

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Suspension or Revocation of)
the License to Conduct Gambling Activities of:)
Galaxy Gaming, Inc.)
Las Vegas, Nevada,)
Licensee.)
_____)

NO. CR 2010-00909

**NOTICE OF ADMINISTRATIVE
CHARGES AND OPPORTUNITY
FOR AN ADJUDICATIVE
PROCEEDING**

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 Galaxy Gaming, Inc., 6980 West O'Bannon Drive, Las Vegas, Nevada, Organization Number 20-00103, the following license:

Number 20-00103, authorizing Class "E" manufacturer activity.

The license, which expires on March 31, 2012, was issued subject to the licensee's compliance with state gambling laws and regulations.

IV.

SUMMARY:

Between 2000 and 2011, the licensee made numerous false and misleading statements in its renewal and other applications, and documents submitted to the Commission. The licensee failed to disclose material facts such as new substantial interest holders, Oregon State's finding of unsuitability, denial of licenses by three California tribes, marriages, divorces, and residential addresses of primary owner, Robert Saucier. In addition, the licensee failed to timely disclose the State of California's pending denial of the licensee's application (final disposition of the California matter has not been reached as of March 12, 2012).

FACTS:

- 1) The licensee, Galaxy Gaming, Inc., has held a manufacturer's license since March 1998. Robert Saucier is the President and CEO.
- 2) Mr. Saucier has restructured and renamed Galaxy Gaming Inc., several times since 1998; however, Mr. Saucier has remained the highest ranking officer and primary owner of the various forms of Galaxy Gaming, Inc., including Galaxy Gaming, LLC. The licensee became a publicly traded company in 2009.
- 3) Therese (Watson) Saucier¹ is currently married to Mr. Saucier, and has been a substantial interest holder off and on since 2002. Mr. and Mrs. Saucier were married in Barbados in 2004, had their marriage annulled in Nevada in 2009, and remarried in 2010; none of this information was timely disclosed to the Commission. Although Mrs. Saucier disclosed her January 19, 2010 marriage to Robert Saucier on her personal/criminal history statement, dated October 19, 2010, which she signed as "Therese A. Saucier," Mr. Saucier failed to disclose the 2010 marriage on the licensee's February 17, 2010 application.
- 4) In July 2010, a Field Operations Division Special Agent (FOD agent), and a Financial Investigations Unit (FIU agent) began a routine review and audit of the licensee, which later included an onsite review at the licensee's office in Las Vegas, Nevada. Agents obtained information from the licensee, reviewed Galaxy Gaming's licensing file, and contacted other gambling enforcement agencies, including California, New Jersey, Oregon, and Pennsylvania. The information agents obtained from the other agencies led the agents to review the licensee's entire license file, beginning with its original 1998 application for a manufacturer's license.
- 5) The licensee delayed the agents' 2010 investigation by altering release of information forms and by untimely submittals of requested documents:
 - a) Mr. Saucier altered a release of information form by crossing out the release of liability provision. Other gambling jurisdictions refused to release information to agents based on the altered form. It was only after the Commission's Deputy Director and Assistant Director of Field Operations spoke to Mr. Saucier about the altered form did Mr. Saucier complete an unaltered release form for agents in November 2010.
 - b) On October 11, 2010, agents requested copies of Galaxy Gaming's 2008 and 2009 federal tax returns from Andy Zimmerman, the licensee's Chief Financial Officer. The agent made a second request for the tax returns from Mr. Zimmerman, on December 3, 2010. The agent finally received the requested tax returns on December 28, 2010.

¹ Therese (Watson) Saucier apparently did not change her name when she and Robert Saucier were first married in 2004 in Barbados, and Mrs. Saucier continued using her maiden name, "Watson," in various documents obtained by agents.

Failure to timely disclose administrative and civil actions, and failure to submit copies of documents and final decisions.

6) Although the licensee disclosed several lawsuits in a 2007 letter, the disclosures were untimely. Additionally, the agent did not find any copies of documents filed, or copies of final decisions, except for one document in the licensing file, related to a lawsuit (07-2-36263-1) filed in King County. The licensee, through its attorney at the time, Stephen Sanville, sent Commission staff a "Litigation Notice and Update" letter, dated November 29, 2007. Mr. Sanville disclosed a "new matter and an update on previously reported matters," and added that "New and updated matter is in italics." Mr. Sanville disclosed the following, on the licensee's behalf, in the 2007 letter:

a) A complaint was filed against the licensee by the plaintiff, Sherron Associates, Inc., for "Civil Conspiracy to Defraud Creditors." The case, No. 07-2-36263-1, was filed in King County Superior Court on November 14, 2007.

b) "Galaxy Gaming of Washington, LLC, Robert B. Saucier and other Galaxy Gaming entities were named in a collection matter filed by Sherron Associates Loan Fund V (Mars Hotel) LLC, a Washington limited liability company, on June 28, 2005." The King County Superior Court "entered an amended default judgment against them [Galaxy Gaming and Mr. Saucier] in the amount of \$1,752,097.23 on April 27, 2006."

c) Galaxy Gaming of Washington, LLC appealed the King County decision in the Sherron Associates Loan Fund V (Mars Hotel) LLC case. In an unpublished opinion, the Washington State Court of Appeals reversed the King County Superior Court, and held that the default judgment was not enforceable.² Sherron Associates, Inc. filed another lawsuit in Clark County District Court, Nevada (case no. A536369), in an attempt to collect on the judgment entered by the Washington State Superior Court (King County). "Galaxy expects that the Nevada Action will be dismissed."³

d) Mr. Saucier filed a lawsuit in District Court, Clark County, Nevada (Case No. A533365) against Sherron Associates, Inc. and others, alleging "abuse of process and other causes of action..."

e) A Spokane County Judgment (#98203142-0) against Mr. Saucier.

² *Sherron Associates Loan fund V v. Galaxy Gaming Corporation et al*, No. 58242-9-1 (Court of Appeals, Div. I, 2007.)

³ All of the cases related to the lawsuits filed by Sherron Associates, Inc. against Robert Saucier were resolved by the decision in *Sherron Associates Loan Fund V (Mars Hotel) LLC, v. Saucier*, 157 Wash.App. 357 (Court of Appeals, Div.3, 2010). The agent found the case during his investigation. The Court of Appeals held that there was no authority to suggest that assets die with an LLC, and the assets and liabilities of a dead LLC pass to its owners, and granted Sherron's motion to extend the 1998 judgment entered by Spokane County Superior Court. The court entered a judgment for \$913,000 against Mr. Saucier, for the \$825,000 loan that Loan Fund V had made to the Mars Hotel, for which Mr. Saucier personally guaranteed but never made any payments.

- f) A Clark County, Nevada judgment (No. A473409), enforcing the Spokane County judgment.
- g) The licensee “is a party plaintiff in a lawsuit being brought by numerous Galaxy entities against Charles Burdick and Alfred Bathke in their capacity as Oregon State Police Officers...” “The complaint alleges cause of action for “violations of 42 U.S.C. § 1983, Interference With Contract and Prospective Advantage and Fraud arising out of the officers unjust denial of Galaxy Gaming of Oregon, LLC’s application for a finding of suitability to do business with a tribal casino in Oregon.”
- 7) The agent concluded that the licensee failed to timely notify the Commission of Oregon State’s action against the licensee, despite the 2007 statement about the “officers unjust denial of Galaxy Gaming of Oregon, LLC’s application for a finding of suitability to do business with a tribal casino in Oregon.”
- 8) The licensee failed to submit copies of final decisions, including a copy of the December 2005 Oregon State Police (OSP) report. The OSP report is the final written decision that found Mr. Saucier unqualified to do business with an Oregon tribe.
- 9) In September 2010, the agent contacted the OSP Gaming Enforcement Division and was told that Galaxy Gaming was denied from being added to the state’s approved vendor list⁴ and that Galaxy Gaming had sued Oregon State and personnel involved in the investigation.
- 10) The 2005 OSP report, “Vendor Initial Background Investigation,” found that “Robert B. Saucier, Galaxy Gaming, LLC, and Galaxy Gaming of Oregon, LLC, are unqualified to conduct business with the Confederated Tribes of the Grand Ronde Community of Oregon.”
- 11) The OSP report states that Robert Saucier failed to disclose that he was denied gaming licenses by three California tribes. The licensee also failed to timely disclose these denials to the Commission as well:
- a) In March 2003, the Colusa Tribal Gaming Agency in California denied Galaxy Gaming of CA, LLC’s May 20, 2002, gaming application.
 - i) The Tribal Gaming Agency based its denial on the number of “civil litigation records discovered during the preliminary investigation.”
 - ii) The Tribe also cited to the licensee’s failure to establish that the licensee “is a person of good character, honesty and integrity;” “is a person whose background, reputation, and associations will not result in adverse publicity for the Colusa Indian Community or its Gaming Enterprise;” is a person whose prior activities, criminal

⁴ Oregon does not license vendors; the individual tribes operating gambling activity do. However, Oregon State Police conducts initial background investigations and approves vendors to become licensed by tribes.

record if any, reputation, habits, and associations do not pose a threat to the public interest or to the effective regulation...or create or enhance the dangers of unsuitable, unfair, or illegal gaming practices, methods and activities..."

- b) In March 2003, the Santa Rosa Rancheria Tachi Tribe Gaming Commission in California denied Galaxy Gaming of CA, LLC's October 7, 2002, vendor application. In its denial letter, the Gaming Commission wrote, "Due to 6 civil litigations equaling \$204,248.15 found on your principal background you are not suitable for a vendor gaming license."
- c) In December 2002, the Tule River Tribe Gaming Commission in California denied Galaxy Gaming of CA, LLC's September 11, 2002 vendor application.
 - i) The Gaming Commission based its denial on: the applicant allowing a minor (Mr. Saucier's eight-year old daughter at the time) to own 95 percent of Galaxy Gaming of California; on not being "forthcoming" with any of the additional information that the background investigator requested; on Mr. Saucier's Financial Asset & Liabilities Disclosure not matching "the computer generated credit report;" and a failure to disclose a previous bankruptcy.
 - ii) A licensing agent with the Tule River Tribe Gaming Commission told the agent that the application was denied because Mr. Saucier was unwilling to provide requested information and the Tribe felt that he wasn't honest.

12) When asked about the 2002 and 2003 denials of gaming licenses in California, Mr. Saucier told the agent that he had not been denied in California, but by two or three tribes in California. The licensee did not provide copies of the written final decisions regarding the denials.

13) The FOD agent received responses to "legal inquiries"⁵ from three attorneys retained by the licensee for various matters:

- a) In September 2010, David Force, disclosed lawsuits that Galaxy Gaming of Oregon, LLC⁶ had filed against Oregon State Police Officers. The lawsuits were filed between 2007 and 2009 after Oregon State Police disqualified Galaxy Gaming of Oregon from providing services and contracting with the Grand Ronde Tribe. These were the same Oregon lawsuits described in the licensee's 2007 letter. Mr. Force disclosed that a settlement had resolved the lawsuits, which extinguished all claims by both parties, and where no admissions or payments were made by either party.
- b) On October 5, 2010, Watson Rounds, a law firm in Nevada disclosed the same or related

⁵ "Legal inquiries" are letters prepared by agents that are sent to the licensee for signature(s). Once signed, agents send the letters to the licensee's attorney(s) of record, asking for information on pending or "threatened" litigation and "other matters."

⁶ Robert Saucier is an owner of this LLC.

lawsuits described in the licensee's 2007 letter.

c) On October 1, 2010, Derek C. Decker, an attorney, in California, disclosed that he represented Mr. Saucier in an administrative proceeding initiated by the California Bureau of Gambling Control which seeks to deny Galaxy Gaming of California, LLC's and Mr. Saucier's suitability as a gaming resource supplier in California.⁷ Mr. Decker said a hearing was set for November 29, 2010, and was expected to take two weeks.

14) The California administrative action disclosed by Mr. Decker was filed in September 2009; however, the matter was not disclosed until October 2010.

15) Because the agent found information in the licensing file about Spokane lawsuits, the agent searched the Washington Superior Court Records for cases involving the licensee and Robert Saucier in Spokane County. The agent obtained the following copies of cases involving Mr. Saucier and the licensee that the licensee had not submitted to the Commission:

a) On June 30, 1998, the Spokane County Superior Court issued a Default Judgment in Case No. 98204026-7, *Robert Saucier v. Mars Hotel Corporation*. Mr. Saucier received a total judgment of \$1,711,939. Mr. Saucier sued the Mars Hotel Corporation; however, Mr. Saucier was the general manager, partner, and stockholder for the Mars Hotel, so it appeared that Mr. Saucier was essentially both plaintiff and defendant in the case.

b) Sherron Associates Loan Fund V (Mars Hotel) was granted a summary judgment in case number 98203142-0 against Mr. Saucier and others, in the amount of \$913,697.988.

c) On February 2, 2000, the Spokane County Superior Court issued a Default Judgment, case number 99-206581-1, in the matter of *Cyril W. Randell & Associates, Inc. v. Spokane Mars Limited Partnership, et al.* Randell & Associates, Inc. was awarded a \$715,000 judgment, plus \$362,443.07 in interest, \$19,843.75 in late charges, \$4,285.14 in costs, plus \$2,500 in attorney's fees, plus 25 percent per annum in interest on the judgment from February 1, 2000. Mr. Saucier was the general manager, partner, and stockholder of the Mars Limited Partnership.

False and misleading entries or statements made on applications under penalty of perjury.

16) New and renewal applications for a license, and Personal/Criminal History Statements include an "Oath of Application," which provides, "I declare under penalty of perjury, under the laws of the state of Washington, that all information provided on this application is true and complete to the best of my knowledge. I understand that untruthful, misleading, or incomplete answers whether through misrepresentation, concealment, inadvertence, or mistake, are cause for administrative closure or denial of an initial application or revocation of any gambling license(s) currently held."

⁷ This matter is currently pending.

⁸ Disclosed by the licensee via Stephen Sanville, attorney, in the 2007 letter as a Spokane County Judgment against Mr. Saucier.

17) Mr. Saucier signed all applications between 1998 and 2010. In 2011, William O'Hara signed the licensee's renewal application as Chief Operating Officer.

18) The licensee's original March 1998 applicant lists Julie Saucier as Robert Saucier's spouse; however, Mr. Saucier and Julie Saucier were divorced on May 15, 2000. On the licensee's renewal application dated May 2, 2001, that Mr. Saucier signed, the licensee marked "No" in response to the question regarding status changes affecting ownership, which includes marriage and divorce. The agent reviewed subsequent renewal applications and Mr. Saucier failed to disclose that he and Julie Saucier had divorced.

19) In January 2004, Robert Saucier and Therese (Watson) Saucier were married in Barbados. However, on the licensee's April 2004 Annual Renewal Application that Mr. Saucier signed, the licensee marked "No" to the question regarding status changes affecting ownership including "Marriage" or "Divorce." The application also asked for the spouse's name and the licensee wrote "N/A." The licensee made a false and misleading statement by not disclosing or providing the name of Mr. Saucier's spouse. The agent reviewed the subsequent renewal applications and found that Mr. Saucier had not disclosed that he and Therese (Watson) Saucier had married in 2004. Mr. Saucier later told the agent that they didn't consider the 2004 marriage real, but just in case, they had it annulled in June 2009. Although Mr. Saucier provided the agent with a copy of the 2009 annulment, he did not so until 2010.

20) Robert Saucier and Therese (Watson) Saucier had their marriage annulled on June 24, 2009, according to court documents Mr. Saucier provided the agent. Mr. and Mrs. Saucier later remarried on or about January 19, 2010, according to the disclosure on Therese (Watson) Saucier's Personal/Criminal History Statement, dated October 19, 2010. Mr. Saucier, however, marked "No" to the question regarding status changes affecting ownership including "Marriage" or "Divorce" on the licensee's renewal application dated February 17, 2010, and signed by Mr. Saucier.

21) On August 9, 2002, Robert Saucier signed a Personal/Criminal History Statement and made the following false or misleading statements to the Commission:

- a) He listed 3170 W Sahara Ave #D-21, Las Vegas, NV as his residence between March 2002 and the "present." This address is not a residential, but a business address.
- b) He listed Reno #45 SM20, Cancun, Q.Roo, Mexico as his residence between May 2002 and the "present." This address is not a residential, but a business address.
- c) He listed 1621 E Flamingo Rd #15-A, Las Vegas, NV as his residence between November 1999 and March 2002. This address is not a residential, but a business address.
- d) He stated that he was arrested on March 20, 2001, for "DUI" and wrote "dismissed 5/9/02" as the disposition; however, the DUI charge was amended and he pled guilty to

Reckless Driving,⁹ which he did not disclose. Mr. Saucier failed to report the DUI charge within thirty days, and failed to report and provide a copy of the final disposition.

22) Robert Saucier listed 303-1120 Hamilton St., Vancouver, B.C., Canada as his residence on his April 28, 2004, renewal application. This address was a commercial/business address, and not a "home" address as required on the application.

23) Robert Saucier signed under oath, a change of location application on August 30, 2004. The application asked "Will you own the premises/location that you are relocating?" Mr. Saucier marked "No," which was a false and misleading statement. The building was owned by the Abyss Group, LLC, which was owned by Mr. Saucier's then spouse, Therese (Watson) Saucier, who also owned 33.3 percent of Galaxy Gaming. The change of location application also required the licensee to submit the full name and current address of each person that had any interest in the premises or building, and the licensee failed to do so.

24) The licensee submitted documents that contained false and misleading statements describing Mr. Saucier's and Therese (Watson) Saucier's marital status. The licensee submitted two Membership Exchange Agreements to the Commission in September 2005 that referred to "Therese A. Watson" as "a single woman" and "Robert B. Saucier" as "a single man." Based on the 2004 marriage certificate issued by Barbados, Therese (Watson) and Robert Saucier were married at the time, and not single.

25) Therese (Watson) Saucier failed to disclose her self-employment at Morgan Fairfax, LLC on her 2009 Personal/Criminal History statement. Mrs. Saucier disclosed \$18,000 in self-employment earnings on her 2009 tax return; however, she did not disclose that employment information on the employment history she provided to the Commission.

Failure to disclose substantial interest holder.

26) In February 2007, the licensee used an office building at 6980 West O'Bannon Drive, Las Vegas, which was owned by the Abyss Group, LLC, as collateral to secure a \$1.25 million loan from Bank of America. As a result, the Abyss Group, LLC assumed the liability for the licensee's debt. Therefore, Abyss Group, LLC became a substantial interest holder of the licensee.

27) The agent asked Mr. Saucier why a company would put their asset at risk for Galaxy Gaming to get a loan and Mr. Saucier responded that the company is owned by his wife Therese (Watson) Saucier.

28) The agent reviewed the licensee's file, including 2007 and 2008 renewal applications, and determined that the licensee failed to report that the Abyss Group, LLC was a substantial interest holder. On or about October 11, 2010, the FIU agent requested that the licensee complete disclosure forms on the Abyss Group, LLC, but as of March 12, 2012, the licensee has failed to comply.

⁹ Reckless driving under Nevada law (NRS 484B.653) is a misdemeanor offense.

Failure to disclose loans and submit documents relating to loans and stock changes.

29) On April 1, 2010, the licensee deposited \$500,000 into its bank account. The agent determined that the \$500,000 was from the sale of stock to Prime Table Games, LLC. The licensee failed to disclose and submit documents relating to the \$500,000 cash contribution.

30) The licensee answered "No" on its 2009 renewal application when asked whether it had, any new loans. However, Galaxy Gaming, Inc.'s 2008 tax return showed a \$200,000 increase in loans (amount of money due to related parties).

31) The agent reviewed the licensee's board meeting minutes for April 28, 2010, which showed the board approved the purchase of Deuces Wild Hold'em Fold'em from T&P Gaming, Inc. The purchase price was \$216,000, paid with a note payable for \$126,000 and \$90,000 in Galaxy Gaming, Inc. stock. The agent also reviewed the Asset Purchase Agreement between Galaxy Gaming, Inc. and T&P Gaming, Inc., and the licensee's 2011 renewal application. The licensee failed to disclose the \$90,000 issuance of Galaxy Gaming, Inc. stock.

Failure to report entities that Robert Saucier has or had ownership or membership interest in, or managed.

32) Based on information from the Pennsylvania Gaming Control Board in 2010, and from the Oregon State Police report in 2003, the licensee failed to disclose the following entities that Robert Saucier has or had ownership or membership interest in, or managed:

- | | |
|------------------------------------|-------------------------------------|
| 1. Carpathia Associates, LLC | 20. First Fidelity Financial, LLC |
| 2. Crown Acquisitions, LLC | 21. Franklin Group, LLC |
| 3. Alameda Enterprises, LLC | 22. Franklin Mutual, LLC |
| 4. Corporate Edge, LLC | 23. Intergalactic Enterprises, LLC |
| 5. Outsource Management, LLC | 24. JNR Enterprise, LLC |
| 6. Durango Associates, LLC | 25. Kokomo Stud, LLC |
| 7. Dynamic Results, LLC | 26. Lucky Ladies, LLC |
| 8. Morgan Fairfax, LLC | 27. Registered Agents of New Mexico |
| 9. Addison-Jones, LLC | 28. Magee West, LLC |
| 10. Akemi Yabu | 29. Westgate Pacific, LLC |
| 11. Adobe Associates, LLC | 30. Equus Consulting, LLC |
| 12. American River Consulting, LLC | 31. Madison Atlantic, LLC |
| 13. Apex Business Solutions, LLC | 32. Nothing Ventured, LLC |
| 14. Blue Dolphin Enterprises, LLC | 33. Outsource Management, LLC |
| 15. Canyon Road Design, LLC | 34. Silver Bush, LLC |
| 16. Colanthe, LLC | 35. Texas Shootout, LLC |
| 17. Crown Acquisitions, LLC | 36. Trust Account Services, LLC |
| 18. Crown Consultants, LLC | 37. Zia Verde, LLC |
| 19. Durango Associates, LLC | |

33) The licensee has the following administrative history since 2004:

- a) On or about September 30, 2011, agents verbally warned Mr. Saucier for installing unauthorized versions of equipment. (CR 2011-01248)
- b) On October 8, 2010, agents issued a Notice of Violation and Settlement (NOVAS)¹⁰ for failure to file a required activity report. (CR 2010-01201)
- c) On November 2, 2007, agents issued a NOVAS for failure to file a required activity report. (CR 2007-01787)
- d) On January 25, 2005, agents issued a warning letter for purchasing table layouts from an unlicensed manufacturer. (CR 2005-00050)
- e) On August 30, 2004, agents issued a warning letter for violating rules about discriminatory pricing and gifts to operators.¹¹ The licensee had given operators with multiple locations discounts, and had provided food and beverage as gifts. (CR 2004-00756)

VIOLATIONS

1) RCW 9.46.075 Denying, suspending, or revoking an application, license or permit.

The commission may deny an application, or 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 applicant or licensee, or any person with any interest therein: (The following subsections 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.

(8) Fails to prove, by clear and convincing evidence, that he, she, or it is qualified in accordance with the provisions of this chapter.

¹⁰ A Notice of Violation and Settlement identifies the violation and gives licensees an opportunity pay a fine to settle the matter.

¹¹ The discriminatory pricing rules have since been repealed.

2) WAC 230-03-085 Denying, suspending, or revoking an application, license or permit.
(Formerly WAC 230-04-400(1), (3), (6) and (8))¹²

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

(The following subsections 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) Poses a threat to the effective regulation of gambling, or 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; or (b) Criminal record; or (c) Reputation; or (d) Habits; or (e) Associations.

3) RCW 9.46.153(1) Applicants and licensees-Responsibilities and duties.

It shall be the affirmative responsibility of each applicant and licensee to establish by clear and convincing evidence the necessary qualifications for licensure of each person required to be qualified under this chapter, as well as the qualifications of the facility in which the licensed activity will be conducted.

4) 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 willfully fail to maintain or make any entry required to be maintained or made, or who willfully 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.

5) WAC 230-06-080 Report changes to application information and submit updated documents and information. (Formerly WAC 230-04-110)

(1) Licensees must notify us in writing if any information filed with the application changes in any way within thirty days of the change.

¹² The agency re-wrote all of its rules around January 2008. The substance of most rules remained unchanged. However, all of the rules were re-numbered in new chapters.

(2) Licensees must submit to us any new or updated documents and information, including the following:

- (a) Articles of incorporation or bylaws, or any other documents which set out the organizational structure and purposes; and
- (b) All oral or written contracts and agreements which relate to gambling activities or alter the organizational structure of the licensee's organization or business activities in Washington; and
- (c) All cash or asset contributions, draws from lines of credit, and loans (except those from recognized financial institutions) during any calendar year which by themselves or totaled together are more than ten thousand dollars. Cash or asset contributions do not include donations to licensed charitable or nonprofit organizations.

The licensee made false or misleading entries or statements on its renewal and other applications and documents submitted to the Commission as follows:

- A. The licensee failed to disclose the 2000 divorce between Robert and Julie Saucier, and made a false statement on its 2001 and all subsequent renewal applications, by checking "No," in response to whether any changes affecting ownership, including marriage or divorce had occurred.
- B. The licensee failed to disclose the January 2004 marriage between Robert and Therese (Watson) Saucier on its 2004 renewal, or subsequent applications. Additionally, the licensee did not disclose any information about Therese (Watson) Saucier on its 2004 application, answering, "N/A," in response to the question of name of spouse.
- C. Robert Saucier and Therese (Watson) Saucier had their marriage annulled on June 24, 2009. They remarried on or about January 19, 2010. However, on the licensee's renewal application dated February 17, 2010, the licensee answered "No" to the question about whether any status changes affecting ownership, including marriages and divorces, had occurred.
- D. On August 9, 2002, Mr. Saucier completed and signed a Personal/Criminal History Statement, and listed three separate business addresses instead of his residential address as required.
- E. On the licensee's renewal application, dated April 28, 2004, Mr. Saucier disclosed a business address instead of his home street address as required.
- F. Mr. Saucier disclosed a March 20, 2001 arrest for DUI, and listed the DUI charge as "dismissed 5/9/02." Mr. Saucier failed to disclose that he actually pled guilty to a lesser charge of Reckless Driving.
- G. The licensee answered "No" on its 2009 renewal application when asked whether it had, any new loans. However, Galaxy Gaming, Inc.'s 2008 tax return showed a \$200,000 increase in loans (amount of money due to related parties).

- H. Therese (Watson) Saucier and Robert Saucier were married in 2004 in Barbados; however, the licensee submitted documents that referred to each as single. The licensee submitted two Membership Exchange Agreements in September 2005, which referred to "Therese A. Watson" as "a single woman." The other Agreement refers to "Robert B. Saucier" as "a single man."
- I. On its August 2004 change of location application signed by Mr. Saucier, the licensee answered, "No" when asked whether it would own the premises/location. However, the licensee, through Robert Saucier's spouse, Therese (Watson) Saucier, owned the premises/location through the Abyss Group, LLC and through Mrs. Saucier's 33.3 percent ownership of Galaxy Gaming in 2004.
- J. On April 1, 2010, the licensee deposited \$500,000 into their bank account from the sale of stock to Prime Table Games, LLC.
- K. On or about April 15, 2010, the licensee purchased Deuces Wild Hold'em Fold'em from T&P Gaming, Inc. Part of the agreement included the issuance of \$90,000 in company stock.

The licensee, through Robert Saucier, has demonstrated willful disregard for gambling rules and laws through a history of repeatedly failing to disclose, misrepresenting, and providing false or misleading information on its renewal applications. This conduct violated RCW 9.46.170. The licensee also failed to submit updated applications and documents, in violation of WAC 230-06-080.

The licensee also demonstrates that it poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, based on its prior activities.

The licensee has failed to prove by clear and convincing evidence that it is qualified to hold a license, as required by RCW 9.46.153. Grounds, therefore, exist for the suspension or revocation of Galaxy Gaming's license to conduct gambling activities, based on RCW 9.46.075(1), (7), and (8), and WAC 230-03-085(1), (3), (7), and (8).

6) WAC 230-06-107 Ownership changes — Allowed. (Formerly WAC 230-04-340)

A licensee must report any change in ownership when the change would result in any person or organization becoming a substantial interest holder.¹³ Changes in ownership are allowed under the following conditions:

¹³ WAC 230-03-045 Defining substantial interest holder. (Formerly WAC 230-02-300)

- (1) "Substantial interest holder" means a person who has actual or potential influence over the management or operation of any organization, association, or other business entity.
- (2) Evidence of substantial interest may include, but is not limited to:
 - (a) Directly or indirectly owning, operating, managing, or controlling an entity or any part of an entity; or
 - (b) Directly or indirectly profiting from an entity or assuming liability for debts or expenditures of the entity.

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.

In February 2007, the licensee used an office building owned by the Abyss Group, LLC as collateral to secure a \$1.25 million loan from Bank of America. As a result, the Abyss Group, LLC assumed the liability for the licensee's debt. Therefore, under WAC 230-03-045(2)(b), and former WAC 230-03-045, the Abyss Group, LLC became a substantial interest holder of the licensee.

The licensee failed to report that the Abyss Group, LLC was a substantial interest holder, in violation of WAC 230-06-107 (and former WAC 230-04-340).

Because the licensee failed to report a new substantial interest holder, Commission staff was unable to investigate the details of the transaction and the qualifications of the new substantial interest holder(s), as required by WAC 230-06-107(4) (and former WAC 230-04-340).

The licensee's failure to disclose the Abyss Group, LLC as a new substantial interest holder to the Commission demonstrates that Galaxy Gaming poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, based on its prior activities.

The licensee has failed to prove by clear and convincing evidence that it is qualified to hold a license, as required by RCW 9.46.153. Grounds, therefore, exist for the suspension or revocation of Galaxy Gaming's license to conduct gambling activities, based on RCW 9.46.075(1), (7), and (8), and WAC 230-03-085(1), (3), (7), and (8).

7) WAC 230-06-090 Report administrative and civil actions filed. (Formerly WAC 230-12-310)

(1) All licensees must report to us in writing within thirty days all administrative actions filed against them by other gambling regulatory agencies, including those from other countries and Indian tribes.

(2) Licensed organizations must report to us in writing within thirty days all civil and administrative actions that are filed by or against any manager of the licensed gambling activity, the business organization, or any person holding a substantial interest in the business organization. Actions include, but are not limited to:

- (a) Divorces; and
- (b) Bankruptcy; and
- (c) Tax liens; and
- (d) Business dissolutions.

(3) The report must consist of a complete copy of the original documents filed. Licensees must notify the commission of the final disposition of the case and include a copy of the final documents filed including, but not limited to, settlement agreements.

(4) For cases involving patent infringement on gambling equipment, licensees must send only the final written decision or settlement.

(5) We must receive a copy of the final written decision or settlement within thirty days after the case is resolved.

The licensee failed to timely disclose the following administrative and civil actions, and failed to provide copies of documents and final decisions, in violation of WAC 230-06-090:

A. On or about October 19, 2009, The California Department of Justice Bureau of Gambling Control filed a "Statement of Issues" before the California Gambling Control Commission recommending the denial of the application of Robert Saucier and Galaxy Gaming of California, LLC for a finding of suitability.

B. In 2005, Robert B. Saucier, Galaxy Gaming, LLC, and Galaxy Gaming of Oregon, LLC were determined to be unqualified by the Oregon State Police Tribal Gaming Section, to conduct business with the Confederated Tribes of the Grand Ronde Community of Oregon.

C. Robert Saucier sued Oregon State Police Officers based on Oregon State's determination of unsuitability, and failed to adequately notify the Commission of the lawsuits and subsequent December 2009 settlement.

D. Copies of all final court decisions related to lawsuits involving Sherron Associates Loan Fund V (Mars Hotel).

E. Robert Saucier's 2000 divorce from Julie Saucier.

F. The Colusa Tribal Gaming Agency in California denied Galaxy Gaming of CA, LLC's gaming application.

G. The Santa Rosa Rancheria Tachi Tribe Gaming Commission in California denied Galaxy Gaming of CA, LLC's vendor application.

H. The Tule River Tribe Gaming Commission in California denied Galaxy Gaming of CA, LLC's Vendor application.

The licensee's prior activities of failing to disclose all administrative and civil actions and failing to provide copies of final decisions since it was licensed in 1998, in violation of WAC 230-03-090, demonstrates that Galaxy Gaming poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities.

The licensee has failed to prove by clear and convincing evidence that it is qualified to hold a license, as required by RCW 9.46.153. Grounds, therefore, exist for the suspension or revocation of Galaxy Gaming's license to conduct gambling activities, based on RCW 9.46.075(1), (7), and (8), and WAC 230-03-085(1), (3), (7), and (8).

8) WAC 230-06-085 Report criminal actions filed (Formerly WAC 230-12-310)

(1) Licensees must report to us in writing within thirty days all criminal actions filed against the licensee, any manager of the licensed gambling activity, the business organization, or any person holding a substantial interest in the business organization.

(2) We must receive a copy of the final written decision or settlement within thirty days after the case is resolved.

Robert Saucier failed to report within 30 days that on August 13, 2001, he was charged with Driving and/or Being in Actual Physical Control While Under the Influence of Intoxicating Liquor (DUI), in violation of WAC 230-06-085. Mr. Saucier also failed to provide a copy of the final decision within 30 days, and that on May 9, 2002, the DUI charge had been amended to Reckless Driving.

The licensee has failed to prove by clear and convincing evidence that it is qualified to hold a license, as required by RCW 9.46.153. Grounds, therefore, exist for the suspension or revocation of Galaxy Gaming's license to conduct gambling activities, based on RCW 9.46.075(1), (7), and (8), and WAC 230-03-085(1), (3), (7), and (8).

9) WAC 230-03-195 Additional information required from manufacturer and distributor license applicants. (Formerly 230-04-110)

If you are applying for a manufacturer or distributor license, you must attach the following to your application form:

(1) A list of all businesses or corporations which you, or officers, directors, or substantial interest holders of your business, either directly or indirectly, own or control as a substantial interest holder; and

(2) A list of all businesses or corporations licensed to conduct gambling activities or to supply gambling-related equipment, supplies, or services in which you, officers, directors, or substantial interest holders of your business have any interest; and

(3) A list of all jurisdictions in which you or any of the officers, directors, or substantial interest holders of your business have had a gambling-related license at any level during the previous ten years; and

(4) A statement about whether you, or officers, directors, or substantial interest holders have ever been part of a business that had a gambling-related license denied, revoked, or suspended by any jurisdiction for a period longer than thirty days.

The licensee failed to disclose the Oregon State and California administrative actions, as well as the denial by three California tribes. Additionally, the licensee failed to attach to any of his renewal applications, at least 37 entities that Robert Saucier has or had owned or held interest in.

The licensee has failed to prove by clear and convincing evidence that it is qualified to hold a license, as required by RCW 9.46.153. Grounds, therefore, exist for the suspension or revocation of Galaxy Gaming's license to conduct gambling activities, based on RCW 9.46.075(1), (7), and (8), and WAC 230-03-085(1), (3), (7), and (8).

10) WAC 230-03-065 Spouses must also be qualified. (Formerly WAC 230-04-170)

(1) Applicants' spouses must also meet the qualifications to hold a gambling license when married persons who maintain a marital community apply for or hold a license to operate gambling activities. This includes, but is not limited to, owners and substantial interest holders of commercial gambling establishments and officers of charitable or nonprofit organizations.

(2) If you are a licensed employee of a gambling operation, your spouse does not need to meet the licensing qualifications.

Therese (Watson) Saucier failed to disclose her self-employment at Morgan Fairfax, LLC on her 2009 Personal/Criminal History statement. Mrs. Saucier disclosed \$18,000 in self-employment earnings on her 2009 tax return; however, she did not disclose that employment information on the employment history she provided to the Commission.

Based on her prior activities of providing false and misleading information, Therese (Watson) Saucier demonstrates that she poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, method, and activities in the conduct of gambling activities.

The licensee has failed to prove by clear and convincing evidence that it is qualified to hold a license, as required by RCW 9.46.153. Grounds, therefore, exist for the suspension or revocation of Galaxy Gaming's license to conduct gambling activities, based on RCW 9.46.075(1), (7), and (8), and WAC 230-03-085(1), (3), (7), and (8).

V.

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 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
RICK DAY, DIRECTOR

SUBSCRIBED AND SWORN TO before me
this 14 day of March, 2012.

Michelle F. Rancour
NOTARY PUBLIC in and for the State of
Washington residing at Thurston County
My commission expires on 10-19-15

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 14 day of March, 2012

Mauraen Pretell

Communications and Legal Department
Washington State Gambling Commission

