this state as an exercise of the police
powers of the state.

1 14. Business and Professions Code section 19805, subdivision (j), states,
2 in pertinent part:

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

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

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

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

12 16. Business and Professions Code section 19823 states, in pertinent part:

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

15 (1) Assuring that licenses, approvals, and permits are not issued
16 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.

17 (2) Assuring that there is no material involvement, directly or
18 indirectly, with a licensed gambling operation, or the ownership or
19 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.

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

23 17. Business and Professions Code section 19824, states, in pertinent part:

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

26 (a) Require any person to apply for a license, permit, registration,
27 or approval as specified in this chapter, or regulations adopted pursuant to
this chapter.

28 (b) For any cause deemed reasonable by the commission, deny

1 any application for a license, permit, or approval provided for in this
2 chapter or regulations adopted pursuant to this chapter, limit, condition,
3 or restrict any license, permit, or approval, or impose any fine upon any
4 person licensed or approved.

(c) Approve or disapprove transactions, events, and processes as
provided in this chapter.

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

* * *

(h) Issue subpoenas to compel attendance of witnesses and production
of documents and other material things at a meeting or hearing of the
commission or its committees, including advisory committees.

18. 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.

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

Except as otherwise provided in this chapter, any power or authority of
the department described in this chapter may be exercised by the Attorney
General or any other person as the Attorney General may delegate.

20. Business and Professions Code section 19826, subdivision (a) states:

The department 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 department may recommend the denial or the limitation,
conditioning, or restriction of any license, permit or other approval.

APPLICABLE STATUTORY PROVISIONS

21. Business and Professions Code section 19805, subdivision (b), defines "Applicant" as
follows:

[A]ny person who has applied for, or is about to apply for, a state
gambling license, a key employee license, a registration, a finding of
suitability, a work permit, a manufacturer's or distributor's license, or an
approval of any act or transaction for which the approval or authorization of
the commission or department is required or permitted under this chapter.

1 22. Business and Professions Code section 19856 provides:

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

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

11 (c) In reviewing an application for any license, the commission shall
12 consider whether issuance of the license is inimical to public health, safety,
13 or welfare, and whether issuance of the license will undermine public trust
14 that the gambling operations with respect to which the license would be
15 issued are free from criminal and dishonest elements and would be
16 conducted honestly.

17 23. Business and Professions Code section 19857 states:

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

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

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

29 24. Business and Professions Code section 19859 provides in part as follows:

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

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

34 (b) Failure of the applicant to provide information,
35 documentation, and assurances required by this chapter or requested by
36 the chief, or failure of the applicant to reveal any fact material to

1 qualification, or the supplying of information that is untrue or misleading
2 as to a material fact pertaining to the qualification criteria.

3 25. At all times relevant, Business and Professions Code section 19864, states:

4 (a) Application for a state license or other commission action shall be
5 made on forms furnished by the commission.

6 (b) The application for a gambling license shall include all of the
7 following:

8 (1) The name of the proposed licensee.

9 (2) The name and location of the proposed gambling
10 establishment.

11 (3) The gambling games proposed to be conducted.

12 (4) The names of all persons directly or indirectly interested in the
13 business and the nature of the interest.

14 (5) A description of the proposed gambling establishment and
15 operation.

16 (6) Any other information and details the commission may
17 require in order to discharge its duty properly.

18 26. Business and Professions Code section 19866, states:

19 An applicant for licensing or for any approval or consent required by this
20 chapter, shall make full and true disclosure of all information to the department
21 and the commission as necessary to carry out the policies of this state relating
22 to licensing, registration, and control of gambling.

23 27. Business and Professions Code section 19868, states:

24 (a) Within a reasonable time after the filing of an application and any
25 supplemental information the department may require, and the deposit of any
26 fee required pursuant to Section 19867, the department shall commence its
27 investigation of the applicant and, for that purpose, may conduct any
28 proceedings it deems necessary. . . .

(b) If denial of the application is recommended, the chief shall prepare
and file with the commission his or her written reasons upon which the
recommendation is based.

(1) Prior to filing his or her recommendation with the
commission, the chief shall meet with the applicant, or the applicant's
duly authorized representative, and inform him or her generally of the
basis for any proposed recommendation that the application be denied,
restricted, or conditioned.

(2) Not less than 10 business days prior to the meeting of the
commission at which the application is to be considered, the department
shall deliver to the applicant a summary of the chief's final report and

1 recommendation.

2 (3) This section neither requires the department to divulge to the
3 applicant any confidential information received from any law
4 enforcement agency or any information received from any person with
5 assurances that the information would be maintained confidential, and
6 nor to divulge any information that might reveal the identity of any
7 informer or jeopardize the safety of any person.

8 (c) A recommendation of denial of an application shall be without
9 prejudice to a new and different application filed in accordance with applicable
10 regulations.

11 **FIRST CAUSE FOR DENIAL OF APPLICATION**

12 **(Failure to Provide Documentation Necessary to Qualify for and Receive a License)**

13 28. Respondents' applications are subject to denial pursuant to Business and Professions
14 Code section 19856, subdivisions (a), (b), and (c), on the grounds that Respondents failed to
15 provide adequate documentation to substantiate Sharp Image Gaming's gaming equipment sales
16 to foreign partners. Respondents reported that they conducted substantial business related to
17 gaming with entities in Venezuela and Mexico, but could not produce written contracts, adequate
18 invoices and payment statements, or other documentation. Respondents failed to verify that those
19 transactions were free from criminal or dishonest elements.

20 **SECOND CAUSE FOR DENIAL OF APPLICATION**

21 **(Supplying Untrue, Incomplete, and Misleading Material Information)**

22 29. Respondent's application is subject to denial pursuant to Business and Professions
23 Code sections 19859, subdivision (b), 19864, subdivision (b), and 19866, on the ground that
24 Respondents provided incomplete responses to Bureau questions, failed to make full and true
25 disclosures, and failed to inform the Bureau of material business transactions

26 30. On six (6) different occasions, Respondents provided inadequate responses to the
27 Bureau's requests for supporting documentation related to Sharp Image Gaming's foreign gaming
28 activities, including, but not limited to, the following information:

A. Respondents did not provide the Bureau with the amount of income received from its
leased gaming machines in its foreign operations.

1 B. Respondents did not provide sufficient documentation regarding wire-transferred
2 funds it received from entities located outside of the United States.

3 C. Respondents failed to disclose a customer and/or partner located in Switzerland.

4 D. Respondents stated that they had a contract for the lease of slot machines with the
5 Shingle Springs Band of Miwok Indians, when in fact, Sharp Image Gaming had invested
6 between \$3-6 million in the development of a gaming establishment for the Tribe.

7 **THIRD CAUSE FOR DENIAL OF APPLICATION**

8 **(Respondents' Business Practices Pose a Threat to**
9 **Effective Regulation of Controlled Gaming)**

10 31. Respondents' application is subject to denial pursuant to Business and Professions
11 Code section 19857, on the grounds that the information and documents submitted failed to
12 establish that Respondents are persons of good character, honesty, and integrity and that
13 Respondents' prior activities, reputation and habits do not pose a threat to the public interest of
14 this state. In addition to the failure to adequately document the transactions involving foreign
15 gaming activities and business as alleged above in paragraphs 28 through 30 and incorporated
16 herein by reference, Sharp Image Gaming shows a repeated pattern and practice of failure to
17 comply with state and federal taxing requirements. Sharp Image Gaming had at one time twenty-
18 eight outstanding tax liens recorded against it. As of February 13, 2016, there was an outstanding
19 federal tax lien in the amount of \$143,868 recorded against Sharp Image Gaming by the Internal
20 Revenue Service.

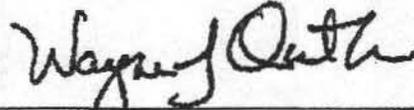
21 **PRAYER**

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

- 24 1. Denying the application of Respondent Sharp Image Gaming, Inc. for a finding of
25 suitability;
- 26 2. Denying the application of Respondent Christopher Scott Anderson for a finding of
27 suitability;
- 28

- 1 3. Denying the application of Respondent Kelli Anderson for a finding of suitability;
2 and,
3 4. Taking such other and further action as is deemed necessary and proper.

4
5 Dated: February 17, 2016



6 WAYNE J. QUINT, JR., Chief
7 Bureau of Gambling Control
8 Department of Justice
9 State of California
10 Complainant

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