

STATE OF WASHINGTON  
GAMBLING COMMISSION

In the Matter of the Suspension or Revocation of )  
the License to Conduct Gambling Activities of: )

NO. CR 2012-00800

Gameworks, )  
Seattle, Washington, )

**NOTICE OF ADMINISTRATIVE  
CHARGES AND OPPORTUNITY  
FOR AN ADJUDICATIVE  
PROCEEDING**

Licensee. )  
\_\_\_\_\_ )

I.

The Washington State Gambling Commission issued Gameworks license number 53-21182, authorizing Commercial Amusement Game activity in Seattle. The license expires on May 19, 2013, and was issued subject to the licensee's compliance with state gambling laws and rules.

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:

**SUMMARY:**

The licensee operated commercial amusement games from at least May 25, 2012, through July 20, 2012, without a valid gambling license.

**FACTS:**

1) On June 15, 2012, a Gambling Commission Special Agent (agent) was notified through an automated system within the Washington State Gambling Commission's database that the amusement game license for Gameworks in Seattle had expired on May 24, 2012. The agent sent an e-mail to the General Manager of Gameworks, Pat Shroll, advising him that their gambling license had expired. Mr. Shroll advised they were working with Commission staff on obtaining a new license because of a change in ownership. Mr. Shroll also indicated there were some delays in obtaining documents between other employees of Gameworks Entertainment Washington, LLC.

2) On June 28, 2012, the agent went to Gameworks and verified the amusement games were operational and available for play. The agent spoke with Mr. Shroll and asked him if they have received their license. Mr. Shroll said no, he was waiting to obtain signatures that afternoon for paperwork that needed to be sent to the Washington State Gambling Commission. The agent notified Mr. Shroll that a case report concerning their operation of a gambling activity without a license would be completed. Mr. Shroll was also told that Gameworks could face administrative action against their new license. The agent told Mr. Shroll that technically Gameworks could not operate amusement games without a valid license and to let the agent know as soon as they become licensed.

3) On June 28, 2012, the agent received an e-mail from Commission staff in the Licensing Operations Division (LOD) indicating the application for Gameworks Entertainment Washington, LLC was being administratively closed due to failure to receive required documents for the application. The agent then spoke with Adam Telanoff, who identified himself as General Counsel with Gameworks Entertainment Washington, LLC. He explained that he spoke with Commission staff and was advised of what was necessary to complete their application and obtain their license. Mr. Telanoff said they are working to get all required information to Commission staff as soon as possible. The agent told Mr. Telanoff that a case report concerning operating their amusement games without a valid license would be completed.

4) On July 9, 2012, the agent sent an e-mail to Mr. Shroll asking for a status update on their license and whether they were still operating their amusement games. Mr. Shroll responded on July 10, 2012, in an e-mail and told the agent that all needed paperwork had been sent in the week prior. Mr. Shroll did not answer the agent when asked whether Gameworks were still operating amusement games.

5) On July 12, 2012, the agent spoke with Commission staff in LOD about the license and was told they are slowly receiving the required paperwork from Gameworks. Commission staff said they spoke with Kristy Nave with Gameworks Entertainment and had advised her Gameworks could not operate their gambling activities without a valid license. In addition, Commission staff told the agent that Gameworks initially thought they could send in an application, have it approved, and then have the background checks completed, etc. LOD staff said they advised Gameworks early on that they needed to submit an application and all required paperwork and documents well before their license expiration date in order to have enough time to approve the new application. Gameworks was told several times they could not operate their gambling activities if their license expires.

6) On July 12, 2012, the agent spoke with Kristy Nave, Executive Assistant with Gameworks Entertainment. Ms. Nave told the agent that they were working with Commission staff on getting all of the required paperwork in so that they can activate their license. Ms. Nave said the payment was sent to the Commission and, per Commission staff, was being held onto in anticipation of the new license. Ms. Nave said she would follow up with the appropriate parties in Gameworks and ensure everything is done in order to get their license operational. The agent

advised Ms. Nave that a case report for operating a gambling activity without a license would be submitted and the agent was not authorizing Gameworks to continue to operate their amusement games without a valid license. Ms. Nave understood and she would contact Mr. Shroll to discuss the issue.

7) On July 20, 2012, the agent received notification from Commission staff in LOD that Gamework's license had been processed and approved. Commission staff said they were mailing out the hard copy of the license to Mr. Shroll.

8) On July 24, 2012, the agent sent Mr. Shroll an e-mail requesting records detailing their gross gambling receipts for amusement games from May 25, 2012, through July 19, 2012. Two days later Mr. Shroll sent a report showing their gross gambling receipts for amusement games from May 24, 2012, through July 20, 2012. This report includes some receipts earned under their prior license for May 24, 2012. Later that same day the agent asked Mr. Shroll to send a revised report that ran from May 25, 2012, through July 20, 2012. Mr. Shroll responded that day saying he needed to run the report the next morning since he could not run the report during the operation of the games.

9) On July 30, 2012, the agent sent Mr. Shroll an e-mail asking about the status of the new report. The agent received no response. On August 1, 2012, the agent sent Mr. Shroll another e-mail asking for the status of the records. On August 2, 2012, Technical Supervisor Richard Parkinson sent the agent a revised Redemption Game Meter Report from May 25, 2012, through July 20, 2012. According to the report, during the time frame when Gameworks did not have a valid gambling license, their gambling receipts totaled \$145,441.96. The agent asked Mr. Parkinson to clarify that this was the amount of their total gross sales and he said yes. Mr. Shroll responded to the agent and confirmed that their total redemption game sales were just above \$145,000 for the time period requested.

## **VIOLATIONS:**

### **1) RCW 9.46.160 Operating Amusement Games Without a License**

Provides that any person who conducts any activity for which a license is required by this chapter, or by rule of the Commission, without the required license issued by the Commission shall be guilty of a class B felony. If any corporation conducts any activity for which a license is required by this chapter, or by rule of the Commission, without the required license issued by the commission, it may be punished by forfeiture of its corporate charter, in addition to the other penalties set forth in this section.

### **2) 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 subsection applies.)

(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.

**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 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.

Based on Gameworks operating without a license, despite being told that they could not do so until they received their new license, grounds exist to suspend or revoke Gameworks' license under RCW 9.46.075(1) and WAC 230-03-085(1) and (3).

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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.

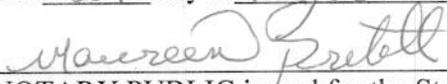
Based on RCW 34.05.440, failure to return a request for hearing will result in the entry of a default order REVOKING your license.

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.

  
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RICK DAY, DIRECTOR

SUBSCRIBED AND SWORN TO before me this 29 day of August, 2012.

  
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NOTARY PUBLIC in and for the State of Washington residing at Thurston County  
My commission expires on December 2, 2015

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF THURSTON )

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.

Dated at Olympia Washington this 29 day of August, 2012



Communications and Legal Department  
Washington State Gambling Commission

