

STATE OF WASHINGTON  
GAMBLING COMMISSION

Received

APR 10 2014

Gambling Commission  
Comm. & Legal Division

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

NO. CR 2013-00593

Freddie's Club, )  
Renton, Washington, )

**SETTLEMENT ORDER**

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

THIS ORDER  
ALSO RESOLVES  
CASE #  
2013-01680  
(B)

The Washington State Gambling Commission and the licensee, Freddie's Club, have entered into this Settlement Order to resolve the administrative charges pending against the licensee. Gregory J. Rosen, Assistant Attorney General, and Melinda Froud, Staff Attorney, represent the Commission. Lori Bender, Owner, represents the licensee.

I.

The Washington State Gambling Commission issued Freddie's Club, organization number 00-16694, the following licenses:

- Number 05-09169, authorizing class "F" Punchboard Pull-Tab activity; and
- Number 67-00048, authorizing class "15" Housebanked Card Room activity.

The licenses expire on September 30, 2014, and were issued subject to the licensee's compliance with state gambling laws and rules.

II.

In the above-entitled case, the Gambling Commission issued a Notice of Administrative Charges and Opportunity for an Adjudicative Hearing on June 18, 2013, seeking the suspension or revocation of Freddie's Club's licenses to conduct gambling activities. On July 1, 2013, Commission staff received the licensee's request for a hearing. On September 20, 2014, the Gambling Commission issued an Amended Notice of Administrative Charges. The following summary of facts and violations were alleged in the Amended Notice of Administrative Charges:

**SUMMARY:**

Freddie's Club operated a house-banked card room with a progressive jackpot<sup>1</sup> that paid for expenses other than progressive jackpot prizes from February 2013 through May of 2013. The

<sup>1</sup> House-banked card game licensees may operate progressive jackpot prizes with certain approved house-banked games. The manufacturers' game rules determine the winning patterns or combination of cards needed to win the progressive jackpot prize. A player places a separate wager of which part of it accrues to the progressive jackpot prize.

licensee failed to provide information regarding three cash transfers between Diamond Lil's and Freddie's Club. In addition, the licensee failed an underage compliance check. Freddie's Club also failed to submit annual financial statements for the fiscal year ending December 31, 2012.

**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 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.

**2) WAC 230-03-085 Denying, suspending, or revoking an application, license**

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.

**3) WAC 230-15-455 Keeping funds to pay prizes, progressive jackpot prizes, and odds-based wager prizes.**

(The following subsection applies.)

(1) House-banked card game licensees must ensure that they have sufficient funds available to pay prizes, progressive jackpot prizes and odds-based wager prizes. An "odds-based wager" means a wager where the player wins an amount over and above the amount he or she wagered if a fixed pattern or combination of cards occurs, for example, a royal flush, four aces, or a pair.

**4) 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.

(The following subsection applies.)

(5) Licensees must ensure that they closely control progressive jackpot games and account for all the funds collected.

**5) 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:

(The following subsections apply.)

(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.

(7) To reduce a reserve or secondary jackpot to immediately seed a different progressive jackpot if the licensee properly documents this transfer in their records.

**6) WAC 230-06-080 Report changes to application information and submit updated documents and information.**

(The following subsection applies.)

(2) Licensees must submit to us any new or updated documents and information, including the following:

(c) All cash or asset contributions, draws from lines of credit, and loans (except those from recognized financial institutions) during any calendar year which by themselves or totaled together are more than ten thousand dollars. Cash or asset contributions do not include donations to licensed charitable or nonprofit organizations.

**7) WAC 230-06-010 Age restrictions for players.**

No person must allow anyone under the age of eighteen to participate in gambling activities except:

(The following subsections apply.)

(1) To play in licensed bingo games when accompanied by an adult member of his or her immediate family or a guardian, who is at least eighteen years old:

- (a) "Immediate family" means only the spouse, parents, or grandparents of an individual; and
- (b) "Guardian" means only a court-appointed, legal guardian of an individual; or
- (2) To play bingo at agricultural fairs or school carnivals; or
- (3) To play amusement games; or
- (4) To sell raffle tickets for a charitable or nonprofit organization that:
  - (a) Has development of youth as a primary purpose; and
  - (b) Has at least three members or advisors who are at least eighteen years old and who supervise the operation of the raffle; and
  - (c) Has an adult member or advisor designated as the manager for the raffle.

**8) WAC 230-15-740 Preparing required financial statements.**

(The following subsection applies.)

- (2) House-banked card game licensees must submit financial statements covering all financial activities of the licensees' business premises for each business year within one hundred twenty days following the end of their business year.

From February through May 2013, the licensee operated progressive house-banked games when they did not have sufficient funds in the bank account to pay all of the progressive prizes, in violation of WAC 230-15-455. The licensee willfully took approximately \$50,000 from the progressive jackpot bank account to pay other expenses, in violation of WAC 230-15-680 and WAC 230-15-695. The licensee failed to provide information regarding three cash transfers, in violation of WAC 230-06-080. In addition, the licensee allowed a person under the age of eighteen to participate in gambling activity, in violation of WAC 230-06-010. The licensee also failed to submit required financial statements for the fiscal year ending December 31, 2012, in violation of WAC 230-15-740. Therefore, grounds exist for the suspension or revocation of Freddie's Club's licenses to operate gambling activities, based on RCW 9.46.075(1), and WAC 230-03-085(1), (3), and (8).

III.

The facts and violations set forth in section II above constitute grounds for the suspension or revocation of the licenses issued to Freddie's Club pursuant to RCW 9.46.075 and WAC 230-03-085.

IV.

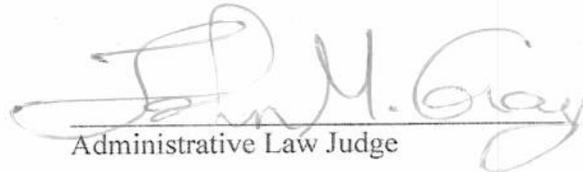
The licensee acknowledges that it received the Amended Notice of Administrative Charges issued in this case, and understands the facts and violations contained in it.

On July 1, 2013, Commission staff received Freddie's Club request for a hearing in this matter; however, the licensee has waived its right to a hearing, based on the terms and conditions of this Settlement Order. The licensee has replaced the funds taken from its progressive jackpot bank account and has submitted its financial statements to Commission staff.

4) The licensee shall reimburse the Commission for the costs incurred in conducting a follow up inspection within thirty (30) days after receiving notice of the costs of such inspection. The follow up inspection shall not exceed ten hours and shall be made within six (6) months after the entry of this Order; this will allow the licensee additional time to ensure that it is complying with state gambling laws and rules.

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

DATED this 7<sup>th</sup> day of April, 2014.

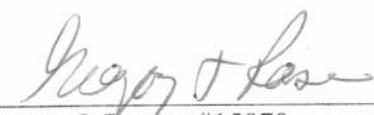
  
Administrative Law Judge

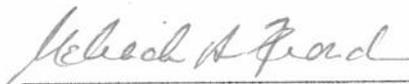
APPROVED FOR ENTRY:

APPROVED AS TO FORM:

By signing this Settlement Order,  
the licensee acknowledges and understands  
the terms and conditions contained in it.

  
Lori Bender, Owner  
Freddie's Club, Licensee

3/26/14   
Date  
Gregory J. Rosen, #15870,  
Assistant Attorney General,  
Representing the Washington  
State Gambling Commission

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