

1 XAVIER BECERRA  
Attorney General of California  
2 SARA J. DRAKE  
Senior Assistant Attorney General  
3 T. MICHELLE LAIRD  
Supervising Deputy Attorney General  
4 JAMES G. WAIAN  
Deputy Attorney General  
5 State Bar No. 152084  
6 600 West Broadway, Suite 1800  
San Diego, CA 92101  
7 P.O. Box 85266  
San Diego, CA 92186-5266  
8 Telephone: (619) 738-9335  
9 Fax: (619) 645-2012  
E-mail: James.Waian@doj.ca.gov  
*Attorneys for Complainant*



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

15  
16 In the Matter of the Statement of Reasons for  
17 Denial of Application for Initial Regular Work  
Permit for:

18 **STEPHEN DOUGLAS HODGE**



21 **Respondent.**

**BGC Case No. BGC-HQ2018-00052SL**

**CGCC Case No. CGCC-2018-0906-7Ai**

**STATEMENT OF REASONS**

22  
23 Complainant alleges as follows:

24 **PARTIES**

25 1. Stephanie K. Shimazu (Complainant) brings this Statement of Reasons for Denial of  
26 Application for Initial Regular Work Permit solely in her official capacity as the Director of the  
27 California Department of Justice, Bureau of Gambling Control (Bureau).  
28



1 a. Respondent failed to report \$20,260 in jackpots he won playing poker on his  
2 2016 tax returns. Respondent has yet to report the \$20,260 he won in 2016 to the state and  
3 federal tax agencies.

4 b. Respondent illegally collected unemployment benefits in 2009 while he was  
5 employed, which resulted in a civil judgment against him in the case of *Employment*  
6 *Development Department v. Stephen D. Hodge* (Super. Ct. Sacramento County, 2009, No.  
7 34-2009-90027119).

8 (Bus. & Prof. Code, §§ 19856, 19857, subds. (a) & (b), 19859, subd. (a) [mandatory denial],  
9 19912, subd. (d), 19914; Cal. Code. Regs., tit. 4, § 12105, subds. (a)(1) [mandatory denial], (a)(2)  
10 [mandatory denial], (c) & (e).)

11 **SECOND CAUSE FOR DENIAL OF APPLICATION**

12 **(Dishonesty and Failure to Disclose – Untrue Statements)**

13 9. Respondent's Application is subject to denial because Respondent, under penalty of  
14 perjury, failed to accurately and honestly disclose, in response to the Bureau's inquiry, the poker  
15 jackpots he won as alleged above in paragraph 8(a). In response to the Bureau's inquiry,  
16 Respondent falsely disclosed to the Bureau that the largest amount he won playing a poker game  
17 was approximately \$1,200.

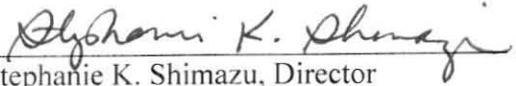
18 (Bus. & Prof. Code, §§ 19856, 19857, subds. (a) & (b), 19859, subds. (a) & (b) [mandatory  
19 denial], 19866, 19912, subd. (d), 19914; Cal. Code. Regs., tit. 4, § 12105, subds. (a)(1) [mandatory  
20 denial], (a)(2) [mandatory denial], (c) & (e).)

**PRAYER**

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

1. Denying Respondent's application for an initial regular work permit; and
2. Taking such other and further action as the Commission may deem appropriate.

Dated: March 13, 2019.

  
Stephanie K. Shimazu, Director  
Bureau of Gambling Control  
California Department of Justice  
Complainant

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 not  
12 issued to, or held by, unqualified or disqualified persons, or by  
13 persons whose operations are conducted in a manner that is  
14 inimical to the 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” means  
21 a person who is found to be unqualified pursuant to the criteria set forth  
22 in Section 19857, and “disqualified person” means a person who is  
23 found to be disqualified pursuant to the criteria set forth in Section  
24 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, 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

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

4 \* \* \*

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

8 4. Business and Professions Code section 19870 provides:

9 (a) The commission, after considering the recommendation of  
10 the chief and any other testimony and written comments as may be  
11 presented at the meeting, or as may have been submitted in writing to  
12 the commission prior to the meeting, may either deny the application or  
13 grant a license to an applicant who it determines to be qualified to hold  
14 the license.

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

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

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

24 (e) A decision of the commission denying a license or approval,  
25 or imposing any condition or restriction on the grant of a license or  
26 approval may be reviewed by petition pursuant to Section 1085 of the  
27 Code of Civil Procedure. Section 1094.5 of the Code of Civil Procedure  
28 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.

1           5. Business and Professions Code section 19871 provides:

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

5                           (1) Oral evidence shall be taken only upon oath or  
6 affirmation.

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

8                                   (A) To call and examine witnesses.

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

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

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

16                                   (E) To offer rebuttal evidence.

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

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

28                   (b) Nothing in this section confers upon an applicant a right to  
discovery of the department's<sup>[2]</sup> investigative reports or to require  
disclosure of any document or information the disclosure of which is  
otherwise prohibited by any other provision of this chapter.

---

<sup>2</sup> Hereinafter, "department" refers to the Department of Justice, Bureau of Gambling Control. (Bus. & Prof. Code, § 19805, subd. (h).)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

6. Business and Professions Code section 19912 provides in part:

(d) Application for a work permit for use in any jurisdiction where a locally issued work permit is not required by the licensing authority of a city, county, or city and county, shall be made to the department, and may be granted or denied for any cause deemed reasonable by the commission.

7. Business and Professions Code section 19914 provides:

(a) The commission may revoke a work permit or, if issued by the licensing authority of a city, county, or city and county, notify the authority to revoke it, and the licensing authority shall revoke it, if the commission finds, after a hearing, that a gambling enterprise employee or independent agent has failed to disclose, misstated, or otherwise misled the department or the commission with respect to any fact contained in any application for a work permit, or if the commission finds that the employee or independent agent, subsequent to being issued a work permit, has done any of the following:

(1) Committed, attempted, or conspired to do any acts prohibited by this chapter.

(2) Engaged in any dishonest, fraudulent, or unfairly deceptive activities in connection with controlled gambling, or knowingly possessed or permitted to remain in or upon any premises any cards, dice, mechanical devices, or any other cheating device.

(3) Concealed or refused to disclose any material fact in any investigation by the department.

(4) Committed, attempted, or conspired to commit, any embezzlement or larceny against a gambling licensee or upon the premises of a gambling establishment.

(5) Been convicted in any jurisdiction of any offense involving or relating to gambling.

(6) Accepted employment without prior commission approval in a position for which he or she could be required to be licensed under this chapter after having been denied a license or after failing to apply for licensing when requested to do so by the commission.

(7) Been refused the issuance of any license, permit, or approval to engage in or be involved with gambling or parimutuel



1 wagering in any jurisdiction, or had the license, permit, or  
2 approval revoked or suspended.

3 (8) Been prohibited under color of governmental authority  
4 from being present upon the premises of any licensed gambling  
5 establishment or any establishment where parimutuel wagering is  
6 conducted, for any reason relating to improper gambling activities  
7 or any illegal act.

8 (9) Been convicted of any felony.

9 (b) The commission shall revoke a work permit if it finds, after  
10 hearing, that the holder thereof would be disqualified from holding a  
11 state gambling license for the reasons specified in subdivision (f) or (g)  
12 of Section 19859.

13 (c) Nothing in this section shall be construed to limit any powers  
14 of the commission with respect to licensing.

15 8. California Code of Regulations, title 4, section 12060, provides in part:

16 (a) If the Executive Director determines it is appropriate, he or  
17 she may set an application for consideration at a GCA hearing in  
18 advance of a meeting pursuant to Section 12054. The Executive  
19 Director shall give notice to the applicant, pursuant to paragraph (2)  
20 subsection (c) of Section 12052, to the Office of the Attorney General,  
21 and to the Bureau no later than 90 calendar days in advance of the GCA  
22 hearing. The Executive Director's determination will be based on  
23 information contained in the Bureau's report or other appropriate  
24 sources including, without limitation, a request from the Bureau or  
25 applicant as well as the Commission's operational considerations. The  
26 Commission retains the authority to refer the matter to an APA hearing  
27 pursuant to subsection (a) of Section 12056 or hear the matter at a  
28 Section 12054 meeting if the Commission deems it appropriate.

**SPECIFIC STATUTORY AND REGULATORY PROVISIONS**

9. Business and Professions Code section 19856 provides:

(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.

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

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

10 10. Business and Professions Code section 19857 provides:

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

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

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

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

24 11. Business and Professions Code section 19859 provides in part:

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

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

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

12. Business and Professions Code section 19866 provides:

An applicant for licensing or for any approval or consent required  
by this chapter, shall make full and true disclosure of all information to

1 the department and the commission as necessary to carry out the policies  
2 of this state relating to licensing, registration, and control of gambling.

3 13. California Code of Regulations, title 4, section 12105, provides in part:

4 (a) An application for a work permit shall be denied by the  
5 Commission if either of the following applies:

6 (1) The applicant meets any of the criteria for mandatory  
7 disqualification under Business and Professions Code section  
19859.

8 (2) The applicant is found unqualified pursuant to the  
9 criteria set forth in subdivisions (a) or (b) of Business and  
Professions Code section 19857.

10 \* \* \*

11 (c) The grounds for denial set forth in this section apply in  
12 addition to any grounds prescribed by statute.

13 \* \* \*

14 (e) The provisions of Business and Professions Code sections  
15 19857, 19859, and 19914, subdivision (a) shall be deemed incorporated  
16 by reference into this regulation for the purposes set forth in this section.  
17 For the purposes of this section, the criteria incorporated by reference in  
these regulations from Business and Professions Code section 19914,  
subdivision (a), apply to conduct or events occurring prior to the filing  
of an application for a work permit.

18 14. California Code of Regulations, title 4, section 12128, provides in part:

19 (b) A temporary work permit shall be cancelled by the  
20 Executive Director at any time if any of the following applies:

21 \* \* \*

22 (2) Pursuant to Business and Professions Code section  
23 19826, the Bureau recommends denial of a regular work permit to  
24 the applicant.