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STATE OF WASHINGTON
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In the Matter of the Revocation of the)
 Licenses to Operate Gambling Activities of:)
)
 BZ's Sports Bar & Grill)
 Burien,)
)
 Good Time Ernie's)
 Burien,)
)
 Tall Timbers Bar & Grill)
 Federal Way,)
)
 Licensee.)

NO. CR 2010-00330
 CR 2010-00392
 CR 2010-00391

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HEADQUARTERS OFFICE OF
ADMINISTRATIVE HEARINGS

SETTLEMENT ORDER

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GAMBLING COMMISSION
COMM & LEGAL DIVISION

This Settlement Order is entered into between the Washington State Gambling Commission and the Lau Family Trust. H. Bruce Marvin, Assistant Attorney General, and Melinda Froud, Staff Attorney, represent the Commission. Dave Malone, Attorney, represents the Lau Family Trust, owner and operator of the licensees.

I.

William & Josephine Lau are each fifty percent owners of the Lau Family Trust. The Lau Family Trust is owner and operator of:

- a) TLF Holdings, LLC., d/b/a BZ's Sports Bar & Grill in Burien; and
- b) Tall Timbers Enterprise, LLC., d/b/a:
 - Good Time Ernie's in Burien; and
 - Tall Timbers Bar & Grill in Federal Way.

The Washington State Gambling Commission issued:

- 1) TLF Holdings, LLC., d/b/a BZ's Sports Bar & Grill in Burien, organization number 00-18570, the following licenses:
 - Number 05-10095, Authorizing Class "D" Punchboard/Pull-Tab Activity; and
 - Number 53-20182, Authorizing Commercial Amusement Game Activity.

These licenses expire on September 30, 2010, and were issued subject to the licensees' compliance with state gambling laws and Commission rules.

- 2) Tall Timbers Enterprise, LLC., d/b/a Good Time Ernie's in Burien, organization number 00-20111, the following licenses:
 - Number 05-19988, Authorizing Class "B" Punchboard/Pull-Tab Activity; and
 - Number 53-20726, Authorizing Commercial Amusement Game Activity.

The licenses expire on March 31, 2011, and were issued subject to the licensees' compliance with state gambling laws and Commission rules.

3) Tall Timbers Enterprise, LLC., d/b/a Tall Timbers Bar & Grill in Federal Way, organization number 00-19435, the following licenses:

- Number 05-19682, Authorizing Class "E" Punchboard/Pull-Tab Activity; and
- Number 53-20608, Authorizing Commercial Amusement Game Activity.

The licenses expire on June 30, 2010, and were issued subject to the licensees' compliance with state gambling laws and Commission rules.

II.

SUMMARY:

Since 2005, William Lau, owner of BZ's Sports Bar & Grill, Good Time Ernie's, and Tall Timbers Bar & Grill, falsified pull-tab records and gambling tax returns. As a result, Mr. Lau underreported gross gambling receipts to Commission staff and to the local taxing authority. By underreporting gross gambling receipts to local taxing authorities, Mr. Lau paid a smaller amount of gambling taxes than if he had correctly reported his gross gambling receipts. Mr. Lau also failed to control pull-tab inventory.

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(s) 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.
- (7) Makes a misrepresentation of, or fails to disclose, a material fact to the Commission.
- (8) Fails to prove, by clear and convincing evidence, that he, she or it is qualified in accordance with the provisions of this chapter.
- (10) Has pursued or is pursuing economic gain in an occupational manner or context which is in violation of the criminal or civil public policy of this state if such pursuit creates probable cause to believe that the participation of such person in gambling or related activities would be inimical to the proper operation of an authorized gambling or related activity in this state. For the purposes of this section, occupational manner or context shall be defined as the systematic planning, administration, management or execution of an activity for financial gain.

2) RCW 9.46.153(1) Applicants and licensees-Responsibilities and duties

It shall be the affirmative responsibility of each applicant and licensee to establish by clear and convincing evidence the necessary qualifications for licensure of each person required to be qualified under this chapter, as well as the qualifications of the facility in which the licensed activity will be conducted.

Mr. Lau repeatedly made false or misleading entries and failed to make entries on Monthly Income Summary Records, Quarterly Activity Reports, and Gambling Tax Returns by underreporting pull-tab gross gambling receipts and failing to record dead games on the Monthly Income Summary Records.

By underreporting gross gambling receipts on Gambling Tax Returns, Mr. Lau paid a smaller amount of gambling taxes than if he had correctly reported his gross gambling receipts. Mr. Lau pursued economic gain in an occupational manner by underreporting gross gambling receipts and his participation in gambling or related activities would be detrimental to the proper operation of gambling.

By making false or misleading entries, as well as, failing to make entries on reports or records all the licensees were required to make or maintain, Mr. Lau failed to comply with the provisions, requirements, conditions, limitations, or duties imposed by chapter 9.46 RCW or the rules adopted by the Commission.

Because of his actions, Mr. Lau has failed to establish by clear and convincing evidence the necessary qualifications for licensure as required in RCW 9.46.153(1).

Therefore, grounds exist to revoke the licenses of BZ's Sports Bar & Grill, Good Time Ernie's, and Tall Timbers Bar & Grill under RCW 9.46.075(1), (7), (8), and (10).

3) 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 subsection(s) 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.

Since 2005, Mr. Lau has repeatedly made false or misleading entries, as well as failed to make entries on reports or records that all the licensees are required to make or maintain. Therefore,

Mr. Lau demonstrated willful disregard for complying with ordinances, statutes, and administrative rules.

Mr. Lau's pattern of falsifying gambling records by underreporting gambling revenue and failing to make entries on monthly income summaries demonstrates 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 the licenses of BZ's Sports Bar & Grill, Good Time Ernie's, and Tall Timbers Bar & Grill under and WAC 230-03-085(1), (3), and (8).

4) RCW 9.46.190 Violations relating to fraud or deceit.

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

The following subsection(s) apply:

- (1) Employ any device, scheme, or artifice to defraud; or
- (2) Make any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statement made not misleading, in the light of the circumstances under which said statement is made; or
- (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.

Mr. Lau has falsified records and reports and has misrepresented his gross gambling receipts to the local taxing authorities since 2005. Therefore, Mr. Lau paid a smaller amount of gambling taxes to the City of Burien and the City of Federal Way than if he correctly reported his gambling revenue. Mr. Lau engaged in an act that defrauded local taxing authorities out of tax revenue, in violation of RCW 9.46.190.

5) RCW 9.46.170 False or misleading entries or statements, refusal to produce records.

Whoever, in any application for a license or in any book or record required to be maintained by the Commission or in any report required to be submitted to the Commission, shall make any false or misleading statement, or make any false or misleading entry or willfully fail to maintain or make any entry required to be maintained or made, or who willfully refuses to produce for inspection by the Commission, or its designee, any book, record, or document required to be maintained or made by federal or state law, shall be guilty of a gross misdemeanor subject to the penalty set forth in RCW 9A.20.021.

Mr. Lau repeatedly made false or misleading entries, as well as, failed to make entries on reports or records that BZ's Sports Bar & Grill, Good Time Ernie's, and Tall Timbers Bar & Grill are required to make or maintain, in violation of RCW 9.46.170.

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6) WAC 230-06-070 Keep monthly records.

Every person or organization licensed to operate any gambling activity must maintain permanent monthly records of all financial transactions directly or indirectly related to gambling activities. The licensee must include all financial transactions in enough detail to prove compliance with recordkeeping requirements for the specific gambling activity.

The following subsection(s) apply:

- (1) Every licensee must record for each licensed activity:
 - (a) The gross gambling receipts; and
 - (b) Full details on all expenses; and
 - (c) The total cost of all prizes paid.

(3) Licensees must record each licensed activity separately and include all transactions occurring during the calendar month. Licensees must complete these records and have them available for audit or inspection by our agents or other law enforcement no later than thirty days following the end of each month.

7) WAC 230-14-285(1) Monthly income summary.

Punchboard and pull-tab licensees must prepare a detailed monthly income summary for punchboard and pull-tab series removed from play in the format we require either manually or electronically.

8) WAC 230-14-260 Inventory control

(1) Punch board and pull-tab operators must control and account for each punchboard and pull-tab series they obtain. Operators must:

- (a) Enter the I.D. stamp numbers for the series in all records; and
- (b) Attach the packing slip to the original invoice if the pull-tab series is packed in more than one container; and
- (c) Record each pull-tab dispenser they purchase.

(2) Distributors must record every purchase of punchboards or pull-tabs on an invoice. Operators must use this record to account for each series between the time they purchase it and the time they remove it from play. Invoices must include space for the operator to attach:

- (a) The I.D. stamp numbers for each board or series; and
- (b) The date they placed the punchboard or pull-tab series out for play

Mr. Lau failed to control pull-tab inventory, failed to record the gross gambling revenue and additional information for all pull-tab games on a MIS, and failed to keep accurate gambling records, in violation of WAC 230-06-070, WAC 230-14-260, and WAC 230-14-285.

9) WAC 230-03-045 Defining substantial interest holder.

(1) "Substantial interest holder" means a person who has actual or potential influence over the management or operation of any organization, association, or other business entity.

(2) Evidence of substantial interest may include, but is not limited to:

- (a) Directly or indirectly owning, operating, managing, or controlling an entity or any part of an entity; or

- (b) Directly or indirectly profiting from an entity or assuming liability for debts or expenditures of the entity; or
- (c) Being an officer or director or managing member of an entity; or
- (d) Owning ten percent or more of any class of stock in a privately or closely held corporation; or
- (e) Owning five percent or more of any class of stock in a publicly traded corporation; or
- (f) Owning ten percent or more of the membership shares/units in a privately or closely held limited liability company; or
- (g) Owning five percent or more of the membership shares/units in a publicly traded limited liability company; or
- (h) Providing ten percent or more of cash, goods, or services for the start up of operations or the continuing operation of the business during any calendar year or fiscal year. To calculate ten percent of cash, goods, or services, take the operational expenses of the business over the past calendar or fiscal year, less depreciation and amortization expenses, and multiply that number by ten percent; or
- (i) Receiving, directly or indirectly, a salary, commission, royalties, or other form of compensation based on the gambling receipts.

III.

William Lau acknowledges that he received the Findings of Fact, Conclusions of Law and Order of Summary Suspension issued in this case, and understands the facts and violations contained in it. While not admitting to the facts and violations specified above in section II, William Lau 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 its right to a hearing, based on the terms and conditions of this Settlement Order. The licensee agrees to the following terms and sanctions:

- 1) William Lau agrees to the surrender the gambling licenses of:
 - a) TLF Holdings, LLC., d/b/a BZ's Sports Bar & Grill in Burien;
 - b) Tall Timbers Enterprise, LLC., d/b/a: Good Time Ernie's in Burien; and
 - c) Tall Timbers Enterprise, LLC., d/b/a: Tall Timbers Bar & Grill in Federal Way.¹
- 2) William Lau shall have no involvement directly or indirectly, whether paid or unpaid, in the operation, ownership, or financing of any business in Washington State which is applying for, or holds, a gambling license or permit or is involved with any gambling activity, including punchboard/pull-tab activity.

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¹ When the Summary Suspension was served on April 28, 2010, a Gambling Commission Special Agent took possession of BZ's Sports Bar & Grill's, Good Time Ernie's, and Tall Timbers Bar & Grill's gambling licenses.

3) **The signed Settlement Order must be received by Commission staff on or before June 22, 2010**, and mailed to Commission Headquarters at the following address:

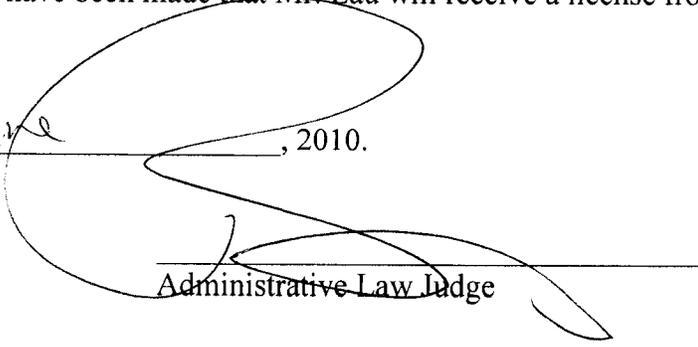
Washington State Gambling Commission
Attention: Communications and Legal Division
P.O. Box 42400
Olympia, WA 98504-2400

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

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

4) In the event that William Lau reappplies for a gambling license, he will be subject to all the Commission's investigative procedures for processing an application for a gambling license. Furthermore, no promises or assurances have been made that Mr. Lau will receive a license from the Commission should he reapply.

DATED this 25th day of June, 2010.



Administrative Law Judge

APPROVED FOR ENTRY:

By the signature below, Mr. Lau acknowledges reading the Settlement Order, and understands the terms and conditions in it.

William Lau, Lau Family Trust, (Date)
owner and operator of: BZ's Sports Bar & Grill,
Good Time Ernie's, and
Tall Timbers Bar & Grill

David Malone June 9, 2010

David Malone, WSBA #23435 (Date)
Miller, Malone, and Tellefson
Representing William Lau

Melinda Froud 6-11-10

Melinda Froud, WSBA # 26792 (Date)
Lead Staff Attorney,
Washington State Gambling Commission

APPROVED AS TO FORM:

H. Bruce Marvin 6/21/10

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

APPROVED FOR ENTRY:

By the signature below, Mr. Lau acknowledges reading the Settlement Order, and understands the terms and conditions in it.

 6/16/10

William Lau, Lau Family Trust, (Date)
owner and operator of: BZ's Sports Bar & Grill,
Good Time Ernie's, and
Tall Timbers Bar & Grill

APPROVED AS TO FORM:

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

David Malone, WSBA #23435 (Date)
Miller, Malone, and Tellefson
Representing William Lau

Melinda Froud, WSBA # 26792 (Date)
Lead Staff Attorney,
Washington State Gambling Commission

