

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Suspension of the)
Licenses to Conduct Gambling Activities of:)

Lilac Lanes and Casino,)
Spokane, Washington,)

Licensee.)
_____)

NO. CR 2012-00265

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

David Trujillo 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 Lilac Lanes and Casino, 1112 E. Magnesium Road, Spokane, Organization Number 00-21305, the following license(s):

Number 67-00267, Authorizing Class 12 House-Banked Card Room Activity.
Number 53-21040, Authorizing Class A Amusement Game Activity.

The licenses expire on June 30, 2014, and were issued subject to the licensee's compliance with state gambling laws and regulations.

IV.

SUMMARY:

The licensee, Lilac Lanes and Casino, committed numerous violations, including:

- Discriminating against card room employees who provided information to Special Agents by terminating their employment or reducing their hours.
- Knowingly causing others to violate rules and laws by repeatedly allowing persons to gamble while intoxicated.

- Exceeding the \$300 wagering limit and failing to post rules for play.
- Allowing managers to receive tips, despite a prior warning.
- Cashing a \$14,000 check from a patron that was not from the patron's personal account, was not dated the same day it was cashed, and paying the patron \$7,000 in chips, and \$7,000 in cash, rather than paying all in cash as required.
- Failing to follow card table closing procedures.

FACTS:

1) The licensee, Lilac Lanes and Casino, has been licensed as a house-banked card room and punchboard/pull-tab operator since 2007. The licensee did not renew its punchboard/pull-tab license in 2013. Richard Stine and Richard "Rick" Provost, Jr. each own equal shares in the business. Mr. Stine resides out of state, and is designated as the highest ranking officer. Mr. Provost is designated as Chairman of the Board. At the time the alleged violations occurred, Mr. Provost was also the licensee's General Manager.

EXCEEDING LEGAL WAGER LIMIT

2) Commission Special Agents (agents) began this investigation in February 2012, after the licensee's former Gaming Operations Manager self-reported the card room had exceeded the \$300 maximum legal wager limit.

3) Arinetta "A.J." McGarvey, the licensee's Gaming Operations Manager at the time, called the agent and left messages to call her on February 4, 2012, and again on February 5. On February 6, Ms. McGarvey reported through an e-mail to the agent that she had mistakenly allowed a player to wager above the \$300 maximum on February 3. In her e-mail, with the subject line "My Mistake," Ms. McGarvey said she got Pai Gow limits mixed up with poker limits. She found she was mistaken when she reviewed the rules the next day.

4) The agent went to the card room the next day, on February 8. At the agent's request, the licensee's former Surveillance Manager, Mark "Marcus" Knudsen, provided surveillance recordings of the February 3 exceeding wagering limit incident, a surveillance log, a list of dealers who worked on February 3, and records of transactions for the patron who had requested a \$400 wager limit.

Mr. Knudsen said Surveillance Operator, Sam George, told him Ms. McGarvey had approved the wager increase to \$400, so Mr. George had quickly moved the Pan-Tilt-Zoom (PTZ) cameras to view the hands being played. Mr. George told Mr. Knudsen he didn't think he could question the pit or Ms. McGarvey about the decision to allow \$400 wagers.

5) While at the card room on February 8, the agent interviewed Ms. McGarvey about the \$400 wager limit occurring on February 3. At the agent's request, Ms. McGarvey also provided records of the transactions for the pit and cage. The licensee's former General Manager and current co-owner, Rick Provost, was present during the interview. Ms. McGarvey said:

- a. She was asked by a patron to gamble at a \$400 maximum wager limit, and she approved the increase.
- b. She had been drinking, and had made a snap decision.
- c. Prior to increasing the wager limit, she discussed it with Floor Supervisor, Melissa Mann, asking her whether she had any issues with the increased wager. Ms. Mann said she didn't have any issues.
- d. No dealers said anything to her about the wager violation.
- e. She took full responsibility for the incident; it wasn't her dealers' fault.
- f. She had a lapse of judgment and should have looked up the WAC at her computer in the office.
- g. She had at least four drinks and was not intoxicated.

6) On February 13, 2012, agents interviewed five card room employees about the exceeding wager incident occurring on February 3, and they said the following:

- a. Melissa Mann, former Floor Supervisor:
 - i. She had worked at Lilac Lanes for about two and a half months (her employment ended on February 16, 2012).
 - ii. The patron and Ms. McGarvey were sitting together at Pai Gow table number three, and the patron asked Ms. McGarvey if he could play at \$400 per hand. Ms. McGarvey said it was the floor supervisor's decision.
 - iii. She and Ms. McGarvey discussed it and decided not to allow the patron to play at \$400 per hand. Ms. Mann didn't feel comfortable because if a player wins big, management holds her accountable.
 - iv. She didn't know at the time what the maximum wager limit was. The patron asked to play at \$400 per hand a second time, and again, she said no.
 - v. The patron asked Ms. McGarvey again about playing at \$400 per hand, and Ms. McGarvey asked the patron to wait. After making a phone call, Ms. McGarvey told Ms. Mann it was okay to allow the \$400 wager.

- vi. She tried making a placard¹ change with some post-it notes, but Ms. McGarvey said not to worry about it because she didn't want stickers on the placard.
- vii. Ms. McGarvey was the Gaming Operations Manager, and she assumed Ms. McGarvey knew the rules.
- viii. Two dealers, Richard Inman and Chris Ferraro, asked her if it was okay to allow the \$400 wager, and she told them Ms. McGarvey had approved it.
- ix. She tried locating the wager limits rule but couldn't find it.
- x. She considered Ms. McGarvey to be working that night because Ms. McGarvey was making calls (decisions) on the floor.
- xi. Ms. McGarvey was not intoxicated, but she saw her drinking.
- xii. If she knew for sure there was a rule violation, she would have told Ms. McGarvey, but you don't argue with her.

b. Richard Inman, Dealer:

- i. He didn't know what the maximum wager was for all house-banked games, he had never dealt a game above \$200, and he stayed within the limits of the placards.
- ii. If the Gaming Operations Manager gives approval, he doesn't question it.
- iii. When he talked about the \$400 wager limit with the Floor Supervisor, Ms. Mann, she said it was okay.
- iv. The wager limit on the placards was not changed.
- v. Ms. McGarvey bought drinks for the patron, but neither of them was intoxicated.
- vi. Dealers don't question Ms. McGarvey; she is "trigger happy" and would fire you for questioning her authority.

c. Rhonda Wellsandt, Dealer:

- i. She had four patrons at her table, and one of them had asked to increase the wager limit to \$400 per hand.

¹ WAC 230-15-060 requires card game licensees to, "prominently post...wagering limits for each type of game, including the ante."

- ii. Ms. McGarvey approved the limit; she made a phone call and got it approved.
 - iii. The Floor Supervisor, Ms. Mann, said it was okay.
 - iv. She didn't think twice about allowing the patron to play at the higher wager limit because the Floor Supervisor and the General Operations Manager had approved it.
 - v. She did not know the maximum legal wager limit was \$300.
- d. Chris Ferraro, Dealer:
- i. A patron bet at \$400 per hand on Pai Gow table number three last Friday night. The patron often played at Lilac Lanes and spent a lot of money there.
 - ii. He was the third dealer to rotate to the Pai Gow table after the wager limit was raised to \$400.
 - iii. He told Floor Supervisor, Ms. Mann, he "didn't think we could do that."
 - iv. He asked Ms. Mann to look at the internal controls.² Ms. Mann looked at the internal controls and said Ms. McGarvey approved the higher limit after she called someone. He didn't know who Ms. McGarvey called.
 - v. He saw Ms. Mann trying to make placard signs for the new wager amount, but Ms. McGarvey told her not to worry about it.
 - vi. Ms. McGarvey often drinks at Lilac Lanes; on that night, although she had been drinking, she was not intoxicated.
 - vii. He didn't feel he could question Ms. McGarvey; she had fired another dealer for questioning her abilities as a manager, and there had been a lot of turnover since she began working as a manager.
 - viii. Surveillance should not have approved the wager.
- e. Sam George, Surveillance Operator:
- i. Floor Supervisor, Melissa Mann, called him in the surveillance room and told him, "We are raising the limits to \$400."
 - ii. He zoomed in with three pan-tilt-zoom cameras on the Pai Gow table in order to watch the play.

² Internal controls for the licensee's Pai Gow game provided, "Minimum and Maximum Wagers" are "\$3.00 to \$100.00 on the hand (limits set at supervisor's discretion, surveillance must be notified upon increase above \$100.00)."

- iii. Ms. McGarvey sat at the table next to the patron who had asked for the higher wager limit, so he assumed Ms. McGarvey had approved the wager limit.
- iv. He didn't think he could overrule Ms. McGarvey's decision.
- v. He told Surveillance Manager, Marcus Knudsen, about what had happened.
- vi. Mr. Knudsen told him he should have contacted the pit to let them know to stop the wager increase or contact him at home so he could call the pit.

7) On February 15, 2012, agents interviewed two additional card room employees about the exceeding wager incident. Agents also interviewed for a second time, General Operations Manager, "A.J." McGarvey, who had reported the violation. They said the following:

a. Dana McCourtie, Dealer:

- i. The \$400 maximum for a patron was approved at Pai Gow table number three by Ms. McGarvey and she didn't question it.
- ii. The game normally played at \$5 to \$100 limits, but she had dealt to a patron at the \$400 limit for three or four rotations during the night. Ms. McGarvey sat at the table with the patron during that time.
- iii. Ms. McGarvey and the patron were drinking together, but were not intoxicated.
- iv. Ms. Mann told her the higher wager limit was approved.
- v. She didn't know what the betting limits were based on the WAC. She read the internal controls about her table limits, which allowed the Floor Supervisor to increase the maximum bets. Therefore, she was not concerned about the increase.
- vi. She had only dealt up to \$200 on any game in the pit during her time as a dealer.
- vii. By the time she rotated to Pai Gow table number three; many other dealers had dealt at the higher limit. She wasn't concerned because Ms. McGarvey gave the approval.
- viii. She wouldn't question Ms. McGarvey because she was "fire happy" and would probably be terminated for questioning her.

b. Don Griesel, Dealer:

- i. A patron had asked Ms. McGarvey to wager \$400 per hand and she had approved it at Emperor's Challenge Pai Gow table number three.

- ii. The patron played at the \$400 wager limit between about midnight to 4:00 a.m.
 - iii. He didn't think anything was wrong because Ms. McGarvey had approved the \$400 wager limit while she sat at the table; he didn't even question it.
 - iv. He dealt to the patron at the \$400 wager limit for at least two rotations.
 - v. He trusted Ms. McGarvey; she re-wrote the internal controls and was very "confident" in her decisions lately.
 - vi. He thought Ms. McGarvey would have terminated him for questioning her. Since Ms. McGarvey began as manager, the turnover has been frequent, and she targets people.
 - vii. Ms. McGarvey was drinking, but was not intoxicated.
 - viii. The patron and Ms. McGarvey bought each other drinks. He heard Ms. McGarvey say, "I'll buy this round, but you have to drink what I drink."
 - ix. If Ms. McGarvey doesn't pay her liquor tab the next morning, the house picks up the bill.
 - x. Ms. McGarvey drank at Lilac Lanes often.
- c. Arinetta "A.J." McGarvey, General Operations Manager:
- i. She sat next to the patron who had requested the \$400 wager limit. She was "hanging out and drinking."
 - ii. The patron asked to wager \$400; it was the first time he had requested an increase during the month and a half that she had known him.
 - iii. She had asked Floor Supervisor, Melissa Mann, whether she saw anything wrong with allowing the \$400 wager. Ms. Mann was the dedicated Floor Supervisor that night. (Ms. McGarvey had previously told the agent Ms. Mann did not have any issues with the increased wager.)
 - iv. When she awoke the next morning, she realized her mistake; she was confused with the \$400 maximum poker tournament buy-in and the house-banked maximum wager limit.
 - v. Ms. Mann hadn't mentioned any concerns about the \$400 wager limit.
 - vi. She had started work about 10:30 a.m., and began drinking at about 11:30 p.m. to midnight.

- vii. She was not intoxicated and remembered everything.
- viii. She didn't know Ms. Mann had looked up the wager limits in the internal controls; they had both agreed it was okay to increase the wager limit.
- ix. Ms. Mann worked at Lilac Lanes about two months, and she knew it was risky to hire Ms. Mann straight from a tribal casino.
- x. Although she placed a call to General Manager and co-owner, Rick Provost, she had not asked for, nor received approval for, the \$400 wager limit from him; his knowledge of gaming was limited, and he wouldn't have known it wasn't allowed. She called Mr. Provost to let him know about the \$400 wager limit and the overall status for the night.
- xi. She didn't think she had bought drinks for the patron who had requested the \$400 wager limit, although she could have bought him one drink. The patron bought her a couple of drinks. She had three shots at the bar, one shot at the table, and a mixed drink, and had not been intoxicated.
- xii. No one had tried to change the placards for the table wager limits after she approved the \$400 limit.
- xiii. When the agent told her Melissa Mann said she had tried to make changes to the placards, but Ms. McGarvey thought it was too tacky, Ms. McGarvey yelled, "That is a lie!"
- xiv. She and Rick Provost had re-written the poker internal controls, but she had not fully reviewed the house-banked internal controls.
- xv. She doesn't consider herself on-duty if she makes a decision on the floor; normally, as soon as she takes a sip of alcohol, she doesn't make any decisions.
- xvi. It must have been the fourth shot that had messed with her judgment.
- xvii. She was going to terminate Don Griesel and Melissa Mann's employment (no reason given).

8) On February 15, 2012, the agent gave Ms. McGarvey a Notice of Violation and Settlement (NOVAS)³ for exceeding the maximum legal wager limit. The agent told Ms. McGarvey he was only giving her a NOVAS because she self-reported the violation to the agent.

³ A Notice of Violation and Settlement identifies the violation and gives the licensee the opportunity to pay a fine to settle the matter.

9) On February 16, 2012, the agent gave Rhonda Wellsandt, Melissa Mann, Chris Ferraro, and Richard Inman verbal warnings for failing to report the exceeding the maximum wager limit violation. The agent went to Lilac Lanes, spoke with Ms. McGarvey, and gave her a 2011 copy of the Commission's rules manual. The licensee's Accounting Manager, Carroll Brannan, told the agent he had previously dropped off two new rules manuals.

10) On February 17, 2012, the agent gave Surveillance Operator, Sam George, a verbal warning for failing to report exceeding the maximum wager limit violation.

11) On February 21, 2012, the agent spoke with Rick Provost, General Manager and co-owner, about the "Management Drinking Policy," because the licensee's Gaming Operations Manager, Ms. McGarvey, had been drinking at the time of the exceeding wager limit violation. Mr. Provost developed the policy in 2010, after the agent investigated a complaint about Mr. Provost gambling while intoxicated. The policy stated, "Owners/Managers are to have no involvement in gaming management after consuming alcohol." Mr. Provost said Ms. McGarvey probably had not seen the policy since she began working as the General Operations Manager.

12) On March 1, 2012, the agent reviewed the licensee's Dealer Tip Log and found that on the night the licensee allowed the \$400 wagering limit, dealers made \$7,120 in tips.

DISCRIMINATING AGAINST CARD ROOM EMPLOYEES BY TERMINATING EMPLOYMENT OR REDUCING HOURS FOR PROVIDING INFORMATION ABOUT VIOLATIONS TO GAMBLING COMMISSION AGENTS

13) The licensee discriminated against the following card room employees:

- a. The licensee terminated Mark "Marcus" Knudsen in October 2012, the day after learning Mr. Knudsen was an informant for the Gambling Commission.
- b. The licensee terminated Floor Supervisor, Melissa Mann, on February 17, 2012, after Ms. Mann reported a version of the February 3, 2012 exceeding wager limit violation that differed from management's version of the violation.
- c. The licensee substantially reduced Card Room Employee, Pat Keegan's hours in March 2012, after Mr. Keegan reported in February 2012, that the licensee had allowed him to gamble while intoxicated.
- d. The licensee laid off James McNeil, Card Room Employee, on March 25, 2012, after Mr. McNeil reported, on March 15, 2012, the licensee's violation of collecting five percent of dealers' tips for the licensee's advertising

14) On February 17, 2012, Floor Supervisor, Melissa Mann, called the agent to tell him the licensee had terminated her employment on February 16. She said:

- a. She found it odd she was let go because she had asked Ms. McGarvey whether it was okay to rent an apartment in Spokane two weeks before being let go. Ms. Mann had

been staying with another dealer and wanted to know her status of employment. Ms. McGarvey told her to go ahead and rent the apartment.

- b. Ms. McGarvey was upset because Ms. Mann wouldn't talk to Ms. McGarvey about the \$400 wager incident prior to the agent's interviews with the licensee's employees.

15) The agent asked Ms. Mann for a formal statement. On February 29, 2012, Ms. Mann went to the Eastern Region's Spokane office and wrote a statement:

- a. She began working at Lilac Lanes on December 2, 2011, and received a Notice of Error (NOE)⁴ on her first night working as a swing shift table games supervisor. She received the NOE for putting a chip total of 700 on the table inventory sheet, when the total should have been 720. She had been instructed all the tables were "700." She received NOE's for the same error on December 30, 2011, and January 28, 2012
- b. On December 8, and on December 9, 2011, she had closed a table with "only \$4,000 in black [\$100 chips] when it should have had \$6,000, it wasn't noticed until approximately 11 a.m. on December 10, 2011." [sic] "I received a verbal warning for this on December 10, 2011 on a Disciplinary Action Form and as far as I know, no one else involved received disciplinary action."
- c. She received NOE's on December 23, 2011 (failure to fill out the correct date on a form), and on December 28, 2011 (\$60 over and \$300 under).
- d. "From the start of my employment, AJ and I had discussed me wanting to move closer to town so I wouldn't have to drive so far or stay with friends. Sometime in early January, 2012, I sent a text message to AJ telling her I found a really cute apartment closer to town and asked her if she was happy with me. She replied, yes do it."
- e. On January 29, 2012, she received a NOE for writing the wrong table name down. Ms. McGarvey told her the agent commented yesterday on how many NOE's the card room licensee had in the last two months, and Ms. McGarvey wanted to save the NOE's for major mistakes. Ms. Mann replied that she noticed her mistakes and wanted to void the paperwork and make an accurate version to avoid an NOE and violation. Ms. McGarvey told her she can't fix her own mistakes, and she needed to leave it for the day shift to fix.
- f. The patron who was allowed to exceed the legal wager limit on February 3, appeared to end up being "in \$5,900, out \$7,350 as far as we could track." The dealers ended up making about \$5,000. The day after the incident, Ms. McGarvey told her Ms.

⁴ Card room licensees are required to complete Notices of Error (NOE) slips under WAC 230-15-495 whenever there are any discrepancies between the amount of gambling chips and coins counted, and the amount of the chips and coins recorded upon opening a card game table for play.

Mann's tracking was "\$4,000 off and she didn't understand how." Ms. Mann believed the pit made about \$1,300 that night.

Ms. McGarvey told her (Ms. Mann), she later found the licensee was only approved for \$200 maximum wagers, and asked why Ms. Mann had let her (Ms. McGarvey) make that decision. Ms. Mann replied, "I didn't know it was a rule. I tried looking it up and the only thing I could find was in our SOP's; it states anything over \$100 needs management approval. She's the manager and I trusted her decision."

- g. When she came to work on February 9, 2012, "I was ignored for the first 4 hours of the shift by AJ." Ms. McGarvey asked her why she wasn't talking to her. Ms. Mann replied, "I'm not not talking to you." Ms. Mann told Ms. McGarvey she didn't feel good and, "I'm trying to do my job," and walked off. Ms. McGarvey asked Ms. Mann several times if something was wrong, and asked Ms. Mann, "What do you need to tell me?" She replied, "Nothing, I don't have anything I can talk about."
- h. She received her last NOE on February 10, 2012, for "putting a 700 chip count instead of 720 chips." Ms. McGarvey told her she wrote the wrong dollar amount, and when she asked to see the error, Ms. McGarvey ignored her.
- i. She received a verbal warning from the agent on February 16, 2012, for the exceeding wager violation. Ms. McGarvey terminated her employment later that night. She received a disciplinary action form that said, "Within 3 months Melissa has had 11 NOEs and one major write up for closing a table two days in a row \$2000 short in black chips."

16) The agent noted the licensee terminated Ms. Mann's employment after the agent told Ms. McGarvey about Ms. Mann's version of the February 3 exceeding wager limit violation, which differed from Ms. McGarvey's version.

17) The agent reviewed Ms. Mann's employment record with Lilac Lanes, and found she had received a verbal warning for "closing a table \$2,000 short for two days in a row." A termination form for Ms. Mann, dated February 16, 2012, stated, "Within 3 months Melissa has had 11 NOEs and 1 major write-up for closing a table two days in a row \$2,000 short in black chips [*sic*]."

18) On February 21, 2012, Card Room Employee, Pat Keegan, reported the card room license had allowed him to gamble while intoxicated. Mr. Keegan resigned in March 2012, after his hours were reduced from 40 to 15 hours per week. The agent noted the licensee substantially reduced Mr. Keegan's hours after Mr. Keegan had reported that the licensee had allowed Mr. Keegan to gamble while he was intoxicated. Mr. Keegan told the agent he felt ignored by the licensee's manager ("A.J." McGarvey) when he complained to her about being allowed to gamble while he was intoxicated on February 17, 2012.

19) The agent reviewed surveillance video of Mr. Keegan's activities on February 17, 2012, between about 7:00 p.m. and 1:00 a.m. The agent determined Mr. Keegan had consumed 19

drinks while playing cards at Lilac Lanes, and showed signs of intoxication while playing at the table and prior to leaving the card room. The agent observed on the video that Mr. Keegan took nearly one minute to zip up his jacket, and his movements were slow.

20) The agent interviewed Mr. Keegan on February 23, 2012. Mr. Keegan said he had nearly \$600 at some point during the night (on February 17), but when he got home, he had only a few dollars. Mr. Keegan said he had won a PSJ (player-supported jackpot) and remembered his actions up to the PSJ win, but doesn't remember too much after that. Mr. Keegan said he was told by other players the next day that he was never without a beer, was "blitzed," had played with his head down on the table, was playing almost every hand, and was even throwing chips into the pot out of turn. Mr. Keegan wrote in a statement:

- a. He arrived at Lilac Lanes at about 6:30 p.m., and had already drank two beers and one shot.
- b. "We had our drinks and when I got the bonus pay my wallet had \$600 in it. I also at that point has [*sic*] over \$200 in chips. At this point all the drinks started to catch up with me." "The next clear moment I have from the night is reaching in my wallet with only \$80 left to re-buy chips. I bought \$60, got food, went broke and went home."

21) On March 9, 2012, Ms. McGarvey e-mailed the agent about a Floor Supervisor's "story" "not matching what the cameras say." Ms. McGarvey self-reported, "It's about an employee that may have been too intoxicated to gamble." The incident occurred on March 7, 2012, and Ms. McGarvey asked the agent to review surveillance video to determine whether or not there was a violation. Ms. McGarvey reported the following to the agent:

- a. Jason Rosman, Floor Supervisor, reported Mr. Keegan came to the casino, "had a few drinks and played poker/table games."
- b. "According to Jason, Pat was not drunk." At last call, Mr. Keegan and his friends ordered another drink, and Mr. Rosman said Mr. Keegan shouldn't have another drink because he still had a drink in front of him.
- c. When she reviewed the video, she didn't see a drink in front of Mr. Keegan; however, if the Floor Supervisor didn't think Mr. Keegan should have another drink, then he shouldn't have let Mr. Keegan stay and gamble.
- d. "Looking at Pat on the video he doesn't look drunk but I wasn't here." She was going to look into the incident more, and had asked Mr. Keegan, "not to drink or play here for 60 days."

22) The agent reviewed surveillance video (contains no audio) of Mr. Keegan's activities on March 7 and 8, 2012, occurring between about 9:57 p.m. and 1:40 a.m. The agent observed:

- a. Mr. Keegan took a shot of an unknown alcoholic beverage⁵. For the next hour, Mr. Keegan drank about four beers.
- b. The beverage server said something to Mr. Keegan after he threw his arms up and grabbed her.
- c. Mr. Keegan rapidly drank an alcoholic beverage (unknown mixed drink).
- d. Mr. Rosman spoke with the beverage server outside of the poker room.
- e. Mr. Keegan threw his arms in the air and appeared to yell and scream, and about two minutes later, fumbled with his cards.
- f. Floor Supervisor, Jason Rosman, said something to Mr. Keegan and patted the card table.
- g. Mr. Keegan fumbled with his chips and moved slowly.

23) On March 16, 2012, Mr. Keegan told the agent his hours were reduced to 15 hours per week, and said:

- a. He had been working 40 hours a week, plus overtime, and now worked three shifts per week at part-time. He did not have anything negative in his personnel file; the agent reviewed his file and confirmed this. He had been working at the casino for a year as a dealer, bartender and kitchen manager.
- b. On March 8, 2012, Ms. McGarvey told Mr. Keegan he couldn't gamble or drink in the casino, and he needed to work the day shift on Sundays as a dealer, even though Ms. McGarvey knew Mr. Keegan couldn't work Sundays. Ms. McGarvey told Mr. Keegan, "If you can't work the hours I schedule, then maybe you should not work here."
- c. On March 10, 2012, he told Ms. McGarvey he had applied for another job elsewhere, and Ms. McGarvey wanted to know where. He thought that was a very odd question. He resigned because of the lack of hours.

24) After the licensee terminated Surveillance Manager, Mark "Marcus" Knudsen's employment on October 11, 2012, the agent spoke with numerous employees of the licensee who said they heard Mr. Knudsen was terminated for being a "snitch" or supplying information to agents of the Commission.

25) Agents interviewed over 30 of the licensee's employees on October 19 and on October 25, 2012, after the licensee terminated Mr. Knudsen's employment.

⁵ The agent noted the type of glassware used by the licensee normally contained alcoholic drinks.

26) The agent found General Manager and co-owner, Rick Provost, had learned of Mr. Knudsen's role as a paid confidential informant after part of a court document containing information about Mr. Knudsen's role as a past and current paid confidential informant for the Gambling Commission, was given to Mr. Provost to review a day before Mr. Knudsen's termination.

27) The agent obtained a copy of the court document given to Mr. Provost, and found copies of the document had been circulated among the licensee's employees. The document was related to a criminal case involving one of the licensee's employees,⁶ later convicted as a result of agents' investigation into a \$190,000 theft from the licensee's ATM. Mr. Knudsen was the primary whistleblower in the criminal case.

28) The court document Mr. Provost reviewed was an excerpt from a defense attorney's brief to support a motion hearing in the ATM theft case. The excerpt of the hearing brief listed "recklessly omitted facts regarding Mr. Knudsen" from a search warrant affidavit, including Mr. Knudsen's past and current role as a paid informant for the Gambling Commission, Mr. Knudsen's work on past cases and current work on cases for the Gambling Commission, and Mr. Knudsen's criminal history, including two crimes of dishonesty – convictions for Attempted Forgery and Theft.

29) The agent found besides terminating Mr. Knudsen's employment, the licensee rescinded an offer of employment on October 11, 2012, for Mr. Knudsen's fiancée, Julie Morgan, who had not worked for the licensee.

30) Mr. Knudsen believed the licensee terminated his employment because Mr. Provost found out Mr. Knudsen was a confidential informant and supplied information to the Gambling Commission. In an interview with the agent on October 30, 2012, Mr. Knudsen wrote in a statement:

- a. When General Manager and co-owner, Mr. Provost, terminated his employment, he reminded Mr. Knudsen he had a "spotless work history," and saw no reason for being terminated. He asked Mr. Provost, "Between you and I, what's the real reason you're letting me go?" Mr. Provost replied it was because of Mr. Knudsen's misdemeanor record from 20 years ago.
- b. He told Mr. Provost his record has been in his personnel file the last seven years. Mr. Knudsen believed Mr. Provost knew firsthand about Mr. Knudsen's history because he had previously discussed his prior criminal history and the poor choices he had made with Mr. Provost when a snack bar employee was caught stealing and admitted to the theft. Mr. Provost chose not to terminate the employee.

⁶ The former Director of the Gambling Commission summarily suspended the employee who was involved in the theft (CR 2010-00472). The summary suspension was based on the employee's untrue or misleading statements made to Commission agents, conspiring with other card room employees to violate Commission laws and rules, and causing a card room employee to erase surveillance video to hide her false and misleading statements. The employee surrendered her license.

- c. He got a phone call from his brother Douglas Knudsen, who had spoken with Rick Clouse, a former employee. Mr. Clouse told Douglas Knudsen that an employee named Henry Locket told him (Mr. Clouse) that Marcus Knudsen was fired for being a confidential informant for the Gambling Commission. Mr. Clouse said Mr. Locket said Mr. Provost didn't want a snitch working for him.

31) The agent found the licensee had made an offer of employment on October 5, 2012, to Julie Morgan, to work in surveillance. The licensee rescinded that offer on October 11, 2012, after Marcus Knudsen's employment terminated.

32) On October 30, 2012, the agent interviewed Julie Morgan, who had accompanied Mr. Knudsen to the interview with the agent. Ms. Morgan said:

- a. When she and Marcus Knudsen went to the casino to pick up Mr. Knudsen's final paycheck from Shanna Romes, Accounting Manager, she saw her employment was also terminated when she looked at Ms. Romes' computer screen.
- b. Shawn Himes, the new Surveillance Manager, told her that Rick Provost had said with Marcus' termination, he was no longer interested in employing Ms. Morgan.
- c. By October 15, 2012, she hadn't been directly told her employment offer had been rescinded, so she called the licensee, spoke with Shanna Romes, and was told there was no reason for her termination. When she got home, she had received the letter from the licensee, through Shanna Romes, rescinding her offer of employment.

33) Julie Morgan provided the agent with the letter rescinding her offer of employment, which contained no reason for the rescission.

34) Casino Manager, Shawna Chenoweth, said the card room licensee's Bowling and Restaurant Manager, Eddie Williams⁷ was the primary person advocating for Mr. Knudsen's termination. On October 19, 2012, agents interviewed Ms. Chenoweth, who said:

- a. A (court) document circulated around the card room stating Mr. Knudsen was an informant and had a criminal record. Ms. Chenoweth provided the agent with a copy of the document.
- b. She talked to the dealers about Mr. Knudsen. The dealers wanted Mr. Knudsen fired and didn't feel comfortable with him working in the card room because they thought Mr. Knudsen would tell the WSGC about their violations.
- c. Before the partial court document about Mr. Knudsen circulated around the card room, she had asked Rick Provost what was going on; everyone was talking about

⁷ The former Director of the Gambling Commission summarily suspended Eddie William's license (CR 2010-00470) based on the employee's untrue or misleading statements made to Commission agents, conspiring with other card room employees to violate Commission laws and rules, and causing a card room employee to erase surveillance video to hide the false and misleading statements. Mr. Williams surrendered his license.

Mr. Knudsen being an informant. She wanted to know what Mr. Provost was going to do about it. Mr. Provost replied that rumors are rumors, and he wanted something on paper stating Mr. Knudsen was an informant.

- d. Mr. Provost asked her what he should do about it, and she told him to terminate Mr. Knudsen.
- e. Mr. Provost was upset because Mr. Williams had circulated the court document around the card room behind Mr. Provost's back.
- f. She asked Mr. Provost what action he was going to take against Mr. Knudsen. Mr. Provost was pressured by Mr. Williams to fire Mr. Knudsen, and she pressured Mr. Provost to make a decision quickly.
- g. She overheard Mr. Williams tell Mr. Provost, "You have the proof so fire the f*****." Mr. Provost replied, "Do you see what you just caused here, my hands are now tied?" Mr. Knudsen's employment was terminated the next day.
- h. After Mr. Knudsen was terminated, she was in a meeting with Poker Manager Adam Blashill and Rick Provost. Mr. Provost told them that Mr. Knudsen was terminated, and she asked on what grounds. Mr. Provost replied Mr. Knudsen was an informant for the Gambling Commission, and she should tell the employees Mr. Knudsen was terminated based on his criminal record.
- i. Mr. Knudsen's employment was terminated because he was a confidential informant, but General Manager and co-owner, Rick Provost, told her it was because of Mr. Knudsen's past criminal convictions.
- j. She told employees not to talk about Mr. Knudsen because she didn't want the patrons finding out about it, and if she heard anyone talk about Mr. Knudsen, they would be terminated, too.

35) The agent interviewed Ms. Chenoweth again, on November 7, 2012. Ms. Chenoweth said:

- a. She has worked at Lilac Lanes since October 2011, was terminated in June 2012, and re-hired three weeks later. She explained that then-Gaming Operations Manager, Ms. McGarvey, terminated her for trying to recruit employees to go with her to the Black Pearl Casino in early June 2012. General Manager and co-owner, Mr. Provost, hadn't known about her termination, and re-hired her after terminating Ms. McGarvey's employment.
- b. On October 10, 2012, she walked into her office she shared with Mr. Provost, and overheard Mr. Williams and Mr. Provost "arguing." She heard Mr. Williams say Marcus needed to be fired; he wanted Marcus out of there. Mr. Provost said he would not fire Marcus based on a rumor.

- c. A rumor had been going around the card room for nearly a month that Mr. Knudsen was an informant.
- d. Mr. Provost attended a former employee's sentencing who was a defendant in the ATM theft and embezzlement of the licensee.
- e. Mr. Williams made copies of a "legal document" and circulated it around the bowling alley and card room before Mr. Provost returned.
- f. Dealers and other staff members read the legal document and told her they wanted Mr. Knudsen fired. Some dealers said they didn't want a snitch watching everything they were doing and notifying the WSGC about it. She replied they were all informants because they are supposed to inform the WSGC of violations.
- g. She gave Mr. Provost the legal document upon his return to the card room, and he was upset because Mr. Williams had circulated it around the card room behind his back.
- h. She asked Mr. Provost what action he would take against Mr. Knudsen, and put pressure on Mr. Provost to make a decision quickly.
- i. "Rick" didn't want to fire "Marcus," but eventually terminated him for dishonesty, and did not specifically say Mr. Knudsen was fired for being an informant.

36) In an interview with the agent on November 9, 2012, General Manager and co-owner, Rick Provost said information about Mr. Knudsen "having convictions of dishonesty was the reason that I let him [Mr. Knudsen] go." During the interview, Mr. Provost said:

- a. He had not known of Mr. Knudsen's criminal history, despite a 2005 letter from the Gambling Commission, included in Mr. Knudsen's personnel records, stating Mr. Knudsen had failed to disclose his criminal history.
- b. "Marcus never came to me and said here's what's in my past." He did not recall a conversation where Mr. Knudsen brought up his past criminal history and does not remember Mr. Knudsen saying that "he was convicted of forgery or theft."
- c. Mr. Knudsen was employed at Lilac Lanes, prior to Mr. Provost buying the business in 2007, and Mr. Provost was unaware of whether the previous owners knew about Mr. Knudsen's criminal history and failure to disclose his history. He did not know that the Gambling Commission had sent a letter to Mr. Knudsen in 2005, warning him about his failure to disclose his criminal history.
- d. He was not aware of any other of his managers that have criminal history. "Convictions like that, you know, they tell a story. And that's a dishonesty story. I wouldn't have been comfortable with that, and I'm not comfortable with it now."

- e. He reviewed Mr. Knudsen's employment application but did not review Mr. Knudsen's entire personnel file, which he said was very thick. He didn't look through every piece of paper and hadn't seen the 2005 letters addressed to Mr. Knudsen and to the former owners about his failure to disclose his criminal history.
- f. When asked by the agent whether Mr. Knudsen being a confidential informant had anything to do with his decision to terminate Mr. Knudsen's employment, he said, "I don't know how to answer that. There's information in this thing [excerpt from hearing brief]. The thing that bothered me most was that he had convictions of dishonesty. And for a person in that position [surveillance manager], I'm not comfortable with that."
- g. Mr. Williams gave Mr. Provost the excerpt of the hearing brief, disclosing Mr. Knudsen's role as a paid confidential informant who had convictions of Attempted Forgery and Theft. Mr. Williams told him, "Here's what you need to know about the guy running your surveillance."
- h. "The information of him (Mr. Knudsen) having convictions of dishonesty was the reason I let him go."
- i. "He (Mr. Knudsen) didn't get terminated because he identified, or was a witness in a theft. Obviously I wanted the conviction as much as you guys wanted the conviction. And now there is one. We can kind of move on with our lives and hopefully recover some money."
- j. "No one has ever been terminated for talking to you (the agent)." "No one has ever been discriminated against for talking to you...or the gaming commission." "As far as I know, no one has been terminated, discriminated, or treated unfairly because they have talked to you."
- k. When asked about Julie Morgan, and why her employment offer was withdrawn, Mr. Provost said "...I terminated Marcus and didn't feel that his live-in girlfriend was a good person to have in my building. That's just a set-up for...you know, for problems." "...I would imagine that she would be kind of bitter that her boyfriend just got let go."

37) On January 3, 2013, Card Room Employee, James McNeil called the agent because he had tried to get re-hired as a dealer by the licensee, but Rick Provost told Casino Manager, Shawna Chenoweth, Mr. McNeil was on the "no hire list."

38) Previously, as documented in the agent's case report, CR 2012-00443, the agent had issued the card room licensee a verbal warning after Mr. McNeil had reported to the agent on March 15, 2012, that the licensee collected five percent of the dealers' tips for the licensee's advertising. Mr. McNeil was laid off on March 25, 2012.

39) The agent reviewed a letter dated March 22, 2012, signed by the licensee's then-Accounting Manager, Carroll Brannan, stating,

“Mr. James McNeil’s employment with Lilac Lanes & Casino has been modified to on call status. Previously James worked an average of 35 hours per week and this change will drastically reduce his hours per week. He may work zero hours per week if all shifts are covered and will probably never reach his average prior to this change. This is the season which typically our business slows down, and shifts have been removed to adjust to the slower volume of business.”

40) After receiving Mr. McNeil’s call on January 3, and after reviewing the letter about Mr. McNeil’s change in employment status, the agent called then-Accounting Manager, Carroll Brannan, who said:

- a. When Mr. McNeil was first hired in October 2011, he had given her a copy of the U.S. Department of Labor tip laws. She gave the copy to Rick Provost who was upset and told her not to bring it up again.
- b. Mr. McNeil brought it up again in March 2012, and she told him he should keep his mouth shut or he will probably get terminated.
- c. Mr. McNeil’s work ethic was terrible, he called in sick quite often, and he was unreliable.

41) The agent called Casino Manager, Shawna Chenoweth, to discuss Mr. McNeil’s situation, and she said:

- a. She had talked with Mr. McNeil about hiring him for the winter because she had two openings. She added his name to the new hire list, and gave the list to Rick Provost.
- b. Mr. Provost told her not to hire Mr. McNeil, that Mr. McNeil was on the “no hire list,” and never said why. Mr. Provost said Mr. McNeil won’t be working at Lilac Lanes & Casino.

INTOXICATED WHILE GAMBLING

42) The licensee allowed Pat Keegan to gamble while intoxicated on February 17, and on March 7, 2012. (See details about Pat Keegan in this Notice of Administrative Charges, fact numbers 18 to 23.)

43) The licensee allowed its General Manager and co-owner, Rick Provost, to play poker while intoxicated on September 29, 2012. On October 2, 2012, then Surveillance Manager, Marcus Knudsen, called the agent to report an incident involving the General Manager and co-owner, Rick Provost. Mr. Knudsen said Mr. Provost told a poker player to “step outside” after Mr. Provost became upset during a poker game.

44) The agent reviewed surveillance video (contains no audio) of the September 29 incident involving Mr. Provost. The agent observed:

- a. Rick Provost and the other player appeared to speak to each other at about 2:28 a.m.
- b. Two dealers approach the table, while Brad Collier (an off-duty card room employee) stood behind Mr. Provost.
- c. Rick Provost and the other player appeared to continue speaking to each other, and became more animated.
- d. Brad Collier placed his hands on Mr. Provost's shoulders and motioned to the other player, while another dealer came to the table to watch.
- e. Mr. Provost appeared to yell at the other player, and shortly afterwards, Brad Collier walked away from the table.

45) The agent asked Casino Manager, Shawna Chenoweth, about the September 29 incident involving Mr. Provost gambling while intoxicated. Ms. Chenoweth, however, was not present during the incident, and had no firsthand knowledge. She said:

- a. The Floor Supervisor at the time of the incident, Rich Inman, told her that Rick Provost, and card room employees, Rick Geisel and Brad Collier, were drinking in the lounge, and entered the poker room intoxicated.
- b. Mr. Provost got upset during the poker game and told a player to go outside with him to fight.
- c. Security Officer Jimmy Pittman, Floor Supervisor Mr. Inman, and Mr. Collier were present during the incident. Mr. Collier attempted to calm Mr. Provost down, while others watched.
- d. Mr. Inman, wrote in his shift report, "Rick Provost was drunk, playing poker, and tried to start a fight with a customer at the table for sucking out." ("Sucking out" means playing a losing hand, rather than giving up and "folding.").

MANAGEMENT RECEIVING TIPS

46) On October 22, 2012, Ms. Chenoweth, e-mailed the agent to self-report that Poker Manager, Adam Blashill, received five percent of poker dealers' tips, even though Mr. Blashill did not work as a Floor Supervisor.

47) Card room employee, Ryan Wilber, told the agent on October 25, 2012, that Poker Manager, Adam Blashill, received five percent of all poker dealers' tips when Mr. Blashill was not working. The agent told Mr. Wilber he would follow up.

48) On November 1, 2012, Ryan Wilber called the agent to find out whether the agent had followed up on the tip issue. The agent subsequently e-mailed Mr. Provost, Mr. Blashill, Ms. Chenoweth, and Accounting Manager, Shanna Romes. In his e-mail, the agent provided the Commission rule (WAC 230-15-465) that prohibits Poker Managers from receiving pooled tips when they are not working as a Floor Supervisor.

TABLE INVENTORY

49) During the agent's investigation, he found the licensee had numerous Notices of Errors (NOE) related to inaccurate table inventory slips,⁸ when compared to the actual inventory of the chip trays. Commission rules require house-banked card room licensees to establish procedures to ensure proper accounting for chips and coins stored at gaming tables, known as the "table inventory."

50) The agent reviewed the licensee's table inventory slips, NOE logs, and surveillance video of closing procedures. He found the errors occurred primarily during closing procedures, when night shift Floor Supervisors counted the chip inventories. Between 2009 and 2012, Jason Rosman, Chris Ferraro and Melissa Mann were responsible for most errors.

51) The agent reviewed the table inventory slip for July 18, 2012, and found Floor Supervisor, Jason Rosman, had two slips for the same table. Upon closer review, the agent found Mr. Rosman placed table inventory slips in the wrong drop box, filled slips prior to closing, and had different signatures on the slips. When the agent reviewed surveillance video of the table closing procedure, he observed and confirmed numerous violations by Mr. Rosman.⁹

52) On November 1, 2012, the agent reviewed the licensee's current NOE log (12/11/2011 – 10/25/2012). The agent found a substantial increase in NOE's related to closing tables, and found the majority of errors were made by Floor Supervisor, Rich Inman.

53) On December 3, 2012, the licensee, through Ms. Chenoweth, reported to the agent that General Manager and co-owner, Rick Provost, told a Floor Supervisor to remove \$40 in blue (50 cent) chips off a gaming table. The Floor Supervisor did not know the correct procedure for removing chips from the table, so she completed a new table inventory slip, instead of completing a request for credit for the cage to reconcile its records, resulting in a \$40 overage of blue chips in the cage.

54) On December 5, 2012, the agent spoke with card room employee, Kim Orvik. Ms. Orvik said:

- a. Floor Supervisor, Shanna Jacks, told her to remove 50 cent blue chips from the tables without doing any paperwork.

⁸ Several Commission rules, including WAC 230-15-495, 230-15-500, WAC 230-15-535, 230-15-590, which relate to opening and closing gaming tables, and accounting for table inventory, require house-banked card room licensees to use table inventory slips that are three-part, consecutively pre-numbered forms.

⁹ The agent issued Jason Rosman a Notice of Violation and Settlement, which Mr. Rosman failed to timely resolve, resulting in administrative charges issued in CR 2012-01504. A settlement was ultimately reached in the case.

- b. Ms. Jacks said Mr. Provost told her to remove the chips and not to worry about the paperwork because it was better for his electronic accounting system.
- c. She did not know how to close the table without accounting for the removal of the blue chips; if she completed the opening table inventory slip with the wrong chip inventory amount, she would be forging records, and she didn't want to do that.
- d. Ms. Jacks filled out a new table inventory slip (minus the blue chips), and take the blue, 50 cent chips to the cage.

55) Ms. Chenoweth told Ms. Orvik the correct procedure for adding chips to a table is to use a "fill" slip and to use a "credit" slip when removing chips.

56) The agent spoke with Floor Supervisor, Shanna Jacks, who said:

- a. On November 27, 2012, she was told the card room would change the imprest¹⁰ amount on blackjack tables, and the imprest had to change prior to opening the tables.
- b. Mr. Provost told her to do whatever she had to do to get the 50 cent chips off the table, and don't change the paperwork.
- c. She completed a new table inventory slip and removed the chips from the tables.
- d. There was a \$40 credit in the cage with no paperwork to account for the chips.

57) The agent spoke with Mr. Provost and Accounting Manager, Shanna Romes, and explained they must have procedures to accurately account for where chips go, complete fill and credit slips to record the addition and removal of chips from tables, and add a section in their internal controls about how to change the imprest amounts of the tables.

58) On December 5, 2012, the agent received and reviewed the licensee's internal controls identifying imprest change procedures. The agent approved the change on December 6, 2012.

\$14,000 CHECK CASHED IN EXCHANGE FOR CURRENCY AND CHIPS

59) On May 22, 2012, Surveillance Manager, "Marcus" Knudsen, informed the agent about the licensee cashing a \$14,000 check for a card room patron on March 30, 2012. The cage cashier, Shanna Romes (who later became Accounting Manager), was concerned she had violated Commission rules about accepting and cashing checks.

60) The agent obtained and reviewed surveillance video of the transaction, which showed Mr. Provost approving the check cashing procedure. The licensee's surveillance log showed Ms. Romes cashed a patron's check with \$7,000 in chips, and \$7,000 in cash at 16:32 hours.

¹⁰ Imprest Bank - A fund that is regularly replenished for the amounts expended from it.

61) On November 8, the agent received the licensee's records of the transaction, including a copy of the check, dated March 7, 2012. The licensee accepted a patron's \$14,000 check on March 30, 2012, that was not from the patron's personal account, and was not dated the same day it was cashed.

62) On November, 14, 2012, the agent went to Lilac Lanes and spoke with Ms. Romes to obtain further details about the \$14,000 cashed check. Ms. Romes said:

- a. Then-Accounting Manager, Carroll Brannan, initially did not want to cash the check because they didn't have enough cash in the cage. The patron wanted to speak to the General Manager.
- b. A few hours later, she received a call from Ms. Brannan that Mr. Provost had approved cashing the check. She thought it odd, because the banks were open; however, she realized from her experience, banks normally place a ten-day hold on large checks.
- c. Ms. Brannan told her Mr. Provost would only accept the check if the patron received \$7,000 in cash and \$7,000 in chips. After Mr. Provost arrived at the card room, he gave Ms. Romes the same instructions.
- d. She contacted Surveillance Manager, Mr. Knudsen so he would observe the payout of cash and chips.
- e. The patron did not cash out the chips right away, but came into the card room over the next couple of weeks, cashing out some chips each time.
- f. She thought the transaction was suspicious; the card room didn't have sufficient money to cash the check, and she didn't think she could sell chips out of the cage.

ADMINISTRATIVE HISTORY

63) The licensee has the following administrative history over the past five years:

- a. CR 2012-00443: The licensee received a verbal warning for taking five percent of cashier and dealers' tips to pay for the licensee's advertising. WAC 230-15-475 prohibits this conduct: "Employees directly concerned with management, supervision, accounting, security, or surveillance," are prohibited from asking for, accepting, or sharing any tips from players or patrons; however, the restriction does not apply to poker "floor supervisors."
- b. CR 2012-00266: The licensee received a Notice of Infraction (NOI)¹¹ for conducting an unapproved poker tournament. WAC 230-15-215 requires prior approval for card

¹¹ A Notice of Infraction (NOI) is a written notice advising the licensee of a violation of an administrative rule or law. It is often given after the licensee has been given the opportunity for compliance. There is no fine involved.

- tournaments, and WAC 230-15-225 requires licensees to post tournament rules and prizes until the tournament is complete.
- c. CR 2011-01599: The licensee received a Notice of Violation and Settlement (NOVAS)¹² for failing to deposit progressive jackpot funds every week, and failing to reconcile the jackpot account, as required by WAC 230-15-720.
 - d. CR 2011-01587: The licensee received a NOI for failing to accurately report punchboard/pull-tab income on their activity reports as required by WAC 230-14-284, and failing to accurately account for pull-tab inventory as required by WAC 230-14-260.
 - e. CR 2011-00584: The licensee received a NOVAS for failing to notify the Commission about changes to their internal controls, as required by WAC 230-15-440. Other violations included: failing to follow internal controls as required by WAC 230-15-425; allowing someone other than the Security Manager to control card shoes, and decks of new and used cards; and failing to safeguard cards as required by WAC 230-15-115.
 - f. CR 2011-00251: The licensee received a NOI for failing to deposit progressive jackpot funds every week, and failing to reconcile the jackpot account, as required by WAC 230-15-720.
 - g. CR 2010-01145: The licensee received a NOVAS based on Mr. Provost's conduct of causing card room employees to violate various rules and laws when he gambled while intoxicated at Lilac Lanes.
 - h. CR 2009-00544: The licensee received a NOVAS for failure to follow internal controls related to control of casino keys, as required by WAC 230-15-640 and WAC 230-15-425.
 - i. CR 2009-00496: The licensee received a NOI for failing to submit a transfer application for a card room employee, as required by WAC 230-06-083.
 - j. CR 2009-00312: The licensee received a NOI for failing to meet internal control requirements under WAC 230-15-430 and failing to meet house-banked card room supervision requirements under WAC 230-15-460.
 - a. CR 2009-00080: The licensee received a verbal warning for under-reporting gambling taxes, under-reporting win/loss gross receipts, not completing card tournament summary forms, failure to complete prize information winner forms, and not completing a prize fund accrual log.

¹² A Notice of Violation and Settlement (NOVAS) identifies the violation and gives the licensee the opportunity to pay a fine to settle the matter.

- b. CR 2008-01114: The licensee received a verbal warning for failing to report revenues from each licensed activity separate and apart from all other revenues, as required by WAC 230-15-740.
- c. CR 2008-00943: The licensee received a NOVAS for failing to maintain adequate surveillance for its house-banked card games, as required by WAC 230-15-280.
- d. CR 2008-00929: The licensee received a NOI for failing to submit internal controls for house-banked card games, as required by WAC 230-15-425.
- e. CR 2008-00077: The licensee received a NOVAS failing to comply with WAC 230-06-010 and allowing a minor to gamble.

VIOLATIONS:

1) **RCW 9.46.075(1)** provides the Commission may suspend any license for any reason it deems to be in the public interest, including 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** provides the commission may suspend 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) Commits any act that constitutes grounds for suspending 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.

3) **RCW 9.46.153(3)** provides 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.

The licensee discriminated against card room employees who provided information to Special Agents, by terminating their employment, rescinding employment offers, or reducing hours:

- Mark “Marcus” Knudsen, the licensee’s former Surveillance manager, was a paid informant for the Commission, and the licensee terminated his employment after learning this.
- Mark Knudsen’s fiancée, Julie Morgan, had an offer of employment rescinded by the licensee immediately following Mr. Knudsen’s termination.
- Melissa Mann, Floor Supervisor, reported facts differently than the General Operations Manager’s version of an exceeding maximum wager violation, and her employment was terminated.
- Pat Keegan, card room employee, was terminated after he reported to the agent that the licensee had allowed him to gamble while he was intoxicated.
- James McNeil, who reported that the licensee took five percent of card room employee tips for advertising, was laid off shortly afterwards.

The licensee violated RCW 9.46.153(3) by discriminating against its employees for reporting what they believed were violations. Grounds, therefore, exist to suspend Lilac Lanes and Casino’s licenses under RCW 9.46.075(1) and WAC 230-03-085(1), (3) and (8).

4) **RCW 9.46.185 provides that 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 in RCW 9A.20.021.

5) **WAC 230-06-015 provides licensees must not allow any person who appears to be** intoxicated or under the influence of any narcotic or other substance to operate or play any gambling activity.

The licensee allowed card room employee, Pat Keegan, to gamble while appearing intoxicated on February 17 and on March 7, 2012.

General Manager and co-owner, Rick Provost, was allowed to gamble while appearing intoxicated on September 28, 2012.

The licensee knowingly caused its card room employees to violate WAC 230-06-015, by allowing Mr. Provost and Mr. Keegan to gamble while appearing intoxicated. Grounds, therefore, exist to suspend Lilac Lanes and Casino’s licenses under RCW 9.46.075(1) and WAC 230-03-085(1), (3) and (8).

6) **WAC 230-15-140(1) provides a single wager or a bonus wager for an odds-based pay out** must not exceed three hundred dollars.

On February 3, 2012, the licensee, through its then-Gaming Operations Manager, Arinetta “A.J.” McGarvey, knowingly caused card room employees to violate WAC 230-15-140(1). Ms. McGarvey approved and allowed a patron to place \$400 wagers. Grounds, therefore, exist to suspend Lilac Lanes and Casino’s licenses under RCW 9.46.075(1) and WAC 230-03-085(1), (3) and (8).

7) **WAC 230-15-060(1)(a) provides card game licensees must...prominently post...wagering limits for each type of game, including the ante...**

On February 3, 2012, the licensee allowed a patron to place \$400 wagers, and failed to prominently post wagering limits, violating WAC 230-15-060(1)(a). Grounds, therefore, exist to suspend Lilac Lanes and Casino's licenses under RCW 9.46.075(1) and WAC 230-03-085(1), (3) and (8).

8) **WAC 230-15-150(2) provides licensees may accept checks, if the checks meet the requirements of WAC 230-06-005.**

9) **WAC 230-06-005(1)(a) and (3) provides 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. (3) If licensees accept a check in violation of the provisions of this section, they are violating the rules against extending credit (see WAC 230-06-035 below).**

10) **WAC 230-06-035(1) provides licensees...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.**

11) **WAC 230-06-005(1)(a) and (3) provides house-banked card game licensees may accept checks from players as explained in WAC 230-06-005 and must meet the following additional requirements: exchange the check for currency and coin in the amount for which the check is drawn, minus any applicable fees.**

12) **WAC 230-15-580(1)(c)(v) provides house-banked card game licensees may accept checks from players as explained in WAC 230-06-005 and must exchange the check for currency and coin in the amount for which the check is drawn, minus any applicable fees.**

The licensee violated WAC 230-15-150(2) by failing to comply with the check cashing requirements in WAC 230-06-005(1)(a) and (3).

The licensee violated the check cashing requirements in WAC 230-06-005(1)(a) and (3), by accepting a \$14,000 check on March 30, 2012, that was not from the patron's personal account, and was not dated the same day it was cashed (check dated March 7, 2012, and cashed on March 30, 2012). By failing to comply with the check cashing requirements in WAC 230-06-005, the licensee violated WAC 230-06-035, extension of credit rules.

The licensee also violated WAC 230-15-580, which requires house-banked card game licensees to exchange players' checks for currency and coin in the amount of the check. The licensee gave the patron \$7,000 in chips, and \$7,000 in currency. The licensee violated WAC 230-15-580 multiple times by allowing the patron to cash out the chips over a period of weeks.

By violating WAC 230-15-150(2), WAC 230-06-005(1)(a) and (3), WAC 230-06-035(1), and WAC 230-15-580, grounds exist to suspend or revoke Lilac Lanes and Casino's licenses under RCW 9.46.075(1) and WAC 230-03-085(1), (3) and (8).

13) **WAC 230-15-475(4) provides employees directly concerned with management,** supervision, accounting, security, or surveillance must not ask for, accept, or share any tip originating from players or patrons; however, this restriction does not apply to poker "floor supervisors."

The licensee violated WAC 230-15-475(4) by allowing Poker Manager Adam Blashill to receive five percent of dealers' tips, when he did not work as a "floor supervisor." Grounds, therefore, exist to suspend Lilac Lanes and Casino's licenses under RCW 9.46.075(1) and WAC 230-03-085(1), (3) and (8).

14) **WAC 230-15-500(1) and (2) provide house-banked card game licensees must establish** procedures to ensure proper accounting for chips and coins stored at gambling tables, known as the "table inventory." Licensees must not add or remove chips or coins from the table inventory except...in exchange for cash from players; or to pay winning wagers and collect losing wagers made at the gambling table; or in exchange for chips received from a player having an equal total face value (known as "coloring up" or "coloring down"); or in compliance with fill and credit procedures.

15) **WAC 230-15-510(1) and (3) provide house-banked card game licensees must closely** control and document all transfers of chips or coin to the gambling tables in a manner that ensures accountability and provides adequate security. All transfers of chips or coin must be to or from the cashier's cage. All transfers of chips or coin must be made using requests for fill slips and fill slips or request for credit slips and credit slips.

16) **WAC 230-15-535(2), (3), (4) and (5) provide when closing tables, house-banked card** game licensees must follow these steps:
(The following subsections apply.)

When closing tables, house-banked card game licensees must follow these steps:

(2) The floor supervisor assigned to the gambling table must record the chips and coins counted on a table inventory slip.

(3) Licensees must use consecutively prenumbered three-part forms for table inventory slips. Table inventory slips must be in the format we require and have three parts:

- (a) The original (the closer); and
- (b) The duplicate (the opener); and

(c) The triplicate (which is transported by security to accounting).

(4) The floor supervisor and the dealer assigned to the gambling table must sign the table inventory slip, confirming the information recorded at the time of closing.

(5) After both the dealer and floor supervisor have signed the closer, the dealer must deposit the closer in the drop box attached to the table. The dealer must place the opener face up in the chip tray, arranged so it is clearly visible. Then the floor supervisor must lock the clear chip tray cover. The chip trays must be under recorded surveillance at all times.

The agent reviewed the licensee's table inventory slips, notices of errors logs, and surveillance video of closing procedures, and found errors occurring primarily during closing procedures, between 2009 and 2012.

The agent reviewed a table inventory slip for July 18, 2012, and found Floor Supervisor, Jason Rosman, had two table inventory slips for the same table. Upon closer review, the agent found Mr. Rosman placed table inventory slips in the wrong drop box, filled slips prior to closing, and had different signatures on the slips. The agent reviewed surveillance video of Mr. Rosman's closing procedure and confirmed numerous violations by Mr. Rosman.

On November 1, 2012, the agent reviewed the licensee's current notification of errors log (12/11/2011 – 10/25/2012), and found an increase in notifications of errors related to closing tables.

General Manager and co-owner, Rick Provost, told a Floor Supervisor to remove \$40 in blue (50 cent) chips off a gaming table. The Floor Supervisor did not know the correct procedure for removing chips from the table, so she completed a new table inventory slip, instead of completing a request for credit for the cage to reconcile its records, resulting in a \$40 overage of blue chips in the cage.

The licensee violated WAC 230-15-500(1) and (2), WAC 230-15-510(1) and (3), WAC 230-15-535(2), (3), (4) and (5), by failing to ensure the accuracy and integrity of table inventory, by failing to closely control and document all transfers of chips or coin to the gambling tables in a manner that ensures accountability and provides adequate security, and by failing to comply with card table closing procedures. Grounds, therefore, exist to suspend Lilac Lanes and Casino's licenses under RCW 9.46.075(1) and WAC 230-03-085(1), (3) and (8).

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V.

The licensee will have the opportunity to have a hearing on the alleged violations. **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 cause the entry of a default order SUSPENDING your licenses for 30 days.

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

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

David Trujillo
DAVID TRUJILLO, DIRECTOR

SUBSCRIBED AND SWORN TO before me
this 9 day of August, 2013.

Margaret Pretell
NOTARY PUBLIC in and for the State of
Washington residing at Thurston County
My Commission expires on December 2, 2015

STATE OF WASHINGTON)
)
COUNTY OF THURSTON)

I certify I have this day served a copy of the document upon all parties of record in the proceeding by mailing a copy, property 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 9 day of August, 2013
Margaret Pretell