STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Suspension or Revocation Licenses to Conduct Gambling Activities of:	)	No. CR 2010-00336
15743 Ambaum, LLC., d/b/a Wizards Casino Burien, Washington,	)	**NOTICE OF ADMINISTRATIVE CHARGES AND OPPORTUNITY FOR AN ADJUDICATIVE PROCEEDING**
Licensee.	)	

I.

The Washington State Gambling Commission issued 15743 Ambaum, LLC., d/b/a Wizards Casino (Wizards) the following licenses:

Number 67-00287, Authorizing Class "15" Housebanked Card Room Activity; and
Number 05-20858, Authorizing Class "B" Punchboard/Pull-Tab Activity.

These licenses expire on December 31, 2010, and 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:

SUMMARY:

The owners of Wizards:

a) Engaged in an act, practice or course of operation that would operate as a fraud or deceit upon another person when they cashed checks from an employee totaling $35,000, although they knew that the checks were not from the employee's bank account.
b) Failed to disclose or made a misrepresentation of information to a Commission Special Agent about fraudulent checks cashed at Wizards.
c) Caused card room employees to violate gambling rules, Wizards' own check cashing procedures, and internal controls.
d) Willfully disregarded gambling laws and regulations when, although they knew it was against Commission rules, the owners authorized and instructed card room employees to cash a third party check and cash checks from someone who is not the check owner.
e) Failed to report to the illegal or suspicious activity.
f) Failed to copy and preserve surveillance video of the illegal or suspicious activity.

OWNERSHIP STRUCTURE:

15743 Ambaum, LLC., d/b/a Wizards Casino has the following ownership structure:

a) Cory Colye has 52.66 percent ownership interest.
b) Paul Copioli has 26.67 percent interest.
c) Keven Bauman has 12.33 percent ownership interest. Mr. Bauman is also the General Manager of Wizards.
d) Bang Le has 8.33 percent ownership interest.

FACTS:

1) On March 16, 2010, a Commission Special Agent (agent) went to Wizards to investigate a complaint that the licensee extended credit to players. While at Wizards, the agent told Cory Coyle that he was investigating a complaint. The agent reviewed Wizards NSF[1] check log and saw that John Chan wrote three checks (#3443, #0834, and #0835) totaling $20,000 in NSF checks to Wizards. The agent asked Mr. Coyle about John Chan. Mr. Coyle told the agent:

- John Chan was a floor supervisor at Wizards, but Mr. Coyle recently terminated him.
- He determined that John Chan wrote fraudulent checks to Wizards from his brother's bank account.

2) On March 30, 2010, the agent met again with Mr. Coyle at Wizards. Mr. Coyle provided the agent with copies of the three NSF checks (#3443, #0834, and #0835) that John Chan wrote to Wizards. Checks #3443 and #0835 were each for $5,000 and check #0834 was for $10,000. All of the checks had the name Sam Chan on them and were for a bank account with US Bank. Mr. Coyle told the agent:

- He reviewed the check for $10,000 and although the check had Sam Chan's name on it he thought that John was the "American"[2] name for Sam.
- He took the check #0834 for $10,000 to US Bank and had it converted into a cashier's check.

3) The agent contacted Sam Chan at the telephone number on the checks. On April 1, 2010, April 14, 2020, and May 12, 2010, the agent spoke to Sam Chan, who told the agent:

- His brother, John Chan, stole checks and an old driver's license from his house.
- He knew that John Chan wrote checks to Wizards casino from his bank account.
- John Chan told him that he had to pay gambling debts to Wizards and he got the impression that Wizards was extending credit to John.
- On March 4, 2010, he went to US Bank and put a stop payment on all outstanding checks from his bank account. US Bank told him checks #3443, #0834, and #0835 were still outstanding.
- US Bank gave him the contact information for Cory Coyle at Wizards regarding check

[1] Non Sufficient Funds.
[2] Sam and John are of Asian descent and sometimes persons of Asian descent go by an "American" name.

#0834 for $10,000. Mr. Coyle had come in that day to convert check #0834 into a cashier's check.

- On March 6, 2010, he told Cory Coyle that the checks John Chan wrote were fraudulent and done so without his permission.
- He never gave anyone at Wizards authorization to cash any of his checks.

4) Sam Chan gave the agent copies of all the fraudulent checks written by John Chan. The agent discovered that John Chan wrote an additional three fraudulent checks at Wizards besides the ones listed on Wizards NSF check log. Check #3440 for $5,000, was made out to Jonathan Do and cashed at Wizards, and checks #3441 and #3442 each for $5,000 were made out to Wizards.

5) Based on the information from Sam Chan, the agent determined that Wizards casino cashed a total of six checks that John Chan wrote from Sam's bank account totaling $35,000.

Check	Amount	Date
#3440	$5,000	February 25, 2010
#3441	$5,000	February 25, 2010
#3442	$5,000	February 26, 2010
#3443	$5,000	March 3, 2010
#0834	$10,000	March 3, 2010
#0835	$5,000	March 4, 2010

6) After talking to Sam Chan, the agent again met with Mr. Coyle on April 21, 2010, and asked him about the additional three checks (#3440, #3441, and #3442) that John Chan. Mr. Coyle told the agent:

- He had talked to Sam Chan and was told John Chan stole an identification card from him.
- John Chan cashed five checks at Wizards.
- When John Chan started writing checks to Wizards, he wanted to make sure checks #3441 and #3442 would clear because they were for large amounts.
- He took checks #3441 and #3442 to the bank and converted them to cashier's checks; both checks cleared the bank. Mr. Coyle's signature and cell phone number were on the back of each check.
- Checks #3443, #0834, and #0835 did not clear the bank.
- John Chan gambles at Wizards.

Mr. Coyle knew about additional checks written by John Chan that did not appear on Wizards' NSF check list, but failed to disclose this information to the agent during their March 16, 2010, and March 30, 2010, conversations about the checks John Chan wrote to Wizards.

7) On April 22, 2010, the agent interviewed Keven Bauman, who told the agent the following:

- John Chan asked him if he could cash a check and he authorized two checks (#3441 and #3442) each for $5,000 which John wrote to Wizards.
- He approved check #3442 over the telephone. He approved check #3441 in person and saw that the name on the check was "Sam Chan." He thought that "John" was the "American" name and "Sam" was his real name.
- John Chan was an employee of Wizards and he did not think he needed to review the check.
- John received cash for both of the checks and he used the cash to gamble at Wizards.
- He also authorized and cashed check #3440 that John Chan wrote to Jonathan Do for $5,000.
- Jonathan Do was a player at Wizards and John Chan owed him $5,000.

The agent asked Mr. Bauman if John Chan told him that his brother Sam Chan allowed him to cash checks from Sam Chan's account. Mr. Bauman told the agent "No," but then told the agent that John Chan said "something" about his brother but could not remember what it was.

The agent then asked Mr. Bauman if he knew that checks #3440, #3441, and #3442 did not belong to John Chan. Mr. Bauman told the agent that he knew that those checks were not John Chan's, but he approved them to be cashed anyway. Mr. Bauman said that John Chan told him, "My brother would cover it."

8) The agent interviewed Shift Manager Samuel Mickelson on three occasions. Mr. Mickelson told the agent on March 30, 2010:

- He approved checks #0834 and #0835 and saw the name "Chan" on the checks and assumed it was John Chan's checks.

Mr. Mickelson told the agent on April 21, 2010:

- After John Chan cashed checks #0834 and #0835, he gambled the money at Wizards.
- He did not write John Chan's driver's license number on check #0834.

Mr. Mickelson told the agent on April 28, 2010:

- He did not know that the checks he approved were not John Chan's and John Chan did not bring up his brother when cashing the checks.
- He contacted Keven Bauman for authorization to cash check #0834. Mr. Bauman authorized him to cash the checks and instructed Mr. Mickelson to not follow Wizards internal controls for cash checking procedures because the check would not clear the check verification system (Landmark).

9) On April 20, 2010, the agent interviewed cage cashier Roeun Sok. Ms. Sok told the agent:

- John Chan asked Mr. Mickelson to cash two checks.
- Mr. Mickelson told her to cash checks #0834 and #0835.

- Because John Chan was an employee and because her manager told her to cash the checks, she did not check John Chan's identification and did not run the checks through the Landmark check verification system.
- The name on the check said Sam Chan and she thought that "Sam" could have been John Chan's "American" name.

10) The agent interviewed Shift Manager Eric O'Neal on two different occasions. On April 22, 2010, Mr. O'Neal told the agent:

- John Chan wanted to cash check #3433 for $5,000 and he told John Chan he could not cash it because the name on the check was not "John Chan."
- John Chan told him that the check was his brother's and he said it was okay to cash the check.
- John Chan had Mr. O'Neal talk on the telephone to someone he thought was John Chan's brother. The person on the telephone said it was okay to cash the check.
- He approved check #3433.

On April 28, 2010, Mr. O'Neal told the agent:

- He would not approve the check unless someone higher (in rank) than him at the casino approved the check.
- He contacted Bang Le, part owner of Wizards, by telephone to get authorization to cash the check.
- Mr. O'Neal told Mr. Le that the check was from Sam Chan's bank account, not John Chan's. However, Mr. Le authorized the check to be cashed.
- Mr. Le was not at Wizard's when John Chan asked to cash check #3443.

11) On April 28, 2010, the agent interviewed Bang Le. Mr. Le told the agent:

- John Chan asked him if he would approve a check.
- He did not know that the check was not John Chan's
- He approved John Chan's check #3443 for $5,000.

The agent asked Mr. Le why both he and Mr. O'Neal have their initials and employee numbers written on the check indicating that they both approved the check. Mr. Le did not know why both of their initials were on the check. When asked if he noticed that the check did not have John Chan's name on it, Mr. Le said he may have thought that "Sam" was John Chan's "American" name.

12) On April 30, 2010, the agent interviewed Hiem Nguyen, Cage Cashier. Ms. Nguyen told the agent:

- Jonathan Do is a regular "high-roller" player at Wizards and he brought check #3440 to the cage to cash.
- She noticed the check was a third party check (made out to Jonathan Do from someone else) and asked Keven Bauman about cashing the check.

- Keven Bauman told her to cash the third party check.
- John Chan brought check #3441 to the cage to cash.
- She asked Keven Bauman about cashing the check because it was not John Chan's check.
- Mr. Bauman told her the check was John Chan's brother's check and told her to cash the check.

13) On April 30, 2010, the agent again met with Mr. Coyle, who told the agent:
    - Keven Bauman told him that he knew that the checks John Chan wrote were from John's brother's bank account, but Mr. Bauman authorized Wizards employees to cash them anyway.
    - He deposited into Wizards' bank account a third party check (#3440, written to Jonathan Do) that Mr. Bauman authorized Wizards to cash.
    - He did not know until March 4, 2010, when US Bank called him about check #0834 that the checks John Chan wrote were from his brother's account.
    - He knows it is against Commission rules to cash a third party check or to cash a check from someone who is not the check owner.
    - Mr. Bauman did not tell him that John Chan was writing checks from Sam Chan's bank account. (This contradicts what Mr. Coyle told the agent at the beginning of the interview.)

VIOLATIONS:

RCW 9.46.075 Denial, suspension, or revocation of license, application, 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.

(2) Knowingly causes, aids, abets, or conspires with another to cause, any person to violate any of the laws of this state or the rules of the commission

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

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

(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.

RCW 9.46.190 Violations relating to fraud or deceit.
Any person or association or organization operating any gambling activity who or which, directly or indirectly, shall in the course of such operation:

(1) Employ any device, scheme, or artifice to defraud; or
(2) Make any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statement made not misleading, in the light of the circumstances under which said statement is made; or
(3) Engage in any act, practice or course of operation as would operate as a fraud or deceit upon any person;
Shall be guilty of a gross misdemeanor subject to the penalty set forth in RCW 9A.02.021.

RCW 9.46.185 Causing person to violate rule or regulation.
Any person who knowingly causes, aids, abets, or conspires with another to cause any person to violate any rule or regulation adopted pursuant to this chapter shall be guilty of a gross misdemeanor subject to the penalty set forth in RCW 9A.20.021.

RCW 9.46.153(3) Applicants and licensees — Responsibilities and duties — Waiver of liability — Investigation statement as privileged.
All licensees, and persons having any interest in licensees, including but not limited to employees and agents of licensees, and other persons required to be qualified under this chapter or rules of the Commission shall have a duty to inform the Commission or its staff of any action or omission which they believe would constitute a violation of this chapter or rules adopted pursuant thereto. No person who so informs the Commission or the staff shall be discriminated against by an applicant or licensee because of the supplying of such information.

WAC 230-15-305 Reporting illegal or suspicious activities.

(1) Class F and house-banked card game licensees must report to us within three business days any illegal or suspicious activities within the portion of their business premises required to be under surveillance.

(2) Licensees must:

(a) Make a copy of the entire recorded sequence of the activity; and

(b) Give the original recording to us or other law enforcement when requested; and

(c) Keep the copy for at least thirty days.

WAC 230-06-005 Accept checks in gambling activities.

(1) Licensees may accept a check in the place of cash from a player for authorized gambling activities if the check is fully negotiable when it is accepted and is:

(a) From the player's personal account and is dated the same day; or

(b) Issued by a government agency or by a business, such as a payroll check.

(2) Licensees must not accept:

(a) Third-party checks drawn on a personal account or counter checks; or

(b) Checks from a player who owes the licensee money from a previous returned personal check. If licensees use check guarantee and collection services, this subsection does not apply.

(3) If licensees accept a check in violation of the provisions of this section, they are violating the rules against extending credit.

WAC 230-06-035(1) Credit, loans, or gifts prohibited.

Licensees, employees, or members must not offer or give credit, loans, or gifts to any person playing in an authorized gambling activity or which makes it possible for any person to play in an authorized gambling activity.

WAC 230-15-580 Accepting checks at the cashier's cage.

(The following subsections apply.)

(1) House-banked card game licensees may accept checks from players as explained in WAC 230-06-005 and must meet the following additional requirements:

(a) Licensees may only accept checks from players at the cashier's cage; and

(b) Before cashing the check, the cage cashier must examine the player's identification to confirm the player's identity; and

(c) The cage cashier must:

(i) Endorse the check "for deposit only" to the licensee's bank account; and

(ii) Initial the check; and

(iii) Date and time stamp the check; and

(iv) Verify that the player is not listed on the daily returned check report. If licensees use a check guarantee and collection service, the licensee may disregard this subsection; and

(v) Exchange the check for currency and coin in the amount for which the check is drawn, minus any applicable fees; and

(vi) Forward all player checks to the main bank cashier.

(3) Licensees must deposit all checks received into their bank account, within two banking days after receipt. Checks deposited to an armored car service within two banking days meet this requirement.

WAC 230-15-425 Internal controls.

(1) House-banked card game licensees must:

(a) Adopt internal controls in the format we require; and

(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

(c) Follow all ICs at all times; and

(d) Have all ICs available to us at all times at the licensed business premises; and

(e) Have the ICs available to card room employees for their individual functions; and

(f) Ensure that card room employees are knowledgeable in all accounting and internal control procedures for their individual functions and ensure that employees follow the ICs.

(2) Licensed card room employees must follow the internal control procedures for their individual functions.

1) Under RCW 9.46.190, Wizards engaged in an act, practice or course of operation that would operate as a fraud or deceit upon any person when the owners authorized and instructed employees to cash checks John Chan wrote totaling $35,000, although at least one owner knew that the checks were not John Chan's. Mr. Bauman and Mr. Coyle failed to disclose or made a misrepresentation of information to the agent about the fraudulent checks John Chan cashed at Wizards.

2) The owners of Wizards caused card room employees to violate gambling rules, in violation of RCW 9.46.185, when they authorized and instructed Wizards' employees to cash checks that did not come from John Chan's personal bank account and to cash a third party check in violation of WAC 230-06-005. As a result, Wizards extended credit, in violation of WAC 230-06-035.

3) Keven Bauman admittedly knew that John Chan wrote checks from his brother's bank account. On March 4, 2010, Cory Cole was told by US Bank that the checks John Chan cashed at Wizards were fraudulent and written from another person's bank account. However, Mr. Bauman and Mr. Coyle failed to report to Commission staff within three business days the illegal or suspicious activity and failed to copy and preserve surveillance video of John Chan cashing the fraudulent checks, in violation of WAC 230-15-305 and RCW 9.46.153.

4) Wizards' employees failed to follow its check cashing procedures and internal controls, in violation WAC 230-15-580 and WAC 230-15-425, when the cage cashiers failed to:

- Run checks that John Chan wrote from another person's bank account through the Landmark check verification system; and
- Review John Chan's identification prior to cashing the checks.

5) Wizards willfully disregarded gambling laws and regulations when they cashed checks John Chan wrote totaling $35,000, although the owner knew that the checks were not from John Chan's bank account. This also includes cashing a third party check that John Chan wrote to Jonathan Do.

6) Therefore, grounds exist to suspend or revoke Wizards' licenses under RCW 9.46.075(1), (2), and (7), and WAC 230-03-085(1), (3), and (8).

III.

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

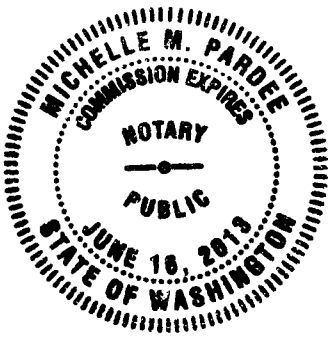
The licensee will have the opportunity to have a hearing on the alleged violations.

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 REVOKING your licenses.

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

SUBSCRIBED AND SWORN TO before me this 29 day of July, 2010.

Michelle M. Pardee
NOTARY PUBLIC in and for the State of Washington residing at Lacey
My Commission expires on June 16, 2013

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 29 day of July, 2010

Communications and Legal Department
Washington State Gambling Commission
Michelle M Pardee