

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Suspension of the)
License to Conduct Gambling Activities of:) NO. CR 2009-00542
)
)
Chipco International,)
) **NOTICE OF ADMINISTRATIVE**
) **CHARGES AND OPPORTUNITY**
) **FOR AN ADJUDICATIVE**
) **PROCEEDING**
Licensee.)
_____)

RICK DAY alleges as follows:

I.

He is the Director of the Washington State Gambling Commission and makes these charges in his official capacity.

II.

Jurisdiction of this proceeding is based on Chapter 9.46 RCW, Gambling, Chapter 34.05 RCW, the Administrative Procedure Act, and WAC Title 230.

III.

The Washington State Gambling Commission issued Chipco International, 1281 Roosevelt Trails, Raymond, Maine, organization number 20-00125, the following license:

Number 20-00125, Authorizing Manufacturer Activity.

The Commission issued the license, which expires on September 30, 2009, based on the licensee's compliance with state gambling laws and regulations.

IV.

SUMMARY:

The licensee failed to ensure that an individual was licensed to provide representative services and allowed the individual to represent another manufacturer at the same time.

FACTS:

- 1) The licensee, Chipco International (Chipco), submitted new and renewed manufacturer representative license applications for an individual named Ralph Bell in 2002, 2003, 2004 and 2005. The applications for Mr. Bell were signed by Chipco's President, John Kendall. Under Commission rules between 2002 and 2005, manufacturer representatives were allowed to represent more than one manufacturer at a time. However, effective January 1, 2008, manufacturer representatives were prohibited from representing more than one manufacturer at a time.
- 2) Commission licensing staff issued licenses to Mr. Bell to represent ShuffleMaster and the licensee, Chipco in 2002, 2003, 2004 and 2005. Mr. Bell was also allowed to represent a third manufacturer, Kem Plastic Playing Cards, Inc., in 2003.
- 3) Chipco first submitted a manufacturer application in June 1999. In its 1999 application, Chipco listed Ralph Bell as its in-state resident agent (Chipco is located in Maine). Later, in November 1999, Chipco submitted a manufacturer license application and listed Ralph Bell as its licensed/state certified distributor. Both applications were signed by John Kendall. Chipco received its license in 2001.
- 4) As of 2008, Chipco listed Ralph Bell as its current in-state resident agent. The licensee and Mr. Bell stopped renewing Mr. Bell's representative license after 2005, and it is not known why.
- 5) Ralph Bell spoke to Commission licensing staff on January 14, 2009, about wanting to also represent Gemaco, another licensed manufacturer. Licensing staff informed Mr. Bell that although a prior Commission rule had allowed him to work for more than one manufacturer at a time, the current rule that became effective January 1, 2008, prohibited him from working for more than one manufacturer at a time. Mr. Bell asked for an exception since he had worked for two manufacturers for the past six to seven years. No exception was granted.
- 6) A Commission Special Agent (agent) sent a letter to John Kendall on April 3, 2009, notifying the licensee that he had begun an investigation into possible rule violations. Mr. Kendall responded to the agent's request for information and in a cover letter dated April 13, 2009, stated that the licensee receives orders directly from the casinos. Mr. Kendall also wrote to the agent that:
 - a) Mr. Bell has no contract or compensation agreement with them.
 - b) Mr. Bell "is not now or ever been an employee of Chipco."
 - c) "We are aware that Mr. Bell recommends our chips to casinos in your state, and many may order our chips based on this recommendation. We believe his recommendations are 'wise counsel' to those casino operators that engage his services."

- 7) John Kendall e-mailed the agent on April 22, 2009, and explained that:
 - a) Payments were made to Ralph Bell beginning in 2004 and continued through 2008.
 - b) No payments to Ralph Bell were made in 2009.
 - c) Mr. Bell averaged \$25,000 a year since 2004.
- 8) The agent reviewed the licensee's general ledger and other records and found:
 - a) The licensee paid Ralph Bell beginning in 2004; however Mr. Bell was licensed as the licensee's representative starting in 2002.
 - b) The licensee paid Ralph Bell in 2009, despite John Kendall's statement that no payments had been made in 2009.
 - c) The licensee has paid Ralph Bell \$126,970.08 since 2004.
 - d) There was no difference in Mr. Bell's compensation during his licensed period (2002-2005) and his unlicensed period (2005-2009).
- 9) In an e-mail sent on May 14, 2009, the agent asked John Kendall about the services Ralph Bell performed for the compensation he earned. Mr. Kendall replied, "I am not aware of any other reason we would have made a check payable to Ralph Bell, other than as a Sales Commission [sic] for an order for chips from one of the casinos in Washington State."
- 10) The agent called and spoke with Ralph Bell during the week of May 18, 2009, and asked what the payments from Chipco were for. Mr. Bell said that Chipco determines if any sales might have been originated by him and paid him based on those orders. Mr. Bell said he has no agreement with Chipco, and that "they trust me and I trust them." Mr. Bell also said he did not know how Chipco determined how much he should be paid; sometimes it was based on time spent, or the amount ordered. Mr. Bell did not know the payment scale for his compensation.

VIOLATIONS:

- 1) RCW 9.46.075(1) provides that the Commission may suspend any license when the licensee has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by chapter 9.46 RCW, or any rules adopted by the Commission.
- 2) WAC 230-03-085(1) provides that the Commission may suspend any license when the licensee commits any act that constitutes grounds for suspending licenses under RCW 9.46.075.

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V.

The facts and violations set forth in paragraph IV above constitute grounds for suspending the license to conduct manufacturer activity issued to Chipco International to conduct gambling activity under RCW 9.46.075 and WAC 230-03-085.

VI.

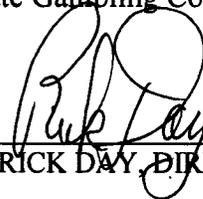
The licensee will have the opportunity to have a hearing on the alleged violations.

In order to have a hearing or discuss settlement options, the enclosed request for hearing must be completed and returned to the Gambling Commission **within 23 days** from the date of the mailing of this notice.

Based on RCW 34.05.440, failure to return this document will result in the entry of a default order REVOKING your license.

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

Rick Day, being duly sworn on oath, says: That he has read this Notice of Administrative Charges and Opportunity for An Adjudicative Proceeding, knows the contents of it, believes it to be true, that he is the Director of the Washington State Gambling Commission, and in that capacity has executed said Notice.



RICK DAY, DIRECTOR

STATE OF WASHINGTON)
) ss
COUNTY OF THURSTON)

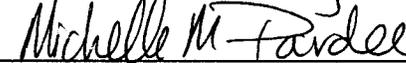
I hereby certify that I have this day served a copy of the document upon all parties of record in the proceeding by mailing a copy thereof, properly addressed with postage prepaid, by regular and certified mail to each party to the proceeding or his or her attorney or authorized agent.

Dated at Olympia, Washington this 8th day of July 2009

Communications and Legal Department
Washington State Gambling Commission



SUBSCRIBED AND SWORN TO before me
this 8th day of July, 2009.



NOTARY PUBLIC in and for the State of

Washington residing at Lacey

My Commission expires on 11/6/2013

