

STATE OF WASHINGTON  
GAMBLING COMMISSION

In the Matter of the Suspension *or Revocation* of )  
the Licenses to Conduct Gambling Activities of: ) No. CR 2009-01812  
) *CR 2010-00998*  
)  
*Northwest Gaming, Inc.,* ) **AMENDED**  
*d/b/a Ringo's Little Vegas* ) **NOTICE OF ADMINISTRATIVE**  
Spokane Valley, Washington, ) **CHARGES AND OPPORTUNITY**  
) **FOR A HEARING**  
Licensee. ) *Amendments are in italics and*  
\_\_\_\_\_ ) *strikethrough.*

I.

The Washington State Gambling Commission issued *Northwest Gaming, Inc., d/b/a Ringo's Little Vegas* (Ringo's) organization number 00-20217 the following licenses:

- Number 67-00223, Authorizing Class "13" House-Banked Card Room Activity; and
- Number 05-20041, Authorizing Class "E" Punchboard/Pull-Tab Activity.

These licenses, which expire on September 30, 2010, were issued subject to the licensee's compliance with state gambling laws and regulations.

II.

Rick Day, Director of the Washington State Gambling Commission, charges the licensee with the following violations of the Washington State Gambling Act, 9.46 RCW, and WAC Title 230:

**CR 2010-00998**

**SUMMARY:**

Although it was previously warned, Ringo's failed to keep supporting documentation for purchases made with Ringo's credit/debit card.

~~Additionally, an owner of Ringo's kept (then later returned) PSJ winnings even after she was told she could not do so because she is an owner. As a result, the other players of the PSJ game were not paid any of the winnings, as required.~~

Ringo's actions are a violation of a previous Settlement Order.

**Failure to Maintain Documents:**

1) Between April 15, 2009, and June 8, 2009, the licensee failed to maintain supporting documentation for the following purchases on Ringo's credit/debit card, in violation of WAC 230-15-410730:

- a) In April 2009 to UNL Athletic Ticket Office and Gemaco.
- b) In May 2009 to Dewalt, Shopper Discount, and Exxon Mobile.
- c) In June 2009 to Comcast and Chevron.

2) Previously on April 15, 2009, a Commission Special Agent (agent) warned the licensee about its failure to keep supporting documentation for expenditures made by Ringo's. (CR 2009-00661)

**Player Supported Jackpot:**

3) On January 16, 2010, ~~an owner of Ringo's~~, Linda Schaefer, won a Player Supported Jackpot (PSJ) totaling \$499. *Based on information in Case Report 2010-00998, it was determined that Ms. Schaefer was not an owner at the time of the January PSJ incident. As a result, the PSJ violation and Internal Control violation have been stricken. The poker floor supervisor, Tim Gorell, told Ms. Schaefer that she could not keep the winnings because she was an owner. Mr. Gorell showed Ms. Schaefer Ringo's internal control, which states similar language used in WAC 230-15-410:*

*~~"Owners, custodians, and on duty card room employees of Ringo's Little Vegas may participate in card games that offer a PSJ, but may not share in the winnings of any prize awarded. Any prize winnings an owner or on duty employee may be entitled to under game rules must be divided equally among the other players playing in a PSJ game."~~*

4) ~~Although she reviewed the internal controls with Mr. Gorell, Ms. Schaefer kept the PSJ winnings and the other players of the PSJ game were not paid any of the winnings, in violation of WAC 230-15-410 and WAC 230-15-425.~~

5) ~~The next day Ms. Schaefer returned the winnings to the casino and the casino attempted to identify the other players through surveillance video so they could be paid the winnings. The casino was unable to pay the winnings to all the other players of the PSJ game.~~

6) ~~4) On January 20, 2010, an agent talked with Ms. Schaefer on the telephone. about the PSJ winnings. Ms. Schaefer said she read the internal controls but was confused because she was just an off duty poker dealer which is why she thought she could keep the money. Ms. Schaefer said she didn't know for sure if she was an owner because she filed bankruptcy and the court may have taken over her shares. Ms. Schaefer told the agent she had not submitted a stock change notification to Commission staff.~~

7) ~~5) On January 21, 2010, the agent reviewed the license brief for Ringo's. Linda Schaefer does not possess an active individual license and is was listed as an the spouse of Thomas Schafer, Treasurer and owner of Ringo's. The agent reviewed Ringo's license book.<sup>1</sup> The agent did not find an individual gambling license for Ms. Schaefer. The agent did find Ms. Schafer's picture in Ringo's license book labeled as an owner.~~

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<sup>1</sup> ~~The licensee must keep a copy of all licensed employees' gambling licenses and pictures in the cashier's cage.~~

## Settlement Order Violations:

8 6) In March 2009, the licensee entered into a Settlement Order to resolve administrative charges for failure to timely report a \$40,000 loan and failure to timely report owner, Thomas Schaefer's bankruptcy filing. This was also a violation of a previous Settlement Order. (CR 2008-01367 & 2009-00167) The licensee agreed to a seven-day suspension with five days deferred, subject to Ringo's not violating any gambling statutes or regulations during the one year period (March 2009 through March 2010). If the violation warranted administrative or criminal charges, the Director may impose the five day suspension.

9 7) Ringo's violated the March 2009 Settlement Order when, between April 2009 and June 2009, it failed to maintain supporting documentation for seven purchases on Ringo's credit/debit card. ~~and in January 2010, it allowed an owner to keep PSJ winnings which resulted in the other players of the PSJ game not being paid any of the winnings.~~ Grounds, therefore, exist to impose the five-day suspension deferred in the March 2009 Settlement Order.

10 8) The licensee entered into the following additional Settlement Orders to resolve administrative charges:

- In June 2009, the licensee entered into a Settlement Order to resolve administrative charges for surveillance violations. The licensee agreed to a five-day suspension, with four days deferred for one year and one day vacated by a fine and costs. (CR 2009-00249)
- In April 2008, the licensee entered into a Settlement Order to resolve administrative charges for allowing a minor to gamble. The licensee agreed to a three-day suspension, with two days deferred for one year and one day vacated by a fine and costs. (CR 2008-00082)
- In October 2006, the licensee entered into a Settlement Order to resolve administrative charges for failing to timely disclose financial information. The licensee agreed to a three-day suspension, with one day deferred for one year and two days vacated by a fine and costs. (CR 2006-01539)

### **CR 2010-00998**

1) *On July 16, 2010, the licensee submitted a Transfer Application-Change of Business Classification. Northwest Gaming, Inc. requested to change to Northwest Gaming, LLC. The application listed the owners as:*

- a) Rollie French, 38 percent shareholder;*
- b) Thomas Schaefer, 31 percent shareholder;*
- c) Sophie Chane, 15 percent shareholder;*
- d) Ty Ullman, 8 percent shareholder; and*
- e) Scott Bucher, 8 percent shareholder.*

2) *The licensee submitted with the Transfer Application-Change of Business Classification a document titled "Action by Shareholders of Northwest Gaming, Inc. by Unanimous Written*

Consent." Thomas Schaefer and his spouse Linda Schaefer signed the document. This represented to Commission staff that Mr. and Mrs. Schaefer were shareholders of Northwest Gaming, Inc.

3) On August 16, 2010, Dave Malone, attorney representing the licensee, sent Commission staff a letter requesting a continuance of the transfer application to allow the licensee to address the concerns of Charles L. Smith, trustee in the bankruptcy of Thomas and Linda Schaefer.

4) Mr. Smith sent Mr. Malone a letter stating that as a result of Thomas Schaefer's bankruptcy, Mr. Schaefer's shares in Northwest Gaming, Inc. were transferred to him as the trustee. As a 30.76 percent shareholder in Northwest Gaming, Inc., Mr. Smith did not want any changes made in the structure of the corporation.

5) The licensee's Transfer Application-Change of Business Classification is currently pending.

6) A Commission Special Agent obtained court records on Mr. Schaefer's bankruptcy and discovered that, in August 2007, Mr. Schaefer's shares in Northwest Gaming, Inc. were transferred to Mr. Smith. Therefore, Mr. Schaefer no longer held shares in Northwest Gaming, Inc. and was no longer an owner of the licensee.

7) As of September 8, 2010, the licensee still listed Mr. Schaefer as an owner of Northwest Gaming, Inc. on its trial balance sheet.

8) The licensee failed to disclose the August 2007 change in ownership until August 2010, and the licensee has not submitted any of the required information for a change in ownership, in violation of WAC 230-06-107.<sup>2</sup>

9) On the licensee's Transfer Application-Change of Business Classification, the licensee made false or misleading statements that Thomas and Linda Schaefer were shareholders of Northwest Gaming, Inc., in violation of RCW 9.46.170.

## **VIOLATIONS:**

### **RCW 9.46.075 Denying, suspending, or revoking an application, license or permit.**

The Commission may suspend or revoke any license or permit issued by it, for any reason or reasons, it deems to be in the public interest. These reasons shall include, but not be limited to, cases wherein the licensee or any person with any interest therein:

The following subsection(s) apply:

(1) Has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by chapter 9.46 RCW and any amendments thereto, or any rules adopted by the Commission pursuant thereto, or when a violation of any provision of chapter 9.46 RCW, or any Commission rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control.

(7) Makes a misrepresentation of, or fails to disclose, a material fact to the Commission.

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<sup>2</sup> Effective January 1, 2008, the agency rewrote its rules as a part of a Rule Simplification Process. Prior to January 2008 the effective rule was WAC 230-04-340.

**WAC 230-03-085 Denying, suspending, or revoking an application, license or permit.**

We may deny, suspend, or revoke license or permit, when the licensee, or anyone holding a substantial interest in the licensee's business or organization:

The following subsection(s) apply:

(1) Commits any act that constitutes grounds for denying, suspending, or revoking licenses or permits under RCW 9.46.075.

(3) Has demonstrated willful disregard for complying with ordinances, statutes, administrative rules, or court orders, whether at the local, state, or federal level.

*(7) Fails to provide us with any information required under Commission rules within the time required, or, if the rule establishes no time limit, within thirty days after receiving a written request from us .*

(8) Creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by (a) Prior activities.

**WAC 230-15-730 Keeping an accounting system.**

The following subsection(s) apply:

(1) House-banked card game licensees must keep and maintain a complete set of accounting records which we have approved before licensure. These records must include all receipts and disbursements of the licensee, including, at least, those related to gambling activities.

(2) Licensees must keep legible, accurate, and complete records of all transactions relating to the revenues, costs, and expenses of the gambling operation. Licensees must keep these records in a format that ensures consistency, comparability, and effective disclosure of financial information.

(4) Licensees must keep detailed, supporting, and subsidiary records including, at least:

(c) Records of amounts payable by the gambling operation.

~~**WAC 230-15-410 Owners, prize fund custodians, and card room employees participating in player-supported jackpots.**~~

~~The following subsection(s) apply:~~

~~(1) Class F or house-banked owners, prize fund custodians, and on-duty card room employees may play in card games that offer a player-supported jackpot (PSJ), but must not share in the winnings of any prize awarded.~~

~~(2) Any prizes an owner, prize fund custodian, or on-duty employee may be entitled to under game rules must be divided equally among the other players at the table.~~

~~**WAC 230-15-425 Internal Controls**~~

~~The following subsection(s) apply:~~

~~(1) House-banked card game licensees must:~~

~~(b) Ensure that all games are closely controlled and operated in accordance with gambling laws, our rules, and the house-banked card game licensee's internal controls (ICs); and~~

~~(e) Follow all ICs at all times.~~

**RCW 9.46.170 False or misleading entries or statements, refusal to produce records.**

*Whoever, in any application for a license or in any book or record required to be maintained by the commission or in any report required to be submitted to the commission, shall make any false or misleading statement, or make any false or misleading entry or wilfully fail to maintain or make any entry required to be maintained or made, or who wilfully refuses to produce for inspection by the commission, or its designee, any book, record, or document required to be maintained or made by federal or state law, shall be guilty of a gross misdemeanor subject to the penalty set forth in RCW 9A.20.021.*

**WAC 230-06-107 Ownership changes — Allowed.**

*A licensee must report any change in ownership when the change would result in any person or organization becoming a substantial interest holder. Changes in ownership are allowed under the following conditions:*

*Ownership changes to be reported*

*(1) The following changes must be reported to us when:*

- (a) A person or organization becomes a substantial interest holder when they were not a substantial interest holder immediately before the transaction; or*
- (b) A substantial interest holder purchases any additional stock.*

*Reporting requirements*

*(2) Each notification must:*

- (a) Be submitted in writing on a form provided by us within thirty days of the close of a change of ownership; and*
- (b) Include the required fee; and*
- (c) Include: (i) For corporations -- A copy of the meeting minutes detailing the change of ownership; or (ii) For limited liability companies (LLC) -- An amended LLC agreement that includes the new member(s).*

*New owners must qualify for a license*

*(3) The gambling license(s) of any corporation or LLC in which a person holds or acquires a substantial interest may be revoked if the new person is not qualified to hold a gambling license.*

*Review and investigation*

*(4) An investigation of each transaction will be conducted by us to determine the details of the transaction and the qualifications of each substantial interest holder.*

**Former WAC 230-04-340 Transfer of license- Conditions**

*Transfers of license issued by the Commission shall be permitted only under the following circumstances and conditions and those set out in WAC 230-04-350, upon approval by the Director or the Commission. Otherwise, no transfer of any license issued by the Commission shall be permitted.*

*(1) If the licensee is a corporation, except as provided in subsection (2) below, a change in ownership of stock shall not be deemed a transfer of a license: Provided, That any change in the ownership of any stock in such corporation which results in any person or organization becoming the owner of a substantial interest therein who was not the owner of a substantial interest immediately preceding the transaction, or which involves ten percent or more of any class of stock, shall be reported to the Commission, in writing, within ten days of the close of such transaction, together with such information concerning the person or persons receiving such stock as the director may require.*

The licensee was required to disclose to Commission staff the August 2007 change in ownership of Mr. Schaefer's shares in Northwest Gaming, Inc. to Trustee Charles L. Smith. However, the licensee did not make known the change in ownership until August 2010. Additionally, the licensee has failed to provide Commission staff with any of the information required under WAC 230-06-107, and the licensee currently lists Thomas Schaefer as an owner and shareholder of Northwest Gaming, Inc.

Since 2007, the licensee has misrepresented or failed to disclose a material fact to Commission staff. The licensee misrepresented that Thomas Schaefer was a 30.76 percent shareholder of Northwest Gaming, Inc. and failed to disclose a change in ownership in Northwest Gaming, Inc.

Therefore, grounds exist to suspend or revoke Ringo's Little Vegas' gambling licenses under RCW 9.46.075(1) and (7) and WAC 230-03-085(1), (3), (7), and (8).

Grounds also exist to impose the five-day suspension deferred in the March 2009 Settlement Order.

III.

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

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.

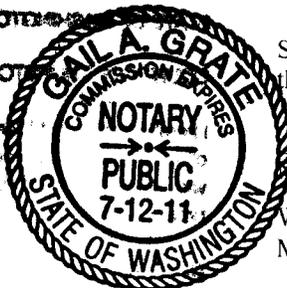
Based on RCW 34.05.440, failure to return a request for hearing will result in the entry of a default order ~~SUSPENDING YOUR LICENSE FOR 30 DAYS REVOKING YOUR LICENSE~~.

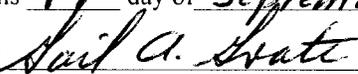
STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF THURSTON )

Rick Day, being duly sworn on oath, says: That he has read this Notice of Administrative Charges and Opportunity for An Adjudicative Proceeding for Ringo's, 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.

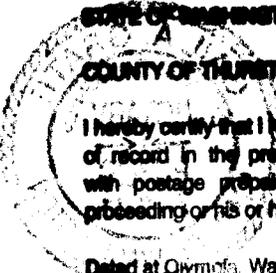
  
RICK DAY, DIRECTOR

SUBSCRIBED AND SWORN TO before me  
this 17 day of September, 2010.



  
NOTARY PUBLIC in and for the State of  
Washington residing at Olympia  
My commission expires on 7-12-11

STATE OF WASHINGTON )  
 )  
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 registered-certified mail to each party to the proceeding or his or her attorney or authorized agent.

Dated at Olympia, Washington this 17 day of September, 2010

*Margaret Patel*

Communications and Legal Department  
Washington State Gambling Commission