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**GAMBLING COMMISSION  
COMM & LEGAL DEPT**

STATE OF WASHINGTON  
GAMBLING COMMISSION

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**GAMBLING COMMISSION  
COMM & LEGAL DIVISION**

In the Matter of the Suspension of the Licenses )  
to Conduct Gambling Activities of: )  
)  
GSG Corporation, )  
d/b/a Freddie's Club )  
Renton, Washington, )  
)  
Licensee. )  
\_\_\_\_\_ )

NO. CR 2010-00903  
CR 2010-00978

**SETTLEMENT ORDER**

This Settlement Order is entered into between the Washington State Gambling Commission and GSC Corporation, d/b/a Freddie's Club. H. Bruce Marvin, Assistant Attorney General, and Melinda Froud, Staff Attorney, represent the Commission. Lori Bender, President of GSG Corporation, represents the licensee.

I.

The Washington State Gambling Commission issued GSC Corporation, d/b/a Freddie's Club, organization number 00-16694, the following licenses:

Number 67-00048, authorizing Class "15" House-Banked Card Room activity; and  
Number 05-09169, authorizing Class "F" 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.

In the above-entitled case, the Gambling Commission issued a Notice of Administrative Charges and Opportunity for an Adjudicative Hearing on November 29, 2010, and issued an Amended Notice of Administrative Charges on January 14, 2011, seeking the suspension of the licensee's licenses to conduct gambling activities. On December 9, 2010, Commission staff received the licensee's request for a hearing.

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

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Freddie's Club failed to:

- Closely control and account for all the funds collected for the Progressive Fortune Pai Gow jackpot, in violation of WAC 230-15-680(5);
- Reduce the amount of a progressive jackpot prize accrued according to gambling rules,

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in violation of WAC 230-15-695;

- Adequately disclose to players the prizes available for the Progressive Fortune Pai Gow Poker jackpot, in violation of WAC 230-15-680(4); and
- Collect money for a backup jackpot, in violation of its internal controls, in violation of WAC 230-15-425 and 230-15-440.

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On August 6, 2010, an agent conducted a compliance inspection and found the following surveillance violations:

- On July 22, 2010, and July 23, 2010, the licensee documented surveillance recordings that failed to have sufficient clarity to view the activity recorded. Some tapes only played back a black screen and some VCRs failed to record activity from surveillance cameras. The licensee did not report these surveillance violations to the agent as required on the surveillance log.
- Surveillance malfunctions listed on the licensee's surveillance log from December 2009 through August 3, 2010, were not corrected and the licensee failed to notify the agent about the malfunctions, as required on the surveillance log and under WAC 230-15-330.
- Multiple surveillance cameras used to cover designated gambling areas, the cashier's cage, the soft count room, and entrances and exits into the card room did not work or the surveillance recordings did not provide enough clarity to view the activity recorded, in violation of WAC 230-15-280 and WAC 230-15-285.

Therefore, under RCW 9.46.075(1) and (7) and WAC 230-03-085(1), (3), and (7) grounds exist to suspend Freddie's Club licenses.

**RCW 9.46.075 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: (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.

(7) Makes a misrepresentation of, or fails to disclose, a material fact to 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.
- (7) Fails to provide us with any information required under commission rules within the time required, or, if the rule establishes no time limit, within thirty days after receiving a written request from us.

#### **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.

#### **WAC 230-15-425 Internal controls**

(The following subsections apply.)

- (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

#### **WAC 230-15-440 Modifying internal controls and changing card games offered**

(The following subsection applies)

- (1) House-banked card game licensees must submit proposed changes to their internal controls in writing to us and receive our written approval before making any changes.

**WAC 230-15-330 Keeping a surveillance activities log.**

Class F and house-banked card game licensees must keep a log of all surveillance activities in the format we require.

**WAC 230-15-280 Surveillance requirements for house-banked card games.**

House-banked card game licensees must use a closed circuit television system (CCTV) to closely monitor and record all gambling activities and areas, including, at least:

- (1) Each table, including: (a) Cards; and (b) Wagers; and (c) Chip tray; and (d) Drop box openings; and (e) Table number; and (f) Card shoe; and (g) Shuffling devices; and (h) Players; and (i) Dealers; and
- (2) The designated gambling areas; and
- (3) The cashier's cage, including: (a) Outside entrance; and (b) Fill/credit dispenser; and (c) Customer transactions; and (d) Cash and chip drawers; and (e) Vault/safe; and (f) Storage cabinets; and (g) Fill or credit transactions; and (h) Floor; and
- (4) The count room, including: (a) The audio; and (b) Count table; and (c) Floor; and (d) Counting devices; and (e) Trolley; and (f) Drop boxes; and (g) Storage shelves/cabinets; and (h) Entrance and exit; and
- (5) The movement of cash, gambling chips, and drop boxes; and
- (6) Entrances and exits to the card room.

**WAC 230-15-285 Camera and monitor requirements for closed circuit television systems.**

- (1) Class F and house-banked licensees' closed circuit television system must consist of light sensitive cameras capable of permitting the viewer to determine card and chip values. Each video camera must be capable of having the images displayed on a video monitor and recorded.
- (2) Class F and house-banked licensees must install, at least:
  - (a) Cameras in a manner that will prevent them from being obstructed, tampered with, or disabled; and
  - (b) Pan, tilt, zoom (PTZ) cameras behind a smoked dome, one-way mirror, or similar materials that conceal the camera from view; and
  - (c) One or more fixed camera focused over each gambling table, covering the entire table layout.
  - (d) In nonhouse-banked games, an additional fixed camera must focus over the dealer area, covering the chip rack, all drop box openings, and the community card area; and
  - (e) A sufficient number of fixed cameras and/or PTZ cameras to monitor players and dealers at each gambling table. The PTZ cameras must be: (i) Permanently programmed; and (ii) Capable of viewing each patron and dealer at each gambling position at least once every five minutes; and
  - (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.

#### IV.

The licensee acknowledges that it received the Notices of Administrative Charges issued in this case, and understands the facts and violations contained in them. 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:

- 1) Freddie's Club's gambling licenses are hereby suspended for a period of **fifteen (15) days**, provided that:
  - a) **Ten (10) days** of the suspension shall not be currently served, but shall be deferred for a period of one year from the date of entry of this Settlement Order, subject to the following: The licensee agrees not to violate the terms of this Settlement Order, or any of Washington's gambling statutes or regulations during the one (1) year term. If the licensee violates this Settlement Order or gambling statutes or regulations, and if the violation is the type that warrants the filing of administrative or criminal charges, then the Director may impose the ten-day deferred suspension of the current gambling licenses and any subsequently acquired gambling licenses.
  - b) The parties agree that the Director of the Washington State Gambling Commission, pursuant to this agreement, has discretion to determine whether the licensee has violated any term of this agreement. In the event the Director determines that a violation of this agreement has occurred, he may suspend the license(s) issued to the licensee for up to ten days, by mailing or delivering a Notice of Order of Administrative Charges to the licensee. In addition to the consequences of the new violation, the deferred sentence shall also be served. The licensee shall be afforded the opportunity to have an Adjudicative Proceeding, which includes a hearing on the alleged violations.
  - c) **Pursuant to RCW 9.46.077, the licensee has chosen to vacate the remaining five (5) days** of this suspension by paying a monetary penalty, as follows:
    1. If the licensee upgrades its entire surveillance system to a digital surveillance system<sup>1</sup> by May 2, 2011, the licensee may vacate five (5) days of this suspension by paying a monetary penalty of twenty-eight thousand, eight hundred sixty-nine dollars (\$28,869), which represents 50% of the licensee's net gambling receipts for five days, based on information reported by the licensee in its activity reports.
    2. A Commission Special Agent shall determine if the licensee has upgraded its entire surveillance system to a digital surveillance system by May 2, 2011.
    3. However, if the licensee has failed to upgrade its entire surveillance system to a digital surveillance system by May 2, 2011, the licensee will vacate the five (5) days of the suspension by paying a monetary penalty of forty-three

<sup>1</sup> The estimated cost to do this is approximately \$18,000.

thousand, three hundred and five dollars (\$43,305) which represents 75% of the licensee's net gambling receipts for five days.

- d) **The licensee also agrees to reimburse the Commission for its investigative and administrative costs** in the amount of three thousand, six hundred eighty-one dollars (\$3,681).
- e) The investigative and administrative costs of \$3,681 shall be paid on or before March 15, 2011.
- f) The monetary penalty shall be made in three installments.
1. If the licensee has upgraded its entire surveillance system to a digital surveillance system by May 2, 2011:
    - i. The first installment of \$9,623 shall be received by Commission staff on or before May 3, 2011.
    - ii. The second installment of \$9,623 shall be received by Commission staff on or before June 1, 2011.
    - iii. The third installment of \$9,623 shall be received by Commission staff on or before July 1, 2011.
      - As a result, the total paid by the licensee would be \$32,550. (\$28,869, which represents 50% of the licensee's net gambling receipts for five days plus \$3,681 in investigative and administrative costs)
  2. However, if the licensee has failed to upgrade its entire surveillance system to a digital surveillance system by May 2, 2011:
    - i. The first installment of \$14,435 shall be received by Commission staff on or before May 3, 2011.
    - ii. The second installment of \$14,435 shall be received by Commission staff on or before June 1, 2011.
    - iii. The third installment of \$14,435 shall be received by Commission staff on or before July 1, 2011.
      - As a result, the total paid by the licensee would be \$46,987. (\$43,305 which represents 75% of the licensee's net gambling receipts for five days plus \$3,681 in investigative and administrative costs.
- g) **The signed order and payment of \$3,681 must be received by Commission staff on or before March 15, 2011.** Payment must be **mailed** to Commission Headquarters at the following address:

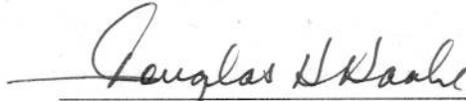
Washington State Gambling Commission  
Attention: Communications and Legal Division – Fines  
P.O. Box 42400  
Olympia, WA 98504-2400

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

Washington State Gambling Commission  
4565 7<sup>th</sup> Avenue SE; Fourth Floor  
Attention: Communications and Legal Division – Fines  
Lacey, WA 98503

2) If the licensee makes its payments as agreed, this matter will be deemed closed. However, if the licensee fails to timely make its payments, the Director may impose an additional **two (2)** day suspension for each late payment. Serving the suspension would not, however, relieve the licensee of its obligation to pay its fine.

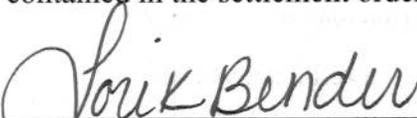
DATED this 11 day of March, 2011.

  
Administrative Law Judge

APPROVED FOR ENTRY:

APPROVED AS TO FORM:

By the signature below, the licensee understands the terms and conditions contained in the settlement order.

 3-3-11  
Lori Bender, President (Date)  
GSG Corporation, d/b/a Freddie's Club

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

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

