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STATE OF WASHINGTON
GAMBLING COMMISSION

GAMBLING COMMISSION
COMM & LEGAL DEPT

In the Matter of the Revocation of the License)	
to Conduct Gambling Activities of:)	NO. CR 2010-00748
)	
Keven Baumann)	SETTLEMENT ORDER
Seattle, Washington,)	
)	
Licensee.)	
_____)	

This Settlement Order is entered into between the Washington State Gambling Commission and Keven Baumann. The Gambling Commission is represented by H. Bruce Marvin, Assistant Attorney General, and Melinda Froud, Lead Staff Attorney. The licensee is represented by Dave Malone, of Miller, Malone, and Tellefson.

I.

The Washington State Gambling Commission issued Keven Baumann license number 68-18387, authorizing Card Room Employee activity at Goldie's Shoreline Casino and Wizards Casino in Burien. Mr. Baumann is also a substantial interest holder of Wizards Casino in Burien.

This license expires on September 24, 2011, and was issued subject to the licensee's compliance with state gambling laws and regulations.

II.

In the above-entitled case, the Gambling Commission issued a Notice of Administrative Charges and Opportunity for an Adjudicative Hearing on July 30, 2010, seeking the revocation of Mr. Baumann's license to conduct gambling activities. On August 19, 2010, Commission staff received the licensee's request for a hearing.

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

SUMMARY:

The licensee:

- a) Engaged in an act, practice or course of operation that would operate as a fraud or deceit upon another person when the licensee authorized and instructed Wizards' employees to cash checks written by John Chan, although he knew that the checks were not from John Chan's bank account.
- b) Caused card room employees to violate gambling rules, Wizards' own check cashing procedures, and internal controls.

- c) Willfully disregarded gambling laws and regulations when he authorized and instructed card room employees to cash a third party check and cash checks from someone who is not the check owner.
- d) Failed to report to the illegal or suspicious activity.

VIOLATIONS:

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

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

- (1) Has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by chapter 9.46 RCW and any amendments thereto, or any rules adopted by the Commission pursuant thereto, or when a violation of any provision of chapter 9.46 RCW, or any Commission rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control.
- (2) Knowingly causes, aids, abets, or conspires with another to cause, any person to violate any of the laws of this state or the rules of the commission

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

We may deny, suspend, or revoke any application, license or permit, when the applicant, licensee, or anyone holding a substantial interest in the applicant's or licensee's business or organization:

(The following subsections apply.)

- (1) Commits any act that constitutes grounds for denying, suspending, or revoking licenses or permits under RCW 9.46.075.
- (3) Has demonstrated willful disregard for complying with ordinances, statutes, administrative rules, or court orders, whether at the local, state, or federal level.
- (8) Poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by: (a) Prior activities; or (b) Criminal record; or (c) Reputation; or (d) Habits; or (e) Associations.

RCW 9.46.190 Violations relating to fraud or deceit.

Any person or association or organization operating any gambling activity who or which, directly or indirectly, shall in the course of such operation:

(The following subsections apply.)

- (3) Engage in any act, practice or course of operation as would operate as a fraud or deceit upon any person;
- Shall be guilty of a gross misdemeanor subject to the penalty set forth in RCW 9A.02.021.

RCW 9.46.185 Causing person to violate rule or regulation.

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

RCW 9.46.153(3) Applicants and licensees — Responsibilities and duties — Waiver of liability — Investigation statement as privileged.

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

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

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

(2) Licensees must:

- (a) Make a copy of the entire recorded sequence of the activity; and
- (b) Give the original recording to us or other law enforcement when requested; and
- (c) Keep the copy for at least thirty days.

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

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

- (a) From the player's personal account and is dated the same day; or
- (b) Issued by a government agency or by a business, such as a payroll check.

(2) Licensees must not accept:

- (a) Third-party checks drawn on a personal account or counter checks; or
- (b) Checks from a player who owes the licensee money from a previous returned personal check. If licensees use check guarantee and collection services, this subsection does not apply.

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

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

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

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

(The following subsections apply.)

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

- (a) Licensees may only accept checks from players at the cashier's cage; and
- (b) Before cashing the check, the cage cashier must examine the player's identification to confirm the player's identity; and
- (c) The cage cashier must:
 - (i) Endorse the check "for deposit only" to the licensee's bank account; and
 - (ii) Initial the check; and
 - (iii) Date and time stamp the check; and
 - (iv) Verify that the player is not listed on the daily returned check report. If licensees use a check guarantee and collection service, the licensee may disregard this subsection; and
 - (v) Exchange the check for currency and coin in the amount for which the check is drawn, minus any applicable fees; and
 - (vi) Forward all player checks to the main bank cashier.
- (3) Licensees must deposit all checks received into their bank account, within two banking days after receipt. Checks deposited to an armored car service within two banking days meet this requirement.

WAC 230-15-425 Internal controls.

- (1) House-banked card game licensees must:
 - (a) Adopt internal controls in the format we require; and
 - (b) Ensure that all games are closely controlled and operated in accordance with gambling laws, our rules, and the house-banked card game licensee's internal controls (ICs); and
 - (c) Follow all ICs at all times; and
 - (d) Have all ICs available to us at all times at the licensed business premises; and
 - (e) Have the ICs available to card room employees for their individual functions; and
 - (f) Ensure that card room employees are knowledgeable in all accounting and internal control procedures for their individual functions and ensure that employees follow the ICs.
- (2) Licensed card room employees must follow the internal control procedures for their individual functions.

1) Under RCW 9.46.190, Keven Baumann engaged in an act, practice or course of operation that would operate as a fraud or deceit upon another person when he authorized and instructed Wizards' employees to cash checks John Chan wrote, although he knew that the checks were not John Chan's.

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

3) Keven Baumann instructed Wizards' employees to disregard Wizards' check cashing procedures and internal controls, in violation WAC 230-15-580 and WAC 230-15-425, when he told Wizard's employees not to run checks that John Chan wrote from another person's bank account through the Landmark check verification system.

4) Keven Baumann admittedly knew that John Chan wrote checks from his brother's bank account. However, Mr. Baumann failed to report to Commission staff within three business days the illegal or suspicious activity and failed to copy and preserve surveillance video of John Chan cashing the fraudulent checks, in violation of WAC 230-15-305 and RCW 9.46.153.

5) Keven Baumann willfully disregarded gambling laws and regulations when he allowed and authorized John Chan to cash checks from John Chan's brother's bank account. This also includes cashing a third party check that John Chan wrote to Jonathan Do.

Keven Baumann's actions demonstrate that he 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. Therefore, grounds exist to revoke Keven Bauman's license under RCW 9.46.075(1) and (2), and WAC 230-03-085(1), (3), and (8).

III.

The licensee acknowledges that he received and read the Notice of Administrative Charges issued in this case, and understands the facts and violations alleged in it. While not admitting to the facts and violations specified above in section II, Keven Baumann agrees that if the Gambling Commission established the alleged facts in the case at issue, there would be sufficient evidence of the violations as stated in the administrative charges.

The licensee has waived his right to a hearing, based on the terms and conditions of this Settlement Order. The licensee further agrees to the following sanctions:

- 1) On September 1, 2010, Keven Baumann sold his 12.33 percent ownership interest in 15743 Ambaum, LLC., d/b/a Wizards Casino to Cory Coyle. The Promissory Note and Unit Purchase Agreement between Mr. Baumann and Mr. Coyle dated September 1, 2010, shall be amended by **February 4, 2011** to reflect that in the event of default the shares do not revert back to Mr. Baumann.
- 2) Mr. Baumann will no longer be a substantial interest holder of 15743 Ambaum, LLC., d/b/a Wizards Casino, as defined in WAC 230-03-045.
- 3) Additionally, as of **February 1, 2011**, Mr. Bauman shall no longer be employed, in any capacity, by 15743 Ambaum, LLC., d/b/a Wizards Casino or any successor(s) in interest or entity conducting gambling operating at Wizards current business address.
- 4) **Keven Baumann agrees that he will voluntarily surrender his license on or before February 1, 2011, and shall not hold a gambling license until on or after February 1, 2013.**
- 5) Keven Baumann shall have no involvement, whether paid or unpaid, in a card room employee capacity, in the operation, ownership, or financing of any business in Washington State which is applying for, or holds, a gambling license or is involved with any gambling activity, including punchboard/pull-tab activity.

- 6) In the event Mr. Baumann reapplies for a gambling license or certification after the required period of time has lapsed, he will be subject to all the Commission's investigative procedures for processing an application for a gambling license and will be required to establish by clear and convincing evidence that he is qualified for licensure.
- 7) Nothing herein shall prevent the Commission from denying Mr. Baumann's application for a gambling license or certification at that time based on facts currently known or unknown by Commission staff. However, the Commission shall not base a denial of license ~~solely~~ on the alleged facts of this case. Furthermore, no promises or assurances have been made to Mr. Baumann that he will receive a license from the Commission should he reapply.
- 8) If Mr. Baumann obtains licensure after the required period of time has lapsed, he shall not work in a supervisory, management, or ownership capacity for six (6) months.

KB
DM
MAT

DATED this 27 day of February, 2011.

Douglas H. Washburn 2/7/11
Administrative Law Judge

APPROVED FOR ENTRY:

By the signature below, the licensee understands and accepts the terms and conditions of this Order.

Keven Baumann 2/27/11
Keven Baumann (Date)
Licensee

David Malone 1/25/2011
David Malone, WSBA #23435 (Date)
Miller, Malone, and Tellefson
Representing Keven Baumann

Melinda A. Froud
Melinda A. Froud, WSBA# 26792
Lead Staff Attorney
Washington State Gambling Commission

APPROVED AS TO FORM:

H. Bruce Marvin
H. Bruce Marvin, WSBA# 25152
Assistant Attorney General,
Representing the Washington State
Gambling Commission