

STATE OF WASHINGTON
GAMBLING COMMISSION

Received
DEC 04 2013
Gambling Commission
Comm. & Legal Division

In the Matter of the Suspension of the) NO. CR 2012-00265
Licenses to Conduct Gambling Activities of:)
)
Lilac Lanes,) **SETTLEMENT ORDER**
Spokane, Washington,)
)
Licensee.)
_____)

The Washington State Gambling Commission and the licensee, Lilac Lanes, enter into this Settlement Order to resolve the administrative charges filed against the licensee. Gregory J. Rosen, Assistant Attorney General, and Arlene Dennistoun, Staff Attorney, represent the Gambling Commission. Richard Stine, owner, represents the licensee.

I.

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.

II.

The Director issued a Notice of Administrative Charges and Opportunity for an Adjudicative Proceeding to the licensee on August 9, 2013. Commission staff received the licensee's request for a hearing on August 27, 2013.

III.

The following summary of facts and violations were alleged in the Notice of Administrative Charges:

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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.

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 for 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 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 to ensure 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).

IV.

The licensee acknowledges reading and understanding the facts and violations alleged in the Amended Notice of Administrative Charges.

The licensee has since removed Rick Provost from any involvement in the operation or management of the licensee's card room, and has retained a General Operations Manager who the licensee believes will assist in helping to ensure compliance with laws and Commission rules.

The licensee has waived its right to a hearing and agrees to the following conditions and sanctions:

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- 1) The licensee agrees its licenses are suspended for **20 days**, provided **15 days** are deferred for two years from entry of this Settlement, subject to the following: The licensee must not violate Washington's gambling statutes or regulations during the two-year term. If the licensee violates gambling statutes or regulations and is the type of violation warranting administrative or criminal charges, or involves check cashing or intoxicated player violations, or Rick Provost's presence in, or management or operation of gambling activity of Lilac Lanes, the Director may impose up to **15 days** of the deferred suspension of the current gambling licenses and any subsequently acquired gambling license(s).
- 2) The parties agree that the Director of the Washington State Gambling Commission, pursuant to this Settlement Order, has discretion to determine whether the licensee has violated any term of this Settlement Order. In the event the Director determines that a violation has occurred, he may suspend the license(s) issued to the licensee, and any subsequently acquired license(s), for up to 15 days, by mailing or delivering a Notice of Order of Administrative Charges to the licensee. This suspension shall be in addition to any consequences of the new violation. The licensee shall be afforded the opportunity to have an Adjudicative Proceeding, which includes a hearing on the alleged violations.
- 3) The licensee agrees if violations occur within two years from the date of this Order related to check cashing rules, intoxicated players gambling, or Rick Provost's presence in, or management or operation of gambling activity in Lilac Lanes, the licensee will pay for the Commission's investigative and administrative costs within 30 days of receiving written notice of the costs from Commission staff. These costs would normally not exceed ten hours. However, payment of costs does not prevent the Director from issuing administrative charges for such violations.
- 4) The licensee agrees Rick Provost is prohibited from managing or operating Lilac Lanes' card room for two years from the entry of this Order, which includes, but is not limited to, hiring or terminating employees.
- 5) The licensee agrees Rick Provost will not become a majority owner of Lilac Lanes or its parent company, for two years from the entry of this Order.
- 6) The licensee agrees that Rick Provost will not enter the licensee's card room or patronize the licensee's food and beverage business or card room for two years from the date of this Order.
- 7) The licensee agrees that Rick Provost will not profit from the licensee's gambling activity for two years from the date of this Order. The licensee agrees to cooperate with Special Agents' requests to review its payroll, bank and other records to establish compliance.

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- 8) Under RCW 9.46.077, the licensee has vacated the **remaining five days** of the suspension by paying a fine of **\$8,150**, which represents 50 percent of the licensee's card room gross gambling sales for five days, as reported by the licensee on its 2012-2013 activity reports to the Commission.
- 9) The licensee agrees to reimburse the Commission for a portion of its investigative and administrative costs of **\$7,220**.
- 10) The licensee agrees to pay a total monetary penalty of **\$15,370** in twelve installments. The first installment of **\$500 is due by November 12, 2013**. The second installment of **\$3,000 is due by December 15, 2013**. Minimum monthly payments of **\$1,187 are due by the 15th of each month**, until the total penalty of \$15,370 is paid in full. The last monthly payment is due by October 15, 2014.
- 11) **The signed order and first monthly payment of \$500 must be received by Commission staff by November 12, 2013**, and mailed to Commission Headquarters at the following address:

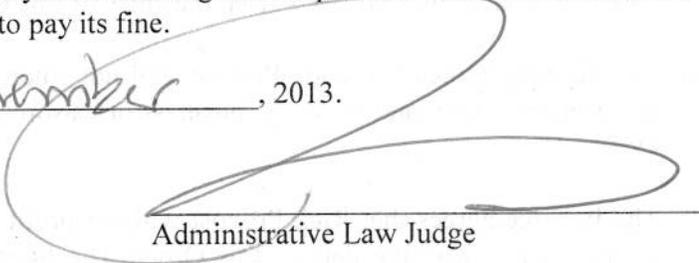
Washington State Gambling Commission
Attention: Communications and Legal Division
P.O. Box 42400
Olympia, WA 98504-2400

or delivered (in person or via private courier) to the following address:

Washington State Gambling Commission
Attention: Communications and Legal Division
4565 7th Avenue SE; Fourth Floor
Lacey, WA 98503

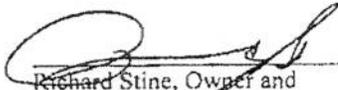
- 12) If the licensee makes its payment(s) as agreed, this matter will be deemed closed. However, if the licensee fails to timely make its payment(s), the Director may impose an additional two-day suspension for each late payment. Serving the suspension would not, however, relieve the licensee of its obligation to pay its fine.

DATED this 27th day of November, 2013.

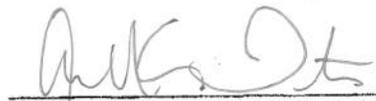

Administrative Law Judge

APPROVED FOR ENTRY:

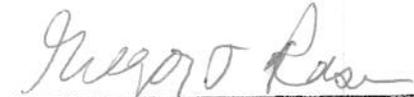
By the signature below, the licensee understands the terms and conditions contained in the Settlement Order.


Richard Stine, Owner and CEO, Lilac Lanes
10/31/2013
(Date)


Rick Provost, Owner, Lilac Lanes
11/6/13
(Date)


Arlene Dennistoun, WSBA #28760
Staff Attorney,
Washington State Gambling Commission

APPROVED AS TO FORM:


Gregory J. Rosen, WSBA #15870
Assistant Attorney General
Representing the Washington State
Gambling Commission