

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Suspension of the Licenses) NO. CR 2010-00992
to Conduct Gambling Activities of:) CR 2010-01328
)
GSC Corporation,) **NOTICE OF AMENDED**
d/b/a Diamond Lil's) **ADMINISTRATIVE CHARGES**
Renton, Washington,) **AND OPPORTUNITY FOR AN**
) **ADJUDICATIVE PROCEEDING**
Licensee.)
_____) *Amendments are in italics.*

I.

The Washington State Gambling Commission issued GSC Corporation, d/b/a Diamond Lil's, organization number 00-05124, the following licenses:

Number 67-00044, authorizing Class "12" House-Banked Card Room activity; and
Number 05-01996, authorizing Class "D" Punchboard/Pull-Tab activity.

The licenses expire on September 30, 2011, and were issued subject to the licensee's compliance with state gambling laws and regulations.

II.

Rick Day, 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:

CR 2010-00992

1) Diamond Lil's failed to:

- Closely control the Progressive Fortune Pai Gow jackpot and account for all the funds collected;
- Correctly reduce the amount of a progressive jackpot prize accrued;
- Adequately disclose to players the prizes available for the Progressive Fortune Pai Gow Poker jackpot; and
- Collect money for a backup jackpot, in violation of its internal controls.

2) CSG Corporation owns and operates Freddie's Club in Renton and Diamond Lil's, both located in Renton. In July 2010, a Commission Special Agent (agent) performed a compliance inspection on Freddie's Club. Lori Bender, President of CSG Corporation, told the agent that

c) For June 2010:

- There were three deposits and no withdrawals and made to the Progressive Fortune Pai Gow bank account.
- According to the June 2010 Progressive Fortune Pai Gow accrual records, Diamond Lil's discontinued accruing funds for the backup jackpot on June 6, 2010.
- Additionally, the June 2010 accrual records show that there should have been \$54,852 in the Progressive Fortune Pai Gow bank account (\$33,229 for the main jackpot and \$21,622 for the backup jackpot).
- On June 30, 2010, the balance of the Progressive Fortune Pai Gow bank account was \$2,765.
- The amount of the Progressive Fortune Pai Gow jackpot that Diamond Lil's displayed to the players was \$33,229.

d) For July 2010:

- On July 28, 2010, the balance of the Progressive Fortune Pai Gow bank account was \$2,852.
- According to the July 2010 Progressive Fortune Pai Gow accrual records, there should have been \$56,001 in the Progressive Fortune Pai Gow bank account (\$34,378 for the main jackpot and \$21,622 for the backup jackpot).
- The amount of the Progressive Fortune Pai Gow jackpot that Diamond Lil's displayed to the players was \$34,378.

5) On August 16, 2010, Diamond Lil's deposited gambling revenue funds into its Progressive Fortune Pai Gow bank account so that there were sufficient funds to cover the jackpot that Diamond Lil's displayed to the players.

6) By taking out \$52,000 from the Progressive Fortune Pai Gow bank account for business expenses and repayment of a loan from Freddie's Club, Diamond Lil's incorrectly reduced the amount of a progressive jackpot prize accrued, in violation of WAC 230-15-695. As a result, Diamond Lil's failed to adequately disclose to players the Progressive Fortune Pai Gow jackpot prizes available, in violation of WAC 230-15-680(4).

7) Additionally, Diamond Lil's failed to closely control the Progressive Fortune Pai Gow jackpot and failed to account for all the funds collected for the Progressive Fortune Pai Gow jackpot, in violation of WAC 230-15-680(5).

8) According to Diamond Lil's internal controls (ICs), 20% of the money collected for the Progressive Fortune Pai Gow jackpot was to go into a backup jackpot. The June 2010 Progressive Fortune Pai Gow accrual records showed that Diamond Lil's discontinued accruing funds for the backup jackpot. The licensee did not submit a request or receive approval from the agent to stop funding the backup jackpot.

RCW 9.46.075(1) Denying, suspending, or revoking an application, license 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: 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;

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.

WAC 230-15-680 Operating progressive jackpot prizes

House-banked card game licensees may operate progressive jackpot prizes with certain approved house-banked card games.

- (1) To participate in a progressive jackpot, a player places a separate wager, part of which accrues to the progressively increasing prize.
- (2) Manufacturer's game rules determine the winning patterns or combinations of cards.
- (3) Licensees must offer a primary jackpot and may have a secondary or reserve jackpot prize.
- (4) Licensees must adequately disclose to players the prizes available and how they are won.
- (5) Licensees must ensure that they closely control progressive jackpot games and account for all the funds collected.

WAC 230-15-695 Adjusting progressive jackpot amounts

House-banked card game licensees must not reduce the amount of a progressive jackpot prize accrued or displayed except for the following reasons:

- (1) To reduce the jackpot and the advertised amount by the amount won; or
- (2) To correct an amount displayed incorrectly because of malfunctioning equipment; or
- (3) To correct the display when the amount displayed is greater than the predetermined maximum prize limit; or
- (4) To reduce a reserve or secondary jackpot as long as they record the funds removed as gross receipts and properly documented that in their records; or
- (5) To reduce a reserve or secondary jackpot to recover seed money that was not taken from gross receipts, if they properly document those funds in their records; or
- (6) To reduce the jackpot by the dollar amount they paid for merchandise they award as prizes.

(f) A sufficient number of fixed cameras and/or PTZ cameras in the count area or count room; and

(g) Fixed cameras and/or PTZ cameras in any other location deemed necessary.

(3) In addition, house-banked card game licensees must:

(a) Install a sufficient number of video monitors in their CCTV system to simultaneously view multiple gambling tables, the cashier's cage, and count room activities;

(b) Install a sufficient number of fixed cameras and/or PTZ cameras in the cage(s); and

(c) Install a sufficient number of PTZ cameras having the ability to determine the card and chip values for winning hands.

III.

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

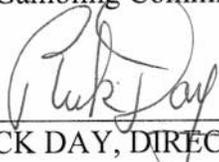
The licensee will have the opportunity to have a hearing on the alleged violations.

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 **SUSPENDING YOUR LICENSES FOR 30 DAYS**.

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

Rick Day, 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 Director of the Washington State Gambling Commission, and in that capacity has executed said Notice.

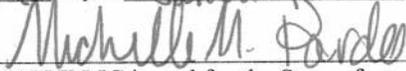


RICK DAY, DIRECTOR

STATE OF WASHINGTON)
) ss
COUNTY OF THURSTON)

SUBSCRIBED AND SWORN TO before me
this 14 day of January, 2011.

I hereby certify that I have this day served a copy of the document upon all parties of record in the proceeding by mailing a copy thereof, properly addressed with postage prepaid, by regular and certified mail to each party to the proceeding or to her attorney or authorized agent.



NOTARY PUBLIC in and for the State of
Washington residing at Wacey
My commission expires on 6/16/13

Dated at Olympia, Washington this 14 day of January, 2011

Communications and Legal Department
Washington State Gambling Commission
