

STATE OF WASHINGTON  
GAMBLING COMMISSION

In the Matter of the Suspension or Revocation)  
of the Licenses to Operate Gambling )  
Activities of: )

No. CR 2013-00594

Diamond Lil's )  
Renton, Washington, )

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

Licensee. )  
\_\_\_\_\_ )

I.

The Washington State Gambling Commission issued Diamond Lil's, organization number 00-05124, the following licenses:

- Number 05-01996, authorizing class "C" Punchboard Pull-Tab activity;
- Number 65-00556, authorizing class "F11" Public Card Room activity; and
- Number 67-00044, authorizing class "12" Housebanked Card Room activity.

The licenses expire on September 30, 2013, and were issued subject to the licensee's compliance with state gambling laws and rules.

II.

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

**SUMMARY:**

Diamond Lil's removed funds from its Player Supported Jackpot (PSJ)<sup>1</sup> to pay for expenses other than PSJ prizes from January 2013, through May of 2013. In addition, the licensee failed to provide information regarding three cash transfers between Diamond Lil's and Freddie's Club.

**FACTS:**

1) On March 11, 2013, a Washington State Gambling Commission Special Agent (agent) received a call from Lori Bender, President for the GSG Corporation, owner of Diamond Lil's. She proceeded to say that she withdrew approximately \$25,000 from the PSJ account to pay operating expenses. The agent asked her if she was aware this was a violation, she said, "yes."

<sup>1</sup> The PSJ, or players' pot, is the accumulation of the amounts wagered by players and is gathered by the dealer in the center of the poker table. From the players' pot, the dealer may collect a portion of players' wagers for a jackpot prize. This pot will ultimately be paid back to winning players.

2) On March 15, 2013, the agent received the PSJ reconciliation for the month of January 2013 from Celeste Martinez, accounting supervisor. This included a copy of the reconciliation, bank statements for the Hold'em account and the PSJ prize fund accrual record. According to the January 2013 PSJ reconciliation, the ending balance for the PSJ fund was \$53,960.51. The reconciliation agreed with the cumulative balance documented on the PSJ prize fund accrual record for the date of January 31, 2013.

3) According to the reconciliation, the ending balance for the PSJ bank account was \$25,854.71. This balance agreed with the bank statement that was provided. The licensee reconciled the bank statement with the PSJ prize fund accrual record and noted the bank account was missing \$28,310. The explanation for the difference was noted as, "Back-to-back Bad Beat jackpot hit. Cash low in system."

4) Ms. Martinez provided the agent the amounts of the PSJ prizes that were posted to the players on January 31, 2013. The amounts were as follows:

- Bad Beat- \$13,250
- Monte Carlo- \$1,500
- High Hand- \$3,200
- **Total-\$17,950**

5) The licensee had enough funds in their bank account to pay the PSJ prizes that were posted to the players on January 13, 2013. However, they failed to maintain enough funds in their bank account to cover the total players' contribution to the PSJ fund shown on the PSJ prize fund accrual record.

6) On March 28, 2013, the agent received the PSJ reconciliation for the month of February 2013 from Ms. Martinez. According to the February 2013 PSJ reconciliation, the ending balance for the PSJ fund was \$60,070.31. The reconciliation agreed with the cumulative balance documented on the PSJ prize fund accrual record for the date of February 28, 2013.

7) According to the reconciliation, the ending balance for the PSJ bank account was \$35,325.71. This balance agreed with the bank statement that was provided. The licensee reconciled the bank statement with the PSJ accrual record and noted the bank account was missing \$19,260. The reconciliation provided no explanation for the difference.

8) Ms. Martinez provided the amounts of the PSJ prizes that were posted to the players on February 28, 2013. The amounts were as follows:

- Bad Beat- \$12,750
- Monte Carlo-\$2,300
- High Hand-\$3,200
- **Total-\$18,250**

9) The licensee had enough funds in their bank account to pay the PSJ prizes that were posted to the players on February 28, 2013. However, they failed to maintain enough funds in their bank account to cover the total players' contribution to the PSJ fund shown on the PSJ prize accrual record.

10) On May 16, 2013, the agent received the PSJ reconciliation for the month of March 2013 from Ms. Martinez. According to the March 2013 PSJ reconciliation, the ending balance for the PSJ fund was \$77,812.81. The reconciliation agreed with the cumulative balance documented on the PSJ prize fund accrual record for the date of March 31, 2013.

11) Ms. Martinez provided the amounts of the PSJ prizes that were posted to the players on March 31, 2013. The amounts were as follows:

- Bad Beat- \$28,250
- Monte Carlo-\$3,200
- High Hand-\$3,200
- **Total-\$34,650**

12) According to the reconciliation the ending balance for the PSJ bank account was \$13,257.21. This balance agreed with the bank statement provided. The licensee reconciled the bank statement with the PSJ accrual record and noted the bank account was missing \$54,810. The reconciliation provided no explanation for the difference. The licensee did not have enough funds in their bank account to cover the total players' contribution to the PSJ fund shown on the PSJ prize accrual record.

13) On April 15, 2013, Ms. Bender faxed the agent a copy of the online bank statement showing the Diamond Lil's bank account balances from their PSJ prize fund accrual record. Mr. Bender stated on the fax cover sheet that she would replenish funds to the PSJ account by the end of April.

14) The bank statement showed the PSJ bank account balance was \$63,297.41. According to the PSJ prize fund accrual record, the balance should have been \$83,737.21. The licensee's bank account was missing \$20,439.80.

15) The PSJ prizes that were posted to the players on April 15, 2013 were as follows:

- Bad Beat- \$35,750
- Monte Carlo- \$2,100
- High Hand- \$2,800
- **Total- \$40,650**

16) The licensee had enough funds in their bank account to pay the PSJ prizes that were posted to the players on April 15, 2013. However, they failed to maintain enough funds in their bank account to cover the total players' contribution to the PSJ fund shown on the PSJ prize fund accrual record.

17) According to the online bank statement, Diamond Lil's had the following account balances for the date of April 15, 2013:

- Lil's General- (\$2,201.09)
- Lil's Payroll- \$4,664.32
- Lil's Hold'em- \$63,297.41

This is an indication that the licensee may not be able to reimburse the PSJ fund.

18) On May 2, 2013, the agent asked Ms. Bender to provide a copy of her online bank statement documenting the Diamond Lil's bank account balances. She refused to provide the agent the current bank balance. She said, "I am embarrassed of the bank account." The agent asked her if she was able to reimburse the PSJ bank account. She said, "no." The agent gave her until May 6, 2013 to provide the bank balances and submit a plan on when she would reimburse the PSJ bank account.

19) On May 6, 2013, Ms. Bender faxed the agent a copy of the online bank statement showing the Diamond Lil's bank account balances. The bank statement showed the PSJ bank account balance was \$54,960.51. According to the PSJ prize fund accrual record the agent obtained from Ms. Martinez, the balance should have been \$91,631.41. The licensee's bank account was missing \$36,670.90.

20) The PSJ prizes that were posted to the players on May 6, 2013, were as follows:

- Bad Beat- \$46,250
- Monte Carlo- \$1,100
- High Hand- \$2,800
- **Total- \$50,150**

21) The licensee had enough funds in their bank account to pay the PSJ prizes that were posted to the players on May 6, 2013. However, they failed to maintain enough funds in their account to cover the total players' contribution to the PSJ fund shown on the PSJ prize accrual record.

22) Ms. Bender stated on the fax cover sheet that the PSJ jackpot is covered. It appears she is referring to the prizes posted to the players and not the funds she has in backup.

23) According to the online bank statement, Diamond Lil's had the following account balances for the date of May 6, 2013:

- Lil's General- \$242.87
- Lil's Payroll- \$1,362.45
- Lil's Hold'em- \$54,960.51

Based on the account balances, it does not appear the licensee will be able to reimburse the PSJ fund.

24) In January, there was \$28,310 missing from the PSJ account. In February, they paid some money back and \$19,260 was missing. In March, there was \$54,810 missing. On April 15, 2013, there was \$20,439.80 missing, and on May 6, 2013, there was \$36,670.90 missing. Given the lack of funds in the general and other bank accounts, the risk is high the licensee will attempt to use the remaining of the PSJ funds to pay operational expenses.

25) During the months of January and February 2013, the licensee made the following cash transfers with Freddie's Club of Renton, which GSG also owns:

- January 15, 2013, the licensee transferred \$20,000 from Diamond Lil's to Freddie's Club;
- February 1, 2013, the licensee transferred \$15,000 from Freddie's Club to Diamond Lil's; and
- February 21, 2013, the licensee transferred \$20,000 from Freddie's Club to Diamond Lil's.

The licensee did not notify Commission staff of these cash transfers between the two licensees, as required.

#### **VIOLATIONS:**

##### **1) RCW 9.46.075 Denial, suspension, or revocation of license**

The Commission may deny an application, or suspend or revoke any license or permit issued by it, for any reason or reasons, it deems to be in the public interest. These reasons shall include, but not be limited to, cases wherein the applicant or licensee, or any person with any interest therein, (The following subsection applies.)

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

##### **2) WAC 230-03-085 Denying, suspending, or revoking an application, license**

We may deny, suspend, or revoke any application, license or permit, when the applicant, licensee, or anyone holding a substantial interest in the applicant's or licensee's business or organization, (The following subsections apply.)

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

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

(8) Poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by: (a) Prior activities; or (b) Criminal record; or (c) Reputation; or (d) Habits; or (e) Associations.

**3) WAC 230-15-390 Collecting an administrative fee on the player-supported jackpot.**

Class F or house-banked licensees may collect an administrative fee of up to ten percent of the funds collected for a player supported jackpot (PSJ). Licensees must deduct no other expenses from the PSJ account.

**4) WAC 230-15-400 Accounting for player-supported jackpot funds.**

(The following subsection applies.)

Class F or house-banked licensees must:

(7) Reconcile the account balance in their bank statement to the PSJ prize balance on their PSJ fund accrual record each month. "Reconcile" means the licensee must compare the two balances, resolve any differences, and document the comparison and the differences in writing. Licensees must keep the reconciliation as part of their records.

**5) WAC 230-15-405 Paying out prizes on a player-supported jackpot.**

(The following subsection applies.)

(1) Class F or house-banked licensees must award all player-supported jackpot funds as prizes; and

**6) WAC 230-15-360 Defining "player-supported jackpot."**

"Player-supported jackpot" (PSJ) means a separate contest of chance directly related to the play or outcome of an authorized nonhouse-banked card game.

(The following subsections apply.)

(1) Only Class F or house-banked licensees may establish a prize fund to operate a PSJ for non house-banked card games.

(2) In PSJs, licensees:

(a) Collect funds from the players' wagers (the pot) for a separate prize; and

(b) Act only as the custodian of the PSJ funds, including any interest earned on this money; and

(c) Maintain no legal right to the funds, except for administrative fees; and

(d) Must strictly account for all funds.

**7) WAC 230-06-080 Report changes to application information and submit updated documents and information.**

(The following subsection applies.)

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

(c) All cash or asset contributions, draws from lines of credit, and loans (except those from recognized financial institutions) during any calendar year which by themselves or totaled together are more than ten thousand dollars. Cash or asset contributions do not include donations to licensed charitable or nonprofit organizations.

From January through at least May 2013, the licensee used the PSJ funds to pay expenses which were other than player prizes, in violation of WAC 230-15-390 and WAC 230-15-405. In addition, the licensee failed to document and resolve the differences between the PSJ prize fund accrual record and the PSJ bank statement, in violation of WAC 230-15-400. The licensee also failed to act as a custodian of the funds and failed to maintain a strict accounting for the money, in violation of WAC 230-15-360. In addition, the licensee failed to provide information regarding three cash transfers, in violation of WAC 230-06-080. Therefore, grounds exist for the suspension or revocation of Diamond Lil's licenses to operate gambling activities, based on RCW 9.46.075(1), and WAC 230-03-085(1), (3), and (8).

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III.

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

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

**In order to have a hearing or discuss settlement options**, the enclosed request for hearing must be completed and returned to the Gambling Commission **within 23 days** from the date of the mailing of this notice.

Based on RCW 34.05.440, failure to return a request for hearing will result in the entry of a default order REVOKING your licenses.

STATE OF WASHINGTON )  
 )  
 ) ss.  
COUNTY OF THURSTON )

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 of it, believes it to be true, that he is the Interim Director of the Washington State Gambling Commission, and in that capacity has executed said Notice.

David Trujillo  
DAVID TRUJILLO, INTERIM DIRECTOR

SUBSCRIBED AND SWORN TO before me  
this 18 day of June, 2013.

Maureen 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 18 day of June, 2013  
Maureen Pretell

