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**STATE OF WASHINGTON
GAMBLING COMMISSION**

In the Matter of:

GARY MALCOLM,

License No. 68-10429

NO. CR 2019-00120

STIPULATED SETTLEMENT
AGREEMENT

The Washington State Gambling Commission represented by its attorneys, ROBERT W. FERGUSON, Attorney General, KELLEN WRIGHT, Assistant Attorney General, and its Director, DAVID TRUJILLO, and the Licensee, GARY MALCOLM, hereby enter into this stipulation and settlement agreement for Case Number CR 2019-00120.

I. INTRODUCTION

In the above-referenced case, the Washington State Gambling Commission issued a Notice of Administrative Charges dated May 10, 2019 alleging that Mr. Malcolm, while general manager of the Macau Casino in Lakewood, knew of and facilitated the extension of credit to casino patrons; failed to ensure that checks received by the casino were deposited within two days; accepted checks from individuals who had previously provided checks that were returned NSF; failed to follow internal casino controls; failed to properly submit currency transaction reports and suspicious activity reports as required; failed to inform the Commission of suspicious activities and/or violations that occurred at the casino; and that this conduct warranted revocation

1 of his gambling license Number 68-10429, under RCW 9.46.153(1); RCW 9.46.075(1), (2), (7),
2 and (8); and WAC 230-03-085(1), (3), and (9)(a).

3 **II. AGREEMENT OF THE PARTIES**

4 The Gambling Commission and the Licensee agree to the following:

5 1. The Washington State Gambling Commission and the Licensee enter into this
6 agreement to avoid the time and expense of further litigation.

7 2. The Licensee explicitly waives the right of further administrative review of all
8 matters related to the above-referenced Administrative Charges.

9 3. The Licensee does not admit to the facts or violations alleged in the above-
10 referenced Administrative Charges. However, the Licensee agrees that, were this matter to
11 proceed to hearing, there is a substantial likelihood that the Washington State Gambling
12 Commission would be able to prove that it had the authority to revoke the Licensee's gambling
13 license under RCW 9.46.153(1); RCW 9.46.075(1), (2), (7), and (8); and WAC 230-03-085(1),
14 (3), and (9)(a).

15 4. Although the Licensee does not admit to the factual basis for the charges, the
16 parties agree that the Washington State Gambling Commission will consider the violations
17 specified in the preceding paragraph sustained and will become a part of the Licensee's licensing
18 record.

19 5. The Licensee agrees to the revocation of his license, and acknowledges that the
20 Washington State Gambling Commission will consider his license revoked upon signing of this
21 agreement. Additionally, the parties agree that, upon the signing of this agreement, the Licensee
22 will not be authorized to engage in any gambling activities, unless he applies for and receives a
23 new gambling license.

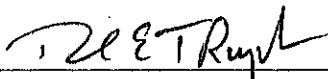
24 6. The Gambling Commission Staff agrees that the Licensee may apply for a new
25 gambling license two (2) years after the signing of this agreement.
26

1 7. In the event the Licensee subsequently applies for a gambling license, he
2 acknowledges and agrees that he will be subject to all the Washington State Gambling
3 Commission's investigative procedures for processing such an application, and that the
4 violations at issue in the present case may be considered in the review of his application.
5 Furthermore, the Licensee acknowledges and agrees that no promises or assurances have been
6 made to the Licensee that he will receive a license or certification from the Washington State
7 Gambling Commission should he apply.

8 8. This agreement constitutes the final written expression of all the terms of this
9 agreement and is a complete and exclusive statement of these terms.

10 STIPULATED AND AGREED TO BY:

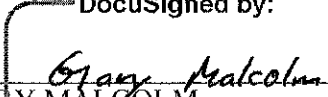
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DAVID TRUJILLO, Director
Washington State Gambling
Commission

10/24/19

DATE

DocuSigned by:


GARY MALCOLM
Licensee 50CEB62D7E0943A...

10/24/2019

DATE

Response

OHA No. 07-2019-GMB-00103

GMB No. CR 2019-00120

It is hard to express the amount of pressure and stress of the General Manager position placed by executives and owners of the casinos. Nearly all that pressure revolves around profitability. The results of that are often key gaming protection positions being understaffed and underpaid. The workload and expectations are extensive. This often makes it difficult to do thorough and complete work for the General Manager.

The focus upon arrival at Macau Casino – Lakewood by executive management was to correct poor profitability and restore game protection. Before my start a serious cheating incident had occurred causing a significant financial loss and resulting in the termination of the previous GM.

What there is to know as a certainty involving this case, any violations that may have occurred did not happen without the knowledge of executive management. I directly reported to two people over my time at Macau. Dawn Mangano and Mike Marques (sometimes both). Dawn directly reported to Mike and Hal. Nothing happened in a vacuum.

In Response to the Basis for Revocation

A. Failure to maintain an effective anti-money laundering program as required by Title 31 of the Code of Federal Regulations...

I was never formally or informally appointed as the Anti-Money Laundering Officer. When I arrived at Macau Casino - Lakewood there was an established system in place for the anti-money laundering program. As General Manager I was never responsible for the direct 'filing' the CTR's. That was the responsibility of the Casino Manager Travis Moore until he left. After that it was the responsibility of the Accounting Manager.

I did ensure that all pit employees understood the requirements and followed it to the best of our ability. By directive of executive management, we were understaffed on Floor Supervisor coverage to effectively track and maintain records in my opinion. I voiced my concern with executive management on multiple occasions.

It was never my intention at any point during my gaming career not to follow title 31 and run an effective anti-money laundering program.

B. The extension of credit to players in violation of WAC 230-06-035(1)

Allowing players to buy back checks is not an extension of credit and is common practice at most casinos.

As already acknowledged, I did allow activity that can be construed as the extension of credit. This did not happen as a nefarious intention. It started as a customer service because a customer wanted to avoid having her daughter see the checks going through the bank account. Once I allowed it for one it was hard not to allow it for others. We got caught up in what I thought of as a gray area but turned out to be an ongoing cycle of abuse. I sincerely regret my part in allowing this to happen.

I want to point out that everyone from executive management, corporate accounting and on property accounting staff were all fully aware of exactly what was occurring. I was never at any point trying to hide the activity and was never directed to stop the activity.

Additional point: The WSGC allows personal checks. A personal check is a form of a promissory note.

C. Not depositing checks within two days as required by WAC 230-15-150(2)(a)

This never happened with my knowledge, consent or direction. I don't remember it ever happening. If this is in reference to check buy back, then I would argue it does not apply.

In reference to Angela Salstrom's interview regarding removing a check from a deposit, I will clear up without any story of what actually occurred. Jon Norawong was a regular customer who wrote checks. Sometimes his checks would be deposited as normal and other times he would want to buyback. On this occasion, he asked if we could hold his check as he was in transit but would be in after the deposit was picked up due to traffic. I called my properties Special Agent Mark Harris and asked if that would be ok. He stated that it would be a risk I take if he does not come in to ensure the check was deposited by end of day or be out of compliance. I told Mark that I trust John to show up and will be taking the risk. In addition, I stated that if he was not 'here' before 5 pm I would deposit the check myself and notify him if for some reason anything stated did not happen. John showed up and bought back the check.

D. Not forwarding all players checks to the bank as required by WAC 230-15-150(2)(a)

This never happened with my knowledge, consent or direction. I don't remember it ever happening. If this is in reference to check buy back, then I would argue it does not apply.

E. Accepting checks from individuals who had previously provided checks that had been returned as NSF in violation of WAC 230-15-155

This never happened with my knowledge, consent or direction. I don't remember it ever happening.

F. Failing to follow the casino's own internal controls in violation of WAC 230-15-425

It was my responsibility to know what the internal controls state and I did not know the disclosed internal controls were a part of our internal controls at the time. Every General Manager has experienced some breakdown in this area.

G. Failing to file over 90 CTR on transactions involving \$10,000 or more as required by the Department of the Treasury in violation of 31 CFR 1021.311

AND

H. Inaccurately completing 115 CTR Required by 31 CFR 1021.311

Cage and Accounting had a system in place. I never directed in any way not to follow or deviate from complete work in completing CTR's. When (Based on discovery provided) CTR's were not completed or inaccurately completed I was never notified by any staff that it had occurred in any instance.

Restating from 'A'

When I arrived at Macau Casino - Lakewood there was an established system in place for the anti-money laundering program. As General Manager I was never responsible for the direct 'filing' the CTR's. That was the responsibility of the Casino Manager Travis Moore until he left. After that it was the responsibility of the Accounting Manager.

I did ensure that all pit employees understood the requirements and followed it to the best of our ability. By directive of executive management, we were understaffed on Floor Supervisor coverage to effectively track and maintain records in my opinion. I voiced my concern with executive management on multiple occasions.

It was never my intention at any point during my gaming career not to follow title 31 and run an effective anti-money laundering program.

- I. Failing to file Suspicious Activity Reports as required by the Department of the Treasury in violation of 31 CFR 1021.320(1)

Regarding check buyback, I did not report and did not hide.

Regarding money laundering, I'm only aware of one incident that occurred while I was on time off (weekend or vacation). A Shift Manager called me and told me what had occurred. I meant to report it when I was back in office and did not put a structure in place to insure I remembered.

- J. Failing to properly prepare and submit records that the Commission requires in violation of WAC 230-15-190(1)

- K. Providing gifts to persons playing in a gambling activity in violation of WAC 230-06-035(1)

Program developed with the executive team as a directive to do like Macau Casino - Tukwila

- L. Failing to *information(?)* the Commission of suspicious activity or violations of statute or Commission regulations at the casino in violations of RCW9.46.153(3)

See 'I'

I could go on in detail about all that is included in the discovery and included interviews in defense of myself but there is no point. Instead, I will state a few more items and call this complete.

Regarding the Interviews;

The interviews were not conducted in the manner of a true inquiry or investigative nature. They were conducted looking for an outcome. After listening to them I also wonder why I was not asked about the 'factual' nature of much of the hearsay. That could have happened at my interview or subsequent conversations and meetings had that been an opportunity accepted by the AG and WSGC.

In addition, regarding questions and answers during the interview;

- At no time was any employee under the threat of termination.
- Never have I accepted money or gifts from a customer or employee in the entirety of my career.
- Never have I stolen or 'skimmed' money from the business in the entirety of my career.
- Is there other interviews regarding my case that I'm unaware of?

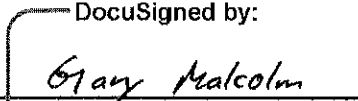
During interviews Jess Lohse assertion of wrongdoing to generate a business outcome (revenue); It is interesting that he relates my time at Roman Casino as associated reasoning that I am carrying on something I picked up from working there. While he is completely wrong that I was aware in any way with any violations during my time there, it is true I carried with me a secret to success for building the Baccarat business. Relating to customers at a deeper than a superficial level and it matters how customers feel about you (and the business).

For the vast majority of industry employees and customers that I have encountered, my reputation in the industry is one of care and integrity. Further my interactions with the WSGC agents on a regular basis have been one of cooperation, transparency and integrity. Often that looked like self-reporting violation that occurred or actively helping in cheating investigations. That is who I am and implications otherwise by any WSGC employees are not based on experience or fact.

What is clear through multiple requests for a meeting and lack of interest in a true inquiry of investigation is that due process is not available for me. If I was a person or company of financial means to pay a big fine or hirer an expensive lawyer some conversations would occur to investigate and negotiate. That was evident by the many cases resolved in that manner with larger, repeat and serious violations.

As much as I would appreciate the opportunity to a hearing to interview witnesses provided by WSGC and properly defend myself this has the feel of a 'rubber stamp' process. This is evident by the resolution of the vast majority of numerous wsgc summary judgment against individuals without the financial means to pay a big fine. My case without due process is un-winnable.

I, Gary Malcolm do hereby surrender my gaming license No. 68-10429. I reserve the right to apply for a gaming license in the future.

X 
Gary Malcolm 50CEB62D7E0943A...
10/7/2019