

**WASHINGTON STATE  
GAMBLING COMMISSION MEETING  
THURSDAY, FEBRUARY 13, 2014  
APPROVED MINUTES**

**- PUBLIC MEETING -**

**Chairman Mike Amos** called the Gambling Commission meeting to order at 1:30 p.m. at the Tumwater Comfort Inn Conference Center and introduced the members present.

**MEMBERS PRESENT:**     **Commissioner Mike Amos**, Selah  
                                  **Commissioner Margarita Prentice**, Renton  
                                  **Commissioner Chris Stearns**, Auburn  
                                  **Commissioner Geoff Simpson**, Issaquah  
                                  **Commissioner Kelsey Gray**, Spokane  
                                  **Senator Steve Conway**, Tacoma  
                                  **Senator Mike Hewitt**, Walla Walla

**STAFF:**                    **David Trujillo**, Director  
                                  **Mark Harris**, Assistant Director – Field Operations  
                                  **Tina Griffin**, Assistant Director – Licensing Operations  
                                  **Julie Lies**, Assistant Director – Tribal & Technical Gambling  
                                  **Amy Hunter**, Administrator – Communications & Legal  
                                  **Callie Castillo**, Assistant Attorney General  
                                  **Michelle Rancour**, Acting Executive Assistant

**Recognition:** Senator Margarita Prentice’s 20 years’ service as an Ex-Officio member and Commissioner on the Gambling Commission

**Director David Trujillo** thanked Chair Amos and the Commissioners. He asked Chair Amos to join him at the podium. He then explained he was fortunate to be able to recognize people for their outstanding service to the agency, citizens of Washington, or both. He then explained that he was torn between his duty to recognize the service of a very special person and acknowledge that service with the agency was nearing an end. This person was an ex-officio member many years ago when he made his first presentation before the Commission. This person was an ex-officio and present when he made his first presentation as an administrator for Licensing, and then again as Assistant Director for Licensing, and then once again as Deputy Director of the agency. This person has been a consistent thread to my time with the Commission, as well as to the Commission itself. He then asked Senator Prentice to please come forward. Senator Margarita Prentice served as an ex-officio from 1994 to 2012; and Commissioner from 2012 to February 2014. It was Director Trujillo’s honor to recognize Senator Prentice’s service to the agency and the citizens of Washington. Your knowledge, skills and abilities have helped this agency many times over the years. Your knowledge of gambling history is beyond measure. Your dedication to this agency is without question and your departure a huge loss to

this agency. Thank you from the bottom of my heart, and on behalf of the agency staff, thank you. Director Trujillo asked Chair Amos to read a letter on behalf of the Commissioners.

**Chair Amos** read the letter “Dear Margarita. We would like to express our thanks for your time and effort on the Washington State Gambling Commission. We have all benefited from the leadership, experience and counsel you brought to the Commission as we worked together to protect the public by ensuring that gambling is legal and honest.

Our staff has also benefited from the extra time you devoted to enhancing our knowledge of tribal relations and governments. It has been a pleasure and honor serving with you and we will miss you greatly on the Commission. Thank you, and please accept our sincere appreciation for your dedicated service on the Commission.” The letter was signed by the other four Commissioners.

**Chair Amos** then read the certificate of appreciation and thanks to Margarita Prentice in recognition of her service as a Commissioner on the Washington State Gambling Commission. He stated, “It has been an honor and a pleasure to work with you over all the years. And I am going to go into just a little bit more, so just hang tight. When I was President of WACOPS from 2000 on before I retired, I got a chance, even when I was on the Board -- the democratic party had invited me to a baseball game. So they said bring your son, so I did. And I actually got to sit next to Senator Prentice. And it was a hoot. And I've been friends with her for years.” “Actually when I got appointed here in 2008, she was an ex-officio, and then we just continued on through. And it has been a great pleasure to have worked with you over all these years. We wish you well. You're welcome.”

**Commissioner Margarita Prentice** thanked everyone, and said, “But there's a reason that I've stuck around for 20 years. And I've always said I wouldn't have if this weren't a really great agency. And there are wonderful people in it who work together with all of us to make sure that gambling -- and as I've always said, people are going to gamble. They may as well just regulate it, make sure you have the right people there. And we always have the opportunity to kick them out if they're dishonest. And I like that straight-forward approach. But it is truly -- this is a wonderful agency to have been associated with all these years. And thank you very, very much. And believe me, 20 years is enough.”

**Director Trujillo** explained there was a letter coming from the Governor's Office. However it was delayed a little bit because the Governor really wanted to personalize it on Senator Prentice's behalf for her years of service.

**Director Trujillo** continued on to the Director's Report and stated, staff was requesting one change to today's meeting. That would be item number 4, approval of the minutes. With the last Commission meeting's late date, the Commission meeting minutes are not ready for Commissioners review. They will be prepared for our next Commission meeting.

**Chair Amos** acknowledged.

**Director Trujillo** reported he had a couple of things that he would like to share with Commissioners about staff and/or the agency. The first item was about one of our staff members was recently

recognized and given a certificate of appreciation from the Lewis County Sheriff's Office. This certificate of appreciation was provided, or given, for this agent's assistance in culminating a cold case that had been outstanding since 1985. In 1985 an elderly couple were kidnapped. They were taken to a bank where money was withdrawn. These two people were later killed. There were some persons of interest in that crime, but that crime really had gone unsolved until this past year -- from 1985 until 2013. A couple of years ago the original detectives were brought back together to work on this cold case. As a result of that work, in 2013, two people were identified as the suspects. They had moved to Alaska. One died not too long ago and the other is now sentenced to 103 years behind bars.

Director Trujillo explained he wanted to share that with Commissioners and pass the certificate around because that was simply an example of the caliber of people that the /gambling Commission have working for our agency. He then introduced Program Manager and Special Agent Rick Herrington. Along with that certificate of appreciation, the Sheriff awarded a coin to Mr. Herrington. And on the back of it there are some values that are identified here; respect, fairness, caring, citizenship, trustworthiness and responsibility. And Sheriff Mansfield does not give these away lightly, but he did provide one to Special Agent Herrington.

**Director Trujillo** also noted that he and Assistant Director Griffin were invited to attend a dedication ceremony of the law enforcement memorial that was unveiled January 30<sup>th</sup> located in Centralia, Washington. He said one of the speakers at the dedication was Centralia Chief of Police Robert Berg, who many of you remember is a former Deputy Director of this agency.

Before he moved into the Director's Report he thought it was worth noting that the Seahawk's won the Super Bowl. How could staff go forward without actually recognizing in the minutes that the Seahawk's won the Super Bowl?

**Director Trujillo** said it was certainly striking that 2014 was a year of opportunity. One of the things that have always struck him about the Gambling Commission was the culture from the line staff to the Director of looking for ways to be efficient, so that staff can be good stewards of licensee funds, and of our operations. He wanted to share a couple of things that staff had accomplished recently.

Staff has updated the agency website. The prior website which was accessible to the public had been the same for a good number of years. The new website was now up and running. The reason behind it was staff wanted to follow industry standards when it came to website design, and make sure that the website was easier to navigate, and wanted to make sure that the content was relevant and accurate. Staff did some usability testing prior to its launch. This was all work that was done in addition to staff's regular duties. It was a big step, but it was work that was done behind the scenes and people do not see it until it was unveiled. A team was assembled from all across the agency so that all perspectives could be heard. Not only has staff completed the website design, but they have also been doing it in the agency's initiative to get the "My Account" product that is offered to licensees so much better.

In December of 2013 staff enhanced our online portal. Assistant Director, Tina Griffin has been very, very good about promoting "My Account", which included a group that was put together from all

across the agency so all perspectives could be heard. The group not only included internal staff, but it also included external members as well, all working in conjunction with their regular duties. All of this hard work was done so that the Gambling Commission can continue to be more efficient and provide a better service.

Those are just two examples, and Director Trujillo plans to share more accomplishments with Commissioners in the future. Staff would like to continue to refer to 2014 as the year of opportunity.

### **Agenda Review/Director's Report**

**Director Trujillo** reported there was only one piece of correspondence for this Commission meeting that had already been acknowledged; Commissioner Prentice's letter of resignation.

**Director Trujillo** also reported on the Local Gambling Tax Summary, which he believed was good to share with the Commissioners because it demonstrates the amount of gambling taxes that are paid out to local governments. RCW 9.46.110 is the underlying authority for cities and counties to tax authorized gambling activities. And the Statute sets maximum limits for taxation of some gambling activities. The report is broken in to three different columns for the fiscal year ending June 30, 2013. The first column has to do with bingo, the second column has to do with punchboard/pull-tabs, and the third column has to do with card rooms, and the summation column was just a total of all of them. Director Trujillo pointed to the bottom line, which totaled the local taxes being paid; for bingo, \$267,000 in local taxes were reported to the Commission as being paid; punchboard/pull-tabs, \$7,248,000; card rooms, \$21,268,000. The sum total of all these payments equals about \$28 million that was paid to local governments in the form of gambling taxes. This item is included in your statistics booklet, but it has been awhile since staff had brought this to the Commissioners to share.

Director Trujillo thought it might be beneficial to bring the numbers to Commissioners, and offered to present a short history of how the gambling tax laws have evolved, beginning back when it was first enacted to today. In 2002, there were 70 card rooms that reported approximately \$26.8 million in gambling taxes. In 2010, there were 72 card rooms that reported paying approximately \$22,530,000 in taxes. And then in 2013, you have the number now, which were 25 card rooms that paid \$20,906,000. So it's a very interesting number, and one that doesn't come before you very often. Director Trujillo asked if the Commissioners had any questions or if they would be interested in a short PowerPoint presentation on the history.

**Commissioner Gray** commented that she thought it was very interesting.

**Chair Amos** asked if there were any questions.

**Commissioner Geoff Simpson** commented he thought it would be interesting to see a historical look at what the trend has been through recessionary times, just to understand things and see if there are upticks and valleys during other recessions.

**Director Trujillo** replied it was a good question. The report provided does include a little snip of it from 2002, 2010 and 2013, because that was when staff prepared the report. But on the last page, for example, Auburn went from a tax rate of 12 percent in 2002 and 2010, and then dropped to 4 percent in 2013. That is specific to house-banked card rooms, not to bingo or others. At the same time Mountlake Terrace which had a tax rate of 20 percent in 2002, 10 percent in 2010 and 2013. There are some tax rates that have gone up, some have gone down, and some have stayed the same.

**Commissioner Simpson** said he understand that there were other variables, but asked if these were the only three years that staff had collected this data.

**Director Trujillo** replied these are the years that staff brought the information to the Commission, as it was easy to gather. But staff could go back to any year to get information as long as it was reported to the agency. For the purposes of this presentation though, it was easy to grab these numbers, and he would double check with Assistant Director Tina Griffin.

**Commissioner Simpson** commented it would be interesting for him to see a trend line of what has happened over the years. There has been kind of a decline here, but have there been other declines that turned into ascending lines.

**Director Trujillo** deferred the comments to Ms. Griffin.

**Assistant Director Tina Griffin** replied that the data was not quite as easy to gather. This information is not reported to the agency, so the reason it was only shown for these dates was because staff does not track the tax rates of individual cities or counties. When it was time to do another report, then staff contacts each jurisdiction that has a house-banked card room and researches the ordinance to see what was the current tax rate. There was quite a bit of fluctuation. The house-banked card rooms do not report to the Commission based on their tax rate, staff has to go back and research each jurisdiction, and if and when the changes occurred. What is reported to staff was the dollar amount of the local taxes that house-banked card rooms reported, because that information is reported on the quarterly or annual activity reports, and from that staff can calculate various points in time, similar to this chart.

**Commissioner Simpson** asked if he could see the information in a line graph with a span of over 20 years or so.

**Assistant Director Griffin** replied okay.

**Commissioner Simpson** gave an example, “here is what the revenue level was in 1990, and then maybe every few years, or five years, and see if there has been a steady decline, have their peaks and valleys, and would be kind of interesting to understand.”

**Commissioner Gray** asked if the data was readily available to Ms. Griffin.

**Assistant Director Griffin** replied yes, because this information that was recorded on the local tax analysis by county for the year ending June 30th with the four columns was based on information that

was reported to staff by the licensee, and staff has this information. Ms. Griffin was not quite sure how far back it went, but she was sure our analysts could put together the information.

**Commissioner Simpson** indicated he was just looking for the totals, and not in each unit of local government.

**Assistant Director Griffin** affirmed, and then for these three categories as well.

**Commissioner Simpson** replied yes.

**Assistant Director Griffin** agreed and thanked Commissioner Simpson.

**Commissioner Stearns** interjected and asked to clarify, just to know whether the revenues coming in to each jurisdiction are increasing or decreasing sounds important. He had the sense that each jurisdiction would be in the same boat, and what were they spending that money on and was it enough to do what they want to do with it. For example, if Auburn was collecting less and less and that money was used to fund a certain activity, that is what he would like to see come out of that too. If they were losing revenue, what was their plan, their strategic plan for the future and how did they plan to get out of that.

**Commissioner Gray** replied she thought that was going to be really tough information to gather.

**Director Trujillo** explained it was interesting because staff does know that some jurisdictions are sensitive to the operators, and because of that sensitivity they have reduced the gambling tax in certain areas. But in other areas, for example, unincorporated Kitsap County went from 2% in 2002 and 2010, up to 10% in 2013. There are a couple of other examples where the gambling tax has gone up a couple of percentage points as well. And then there was one jurisdiction, which had specifically lowered the gambling tax rate to help out an operator, but that operator subsequently went out of business anyway. As far as whether they are getting enough revenue from gambling taxes, Director Trujillo suspected any jurisdiction was going to say they could always use more.

**Commissioner Stearns** agreed, but revenues are spent on certain activities, what the jurisdictions are spending them on was hard to pin point, but he guessed some might be law enforcement and things like that.

**Director Trujillo** said it would be good for staff to research the question and report back on the topic..

### **News Articles**

**Director Trujillo** pointed to several news articles that he wants to showcase to the Commissioners. First was an article entitled "Gambling Commission Investigates a \$10,000 Super Bowl Sports Board". You would think in this day and age that this does not happen, but it does, especially in the fervor of the Seahawk's being in the Super Bowl.

**Director Trujillo** mentioned another news article that he like bring to attention that was about one of the licensees, La Center Card Room. They have closed their doors after 16 years.

The next article involves an issue that causes worries; the digital money, Bitcoin. Bitcoin is a digital currency, the most well-known, most publicized digital currency. At last count, there are over 40 other types of digital currencies. As the acceptance of the use of digital currency grows, at some point the Commission will have to acknowledge their existence and figure out how to deal with it.

One of the arguments is that knowledgeable or sophisticated users won't use a digital currency because its value is not pegged to anything. Well the value of a digital currency is what people are willing to pay to get it, or what consumers can buy with it. With Bitcoin, the volatility of its price has fluctuated greatly. Bitcoin was just one of the various things that were used by a licensee, not for gambling purposes, but for other retail or food and beverage purposes. It is out there and being more accepted. It is decentralized, therefore not regulated. However the federal Department of Justice is periodically connecting with them, which may or may not give it some sort of legitimacy in the future. It is something staff is keeping an eye on.

The last article to draw Commissioners attention to was entitled "The Desperate Gamble." March will be Problem Gambling Awareness month nationally and for all intents and purposes in Washington as well. This article was about the Jack-in-the-Box fortune and how it was lost. Problem gambling is something that we are all aware of in this room, whether it is regulators, commissioners, operators or players. It is something to think about. Director Trujillo recommends reading this story, it was a sad story.

### **Monthly Update Reports**

**Director Trujillo** briefly discussed the monthly reports, and asked if there were any questions, there were none.

### **Legislative Update**

**Administrator Amy Hunter** reported that the legislative session was a short 60-day session. Last Tuesday was the day when Bills had to make it out of money committees and transportation committees. This coming Tuesday will be the deadline for when Bills have to make it out of the House of origin. "As Commissioner Gray and I were talking, there are a lot of unwritten internal deadlines that if you don't meet them your Bill will not be going where you want it to."

There are a couple of Bills that would impact the Commissioners, and then also the Commission itself. By and large, most of the Bills are dead. Last month Ms. Hunter told Commissioners about a Bill regarding training for public officials, which would include commissioners on the Public Records Act and Open Public Meetings Act. This Bill is still moving along. The House Bill actually passed yesterday. Although there have been past versions of this which have gotten held up, Ms. Hunter had a feeling this one had more of a chance of actually making it through. What that meant was if a commissioner were appointed, then that commissioner would need to have a training within 30 or 90 days, and then the commissioner would also have retake the training every four years. Since

commissioners serve six year terms, they would be taking that training probably twice during their time as a commissioner.

**Ms. Hunter** reported on the agency request for authorization for a fee increase. As reported last month, that authorization was in the Governor's budget Bill. It was the Senate's turn to put their budget out, and staff expects that will probably happen after another revenue forecast is done next Thursday.

There was also House Bill 2754 which would have given the Commission authorization for a fee increase. The Bill did have a hearing, but no executive action was taken on it. That hearing was in the subcommittee on general government and information technology. That was not the normal committee that staff was before, but when there was a fiscal impact to a Bill that was where it was introduced.

Assistant Director, Tina Griffin has been following House Bill 2192 which stems from the State Auditor's report that was done about agencies that issue permits. The Gambling Commission issues a few permits, and a lot of licenses, but this was specific about permits. Basically staff would need to provide some different information, and then track the time between when staff receives an application for a permit and when it was issued. Overall that was being looked at for 14 different agencies that were involved in this Auditor's report.

Interesting enough there was a Senate version and a House version of the Bill. Right now they seem to be in a race to be passed. At some point one of those Bills will die and the other one will take over. It will probably ultimately be the House Bill which would have a better chance of going through, even though the Senate Bill is actually the version that has passed at this point. But there have been some amendments on the Bill as it's gone through the House. Staff will continue to watch that.

There are a couple of Bills that were introduced but are now dead. House Bill 2283 deals with allowing Class III Tribal Lottery System manufacturers to have gambling devices if they're using them for research and development or for warehousing. That Bill had been scheduled for a hearing, but then it was pulled off the hearing calendar.

Because we are in year two of the two year legislative cycle, anything that's dead really does stay dead, so any of these would have to be re-introduced. They won't be automatically up for reconsideration next session.

House Bill 2673, the second Bill which is gambling related, is intended to allow an occasional element of chance as part of a coin-in amusement game. Amusement games are a different activity that the Commission regulates because when they were first allowed back in the 1980s, and it was Ms. Hunter's understanding that the legislature wanted to make sure that some agency was paying attention to amusement games. The reason was because these are kind of a different activity is because they are not actually truly gambling. They are more skill games rather than a game of chance. This Bill may be good proof as to why you should have an agency regulating them because the idea here would be to allow games of chance as part of amusement games. That Bill was introduced, but there was not a

hearing scheduled. If there is something next year, Ms. Hunter thought legislature would probably make the amendment in the Amusement Game Statute versus the Gambling Device Statute.

Another Bill that seems to be dead is Senate Bill 6485. This deals with licensing agencies, and also what happens when you have a parent who is behind on child support. This is in line with a federal law. This Bill is dead and it doesn't seem likely that it will become alive. The whole process for the notice is in the Bill, which is in Commissioner's packets.

Recognizing Native American Heritage Day may sound familiar to staff because it was introduced at the last session and did not pass. But it is moving again in the Senate this year, and is currently in Senate Rules.

Staff will be working on confirmation hearings. In the next couple weeks there is about a dead seven days where if there's going to be a confirmation hearing, that will be the likely time when that will occur. Staff is tracking that as well. That concludes my report.

**Chair Amos** asked if there were any questions.

**Commissioner Simpson** replied he would just say to my fellow Commissioners that he thought they would find it interesting to watch the testimony on the Bill that was heard in the Appropriations Subcommittee. There were some things said that made me sit up and take notice. For example a statement was made by an individual that our fee bill was, and he quoted, "an egregious attempt to put us out of business". If Commissioners get a chance, look it up on TVW.

**Chair Amos** asked what the Bill number was.

**Ms. Hunter** replied it was number 2754, and she would just send Commissioners a link to it because it was a rather long, many hours of testimony. She would let them know where to look for the remark.

**Chair Amos** affirmed.

**Commissioner Stearns** asked if it was also in the Governor's budget.

**Ms. Hunter** confirmed yes it was in the Governor's budget.

**Commissioner Stearns** asked if there was any likelihood that legislature was going to do confirmation hearings this year.

**Ms. Hunter** replied she thought legislature would be moving some of them. The difficult thing was that because it was a short session, legislature really will take those up again after the cutoff for Bills to get out of the House of origin. It really means that confirmation hearings will either be next Wednesday, Thursday or Friday, or they'll be the following week. Then after that the Policy Committee would really be done with their hearings for the year. Ms. Hunter said she would keep

Commissioners schedules in mind as well. Legislature knows that staff would like to have a couple of confirmation hearings. Thank you.

**Director Trujillo** commented to make that easier Ms. Hunter will tag the spot in the presentation where that particular Bill was heard because the hearing was all day long. Rather than sit through the whole thing, it will have a marker where to start watching.

**Chair Amos** thanked Ms. Hunter and Director Trujillo and asked if there were any further questions, there were none.

### **New Licenses and Class III Employees**

**Assistant Director Griffin** explained the house-banked card room report. In mid-January Chips Casino in La Center closed down after 16 years. Last week staff issued a new house-banked card room license for Aces Casino in Spokane. There will be a report on that next month. We currently have 52 licensed and operating house-banked card rooms.

Included under the License tab is a house-banked card room report for Lucky Bridge Casino in Kennewick. Lucky Bridge Casino in Kennewick applied for a 15-table house-banked card room license, as well as a Class A punchboard/pull-tab license. They purchased the gambling equipment from a licensed distributor and they are leasing all the real and personal property from the former licensed casino also by the name of Lucky Bridge. Staff completed an on-site investigation to verify the accounting records and completed a source of funds investigation. Staff also verified that all substantial interest holders were identified and were qualified. They received their temporary licenses on January 6, 2014 and they employ about 60 house-banked card room employees.

Again, Lucky Bridge Casino is included in the list of new licenses. Staff recommends approval of all new licenses and Class III gaming employees listed on pages 1 through 20.

**Chair Amos** asked if there were any questions. There were none.

**Commissioner Stearns** made a motion seconded by **Commissioner Gray** to approve the new licenses and Class III employees listed on pages 1 through 20 *The vote was taken; the motion passed with five aye votes.*

### **Request to Exceed Raffle Prize Limit**

**Assistant Director Griffin** explained the next item was the raffle request to exceed raffle prize limits from Whatcom Day Academy. Commission rules limit the value of a single raffle prize to be offered at \$40,000, unless the licensee can show good cause. Prior to offering raffle prizes that exceed this limit the licensee must submit in writing to the Commission a raffle plan for approval and review. The information required in the raffle plan is outlined in the rule. Whatcom Day Academy has provided all of the information in their letter dated January 27, 2014.

Whatcom Day Academy is located in Bellingham. Their mission is to offer a high quality, challenging academic program within a safe, nurturing environment that inspires students to realize their full

intellectual and personal potential, and to become respectable, responsible citizens. In 2012 the Academy was gifted six-tenths of an acre of secluded lakefront property valued at over \$220,000. They would like to offer this as the grand prize for their raffle.

The raffle proceeds will provide the Academy any additional operational funds that they need so they can stay open through the remainder of this school year, and then also give them time to explore further financial ability. The drawing will be held on March 29, 2014 at the Academy. The tickets will be sold for \$100 each, and they will offer three smaller prizes in addition to the grand prize. If the ticket sales fall below 2,020 tickets, which is their breakeven point, then they plan to refund the proceeds to the purchasers, unless the purchasers wish to donate those proceeds to the Academy.

They currently hold a Class F raffle license which is good through January 23rd of 2015. Ms. Charmie Gilcrease is the Academy's business manager. She is here today if you have any questions for her. Staff recommends that Whatcom Day Academy be allowed to exceed the raffle prize limit as requested.

**Chair Amos** asked if there were any questions, there were none, he then asked for a motion. **Commissioner Gray** made the motion to accept Whatcom Day Academy's request to exceed the raffle prize limit. **Commissioner Prentice** seconded.

**Commissioner Gray** made a motion seconded by **Commissioner Prentice** to accept the request from Whatcom Day Academy to exceed the raffle prize limit. *The vote was taken; the motion passed with five aye votes.*

### **Defaults**

a) Troy J. Wolcoxon, Card Room Employee, Revocation

**Ms. Hunter** explained that staff is requesting two default orders. The first one is for Troy Wolcoxon, and there was a news article in your packets about him.

**Director Trujillo** replied that would be correct.

**Ms. Hunter** also explained that the case may sound very familiar. Mr. Wolcoxon was involved in a theft at his former employer, Lancer Lanes Casino in Clarkston. At the time the charges were issued, he was subject to pending felony charges for Second Degree Burglary, First Degree Theft, and Second Degree Conspiracy to Commit Burglary. After the charges were issued, and after his time to request a hearing had passed, he ended up being convicted of all three counts. Commissioners should find the Order itself to be interesting reading because people forget that they are on camera, or perhaps they clearly remember so there are things about him having a garbage bag over his body, but enough cut out around his face so he could still see. Ms. Hunter said she was always amazed how things like that happen.

The Director issued administrative charges to him by certified mail and regular mail. The certified mail came back as unclaimed; however the regular one did not come back and staff presumes that he has received the charges. Staff tried to make a reminder call to him and left a message about his

deadline to request a hearing. Mr. Wolcoxon did not respond. So under the Administrative Procedure Act, the Commission may go ahead and enter a default order against him. Staff would recommend that the Commission revoke Mr. Wolcoxon card room employee license.

**Chair Amos** asked if there were any questions. He also asked if Troy Wolcoxon was in the audience, or anybody representing Mr. Wolcoxon? Seeing nobody coming forward, entertain a motion.

**Commissioner Simpson** moved that the Commission revoke Troy J. Wolcoxon's card room employee license.

**Commissioner Gray** seconded.

**Commissioner Simpson** made a motion seconded by **Commissioner Gray** that the Gambling Commission revoke the card room employee license of Troy J. Wolcoxon. *The vote was taken; the motion passed with five aye votes.*

b) Constance Underwood Katke, Class III Employee, Revocation

**Ms. Hunter** explained the next one was for Constance Underwood Katke. This is a request to have her Class III certification revoked, which will then mirror the action that the Jamestown S'Klallam Tribe has taken revoking her gaming license. This is based on her criminal history.

Charges were issued to her by certified mail and regular mail. The certified mail was signed by Todd Katke, some type of a relative. However staff did find out that she had a new address, so staff went ahead and reissued those charges. Staff has not received the charges back, so we presume that she did in fact receive them. Staff tried to make a reminder call to her and also left her a message. One thing about the reminder calls, at times staff talks about how it is not really required that staff make reminder calls. But staff is interested in giving people an opportunity for due process, so staff often finds out about new addresses when those reminder calls are made. That is another reason why staff takes that extra step. Ms. Katke did not respond to the charges, so staff would recommend that the Commission revoke her certification.

**Chair Amos** asked if there were any questions, there were none. Chair Amos called for a motion.

**Commissioner Simpson** made a motion seconded by **Commissioner Gray** that the Gambling Commission revoke the Class III Certification of Constance Underwood Katke. *The vote was taken; the motion passed with five aye votes.*

**Chair Amos** called for a 10 minute break at 3:20 p.m.

#### **Other Business/General Discussion/Comments From the Public**

**Chair Amos** opened the meeting for other business, general discussion, and comments from the public.

**Mr. Victor Mena** addressed the Commission; Chairman, Commissioners, staff, ex-officios who aren't here unfortunately. All in Olympia. My name is Victor Mena and I'm President of the RGA. I

wanted to address a couple of points. One is Commissioner Simpson has brought to light a statement that was made on the record at a committee hearing meeting on the fees bill, as I understand it. Unfortunately the comments that were made on the record by one of our card room operators is not a position that's held by the Recreational Gaming Association. There is no context and thought process to even support somebody to say and think, from our standpoint, that a 5% fee increase is an egregious attempt by this Commission to shut down our industry. We don't believe that at all. I mean if anything, we understand that everybody has the budgets to meet and the position to make things work within those constraints, and we recognize that.

While we don't want to see the fee increase because of our own financial position, we don't agree with that statement that was made on the record. And unfortunately it was made on the record in front of a lot of committee members. And that's something that we will be addressing as well. Our position is one, which we didn't want the fee increase obviously, but we do not feel that that was an egregious attempt by this Commission to shut down the card room industry.

On another note, I'd like to congratulate Senator Prentice on her 20 years of service. Thank you very much and you'll be missed.

**Commissioner Prentice** thanked Mr. Mena, and added to his statement; most of the legislature really doesn't understand the relationship of this agency or gambling. They really believe that you are costing the Gambling Commission a lot of money. So it is probably a really good chance to come in and try to educate, but she said probably. A one page fact sheet to say this is how it is and this isn't so, to make sure your position is very clear could help.

**Mr. Mena** replied he appreciated that comment. Thank you very much.

**Chair Amos** thanked Mr. Mena and asked if there were any further questions or comments from the public, hearing none he moved on to the Administrative Procedure Act proceedings.

#### **Motion to Vacate**

a) Tung P. Le, Card Room Employee, Revocation (with Vietnamese interpreter)

**AAG Rosen and Mr. Tung P. Le** (with the aid of an interpreter) provided their remarks in the Motion to Vacate. A recording and transcript of the hearing is available upon request.

#### ***BREAK FOR DELIBERATION: 3:10 p.m.***

**Chair Amos** announced let the record show that the Commission finds that Mr. Le has demonstrated good cause to Vacate the Default Order. The matter will be returned to the Administrative Law Judge to proceed on its merits. Chair Amos asked if Mr. Le understood the decision.

**Mr. Le** replied yes.

**Chair Amos** asked if there were any further comments.

**Commissioner Simpson** addressed Mr. Le and asked if he understood that Mr. Le needed to take action on this matter.

**Mr. Le** replied yes he understood.

**Commissioner Simpson** reiterated that just because of what Commissioners have done today, does not mean that Mr. Le is free to just continue without following through and if he would like to try to demonstrate that he should be able to continue with his license, and he needs to follow-through with Mr. Rosen, and the State, and the Administrative Law Judge, correct.

**Mr. Le** replied yes.

**Commissioner Simpson** thanked Mr. Le.

**Chair Amos** thanked the interpreter and spelled his name for the record, Mr. Neathery, the correct spelling is N-E-A-T-H-E-R-Y.

**Interpreter** affirmed the correct spelling.

**Petition for Reconsideration**

M&R Eurosport LLT, d/b/a Classic Island Casino, Organization, Revocation

**Greg Rosen, Assistant Attorney General** was present for the state, as well as **Attorney Chad Ahrens**, representing M&R Euroimports.

**AAG Rosen and Attorney Chad Ahrens** provided their arguments in the Petition for Reconsideration. A recording and transcript of the hearing is available upon request. At the conclusion of the arguments, **Chair Amos** asked if there were any questions.

**Chair Amos** announced let the record show the Commissioners were back from Executive Session. And our Assistant Attorney General, Callie Castillo, would like to make a comment.

**AAG Castillo** commented that the Commission has delegated to me to announce the Order, and then an Order will be forthcoming. The Commission finds that there was ambiguity with respect to the surrender of the license, based on the timeline, and therefore has accepted the Petitioner's surrender of the license. The Commission did find that they -- that Classic Island Casino did willfully disregard paying its taxes. However it accepts the surrender. And so the revocation will be vacated. And an Order will be forthcoming.

**Chair Amos** asked if there were any further comments. There were none on the matter.

**Director Trujillo** replied, yes, with your permission, Mr. Chair, may we push the Executive Session to tomorrow after the Commission meeting as one, maybe two of the Commissioners need to leave.

**Director Trujillo** introduced one of the staff whom he thought the Commissioners had met, but Mr. Rosen did mention her name for the record. Director Trujillo pointed the Jennifer Stretch in the audience. Jennifer Stretch actually started out with the Gambling Commission as a high school intern. Go North Thurston Rams.

**Ms. Jennifer Stretch** replied, yes, Go Rams.

**Director Trujillo** gave a brief history of Ms. Stretch's past duties with the Commission and said that she currently works for Administrator Amy Hunter in the Communications and Legal Division as paralegal.

**Chair Amos** welcomed Jennifer Stretch, and asked for a motion to adjourn.

**Commissioner Stearns** replied that he had one item he wanted to bring forward, and that was to present Senator Prentice with a parting retirement gift on his behalf, a lucky wooden feather from the Nisqually Tribe. He then thanked Senator Prentice for her friendship and service to the Gambling Commission.

**Commissioner Prentice** thanked Commissioner Stearns.

**Commissioner Simpson** commented that he would like to actually compliment AAG Rosen, and that he found the way AAG Rosen presented these cases to be very clear and concise, and he really appreciate that. He thought AAG Rosen did an excellent job.

**AAG Rosen** thanked Commissioner Simpson and said he appreciated the compliments.

**Commissioner Simpson** also commented that he was going to miss Senator Margarita Prentice a lot. He hoped that he would, from time-to-time, hear from her and get to see her, as she had been a friend for a long time.

**Commissioner Prentice** replied she hoped Commissioner Simpson would relay that she was going to be sorry that she would not be able to serve with Ex Officio Representative Bruce Chandler who was also a very dear friend. And Commissioner Simpson and she had been really pretty good pals. Sometimes people do not think two members in the legislature necessarily work together. But a lot of staff is that way. Legislators just have our own coalitions that we work with.

Commissioner Prentice also noted that she had been around this long because she has a very high regard for how the Gambling Commission conducts its business and what it does, and she respects the agency. She replied that she was going to miss everyone too, but she figured 20 years was enough and let's bring somebody on younger and with more energy.

**Chair Amos** asked if there were any other comments, there were none.

**Chair Amos** announced that the Executive Session was expected to last approximately one hour and at the end of the executive session the public meeting would be resumed solely for the purposes of adjourning. At 4:40 p.m. the Commission went into an Executive Session to discuss pending investigations, tribal negotiations, and litigation.

**Adjourn**

**Chair Amos** adjourned the meeting at 5:05 p.m.

**WASHINGTON STATE  
GAMBLING COMMISSION MEETING  
FRIDAY, FEBRUARY 14, 2014  
APPROVED MINUTES**

**- PUBLIC MEETING -**

**Chairman Mike Amos** called the Gambling Commission meeting to order at 9:30 a.m. at the Tumwater Comfort Inn Conference Center and introduced the members present.

**MEMBERS PRESENT:**     **Commissioner Mike Amos**, Selah  
                                  **Commissioner Margarita Prentice**, Renton  
                                  ~~**Commissioner Chris Stearns**~~, Auburn  
                                  **Commissioner Geoff Simpson**, Issaquah  
                                  **Commissioner Kelsey Gray**, Spokane

**STAFF:**                     **David Trujillo**, Director  
                                  **Mark Harris**, Assistant Director – Field Operations  
                                  **Tina Griffin**, Assistant Director – Licensing Operations  
                                  **Julie Lies**, Assistant Director – Tribal & Technical Gambling  
                                  **Amy Hunter**, Administrator – Communications & Legal  
                                  **Callie Castillo**, Assistant Attorney General  
                                  **Michelle Rancour**, Acting Executive Assistant

**Staff Proposed Rule Change** *(Taken out of order)*

**Allowing pull-tab prizes of \$20 or less to be added to cash cards used in electronic video pull-tab dispensers**

a) Amendatory Section: **WAC 230-17-047** Standards for electronic video pull-tab dispensers  
**Mr. Jay Gerow** welcomed the Commissioners and staff and introduced himself; Jay Gerow with ZDI Gaming would like to speak on behalf of Staff Proposed Rule Change number two. He explained that Ms. Joan Mell was supposed to be here to testify this morning for him, however, she's in Superior Court right now waiting to testify against our case with the State. **Mr. Gerow** asked that the rule petition be held over until next month before final action was taken, as Ms. Mell had some language change that she wanted to bring forth to the possible rule change.

**Chair Amos** responded okay, and asked if there were any problems with that, or if anyone had any questions.

**Commissioner Simpson** replied that he was curious about the procedures because it was the staff's proposed rule change.

**Mr. Gerow** affirmed.

**Commissioner Simpson** asked what staff would ordinarily do.

**Director Trujillo** explained that given that it is a staff petition, he thought at this point it was an option that Commissioners could consider the request. He believed that AAG Castillo and he had taken a look at the timeline, and generally speaking, a petition has six months to run for a staff petition, and the next Commission meeting would fall within that timeframe. He asked AAG Castillo if he had characterized it correctly.

**AAG Castillo** affirmed.

**Director Trujillo** agreed.

**Commissioner Simpson** asked if Commissioners could delay the rule petition without error.

**Director Trujillo** responded without procedural error, yes.

**Commissioner Simpson** approved.

**Chair Amos** asked if there were any further questions, there were none. He then called for a motion.

**Commissioner Gray** made the motion and moved that the staff proposed rule change for allowing pull-tab prizes of \$20 or less be added to cash cards to the next Commission meeting agenda.

**Mr. Gerow** responded, yes, that would be fine, thank you.

**Chair Amos** asked for a second on the motion.

**Commissioner Simpson** seconded the motion.

**Mr. Gerow** thanked the Commissioners and staff.

**Commissioner Gray** made a motion seconded by **Commissioner Simpson** to hold for further discussion until the next meeting the amendment to WAC 230-17-047 Standards for electronic video pull-tab dispensers. *The vote was taken; the motion passed with four aye votes.*

### **Staff Proposed Rule Change**

#### **Clarifying requirements for authorized card games**

a) Amendatory Section: **WAC 230-15-040** Requirements for authorized card games

**Assistant Director Harris** explained that item number one was a staff proposed rule change that was up for final action. The staff proposal was to help clarify that more than one "envy" and "share the wealth" bonus feature were allowed to be offered on a single card game, to add definitions, and to make other clarifications to bring the agency's rule into line with current practices. This includes

adding definitions for a separate game, bonus features, and "envy" and "share the wealth" bonus features; clarifying that card games and bonus features must be approved by the Director or the Director's designee; prizes in the bonus feature is based on achieving a pre-determined specific hand; bonus features may not be combined with progressive jackpots; approved card games must be operated as documented on our agency website. Other game features that don't require a separate wager are considered bonus features. And for variations of the game of pai gow poker, players may bank every other hand, as authorized in the approved card game rules.

One part Commissioners might notice that staff did not include from the last meeting was the part on only one wager allowed for a wagering spot on Mini-Baccarat. Staff is proposing not to include that change, specifically because staff could get to it in another rule. And Mr. Harris had added a section in the approved card game rules posted on the website specifically saying only one wager per wager spot for Mini-Baccarat. So it was included in the game rules posted, so staff does not really need to add it to the WAC rules at this time.

**Assistant Director Harris** also indicated that included as an insert was a buff colored copy of the PowerPoint presentation and a description of "envy" and "share the wealth" bonus features, in addition to the demonstration that he did yesterday. If Commissioners have any additional questions on the differences between those two, he could answer them. Including the definitions and making the clarifications in the rule should help reduce questions staff receives from licensees. Staff recommends final action with an effective date of 31 days from filing. Are there any questions?

**Commissioner Gray** asked if staff had worked with stakeholders in developing the rules, and was that the request.

**Assistant Director Harris** responded correct, this one staff had been working on for several years now in various forms.

**Commissioner Gray** replied she understood, but was this something that was asked for.

**Assistant Director Harris** explained that the rule change was not necessarily asked for, but staff worked with licensees on it because there was a lot of stuff that was in current practice that really was not in the rules. This was just to put most of that into the rule, and then add some definitions where there was confusion on specifically what was "envy", what was "share the wealth", and what was a bonus feature, to help clean up the rule language.

**Commissioner Gray** responded thank you.

**Chair Amos** asked if there were any further questions or comments.

**Mr. Monty Harmon** stepped up to the podium and introduced himself, my name is Monty Harmon. I have a company, Harmon Consulting Incorporated, which has an approved game that has gone through the process. And so to that degree is where my testimony is coming from. I also am President of Evergreen Gaming Corporation, a Canadian publicly traded company that has four card rooms in the State.

I testified when the rule was introduced and I appreciate Commissioner's Gray question with regard to this rule. When I testified in the past, it had to do with the approach to having a rule that defines exactly the type and style -- I understand staff's intention to clarify for the industry. This is what's allowed and what's not allowed and can provide a better guidance on the type of games that would be approved by the State.

My concern has always been that by putting this in rule form, we've expanded the rule. And if there's another type of game idea with a different type of betting process, for that game to be approved it would have to come before the Commission to be approved. And this is a concern, not necessarily a fact. But it was something that I brought forward for the Commission to consider. As approved, the card games are social card games without specific definitions, per se.

When we hone this in and define it so finitely, any improvements, changes or opportunities for the card rooms to have new games would have to come before this body for a rule change. And if that's your intention, I understand that. My concern is that each time the rule is addressed, there might be the opportunity to consider is this an expansion of gaming or not. And those are the kind of challenges that our industry tries to avoid, and just saying whatever staff comes up with that can be an approved game that fits within the definition of a social card game should be left up to the Director and staff to decide.

When we, meaning staff, did the Rule Simplification Process, the interest was in reducing the number of words in the rules and allowing for, for example, internal controls for card rooms. That packet was pulled out of the rules and put off to the side to be dealt with by industry and staff as we saw fit. Putting these constrictions on the rules, my concern is it clogs up your agenda and it reduces the freedom and the flexibility within the industry to work with staff. But I appreciate staff's intention of defining for the industry what the guidelines are. And this is a concern I have.

**Commissioner Prentice** commented she thought maybe it was not as convoluted, and she remembered when ZDI was first brought up. She thought it sounded like an expansion of gambling, but our Assistant AG, Jerry Ackerman at the time, who pointed out to me it is not technically. And she thought because of staff's expertise, she did not think it would get bogged down. Commissioner Prentice said she did not think it was going to get as messy as Mr. Harmon might think.

**Commissioner Simpson** asked Mr. Harmon, who then is the appropriate body to make a determination as to whether the changes, or improvements as you call it, are not going to result in a greater opportunity for cheating? Who is it that does it? You're advocating that the Commission sort of give up their purview over approval of individual changes to social card games.

**Mr. Harmon** responded that would be correct. With all due respect, the games are complicated, and staff understands the rules and the risks.

**Commissioner Simpson** interjected, But the Commissioner are not smart enough to --

**Mr. Harmon** replied he was sorry; no that was not what he meant. He explained that the way that he spoke and his candor was pretty straight-forward.

**Commissioner Simpson** affirmed.

**Mr. Harmon** responded one of the best things that happened with a poker tack table that had come in, they brought their poker game in and the Commissioners at that time got months of education on Texas Hold 'em. And it was enlightening, he thought, for the Commission. One cannot be experts in all areas of games. It is a challenge to understand the game of Baccarat, and even when another card is given to the player or when it is given to the banker. The theft opportunities or the difficulties in controlling a game and making those decisions honestly are best understood by staff that is dealing with these games in the industry on a daily basis.

**Commissioner Simpson** added and that was why the Commissioners rely on staff to make these recommendations. The system works the way it is intended to work.

**Mr. Harmon** replied that he appreciate that, and in the past, for example when my game was approved, I met with staff several times to discuss whether the game should be approved or not and the different facets and concerns that they had with it. But it again, was at the staff level and the decision was delegated. Personally just looking at the rule, as opposed to saying if it's a social card game, it's allowed as long as it's approved by the Commission and it's posted on the website, would be the system that I would see that would be the easiest and most flexible for the industry. Again, I understand what you're saying. The system that's in place kind of has morphed and gone into the rule form, and that's my concern; we are putting in the rule the strict guidelines that cannot be changed. So the rule will have to be changed for a new style game to be introduced. Rather than saying social card games are approved, whatever staff says was approved and was on the website, done. That's the easiest way to go. And that's the purpose of my comments. Not to challenge the intelligence of the Commissioners or staff.

**Commissioner Prentice** commented that it was too late; Mr. Harmon already expressed his thoughts.

**Mr. Harmon** apologized.

**Commissioner Gray** included that actually as Commissioners, we do not know all the games, we do not know exactly how they are run, but as Commissioners, we do rely on staff to let us know whether a game is an expansion. Our discussion is whether it is an expansion of gambling. Staff's question was whether this falls under the purview of the rules and regulations that are set. As Commissioners we do work with staff on this.

**Mr. Harmon** replied yes, Commissioner Gray, he really appreciated the fact that the Commissioners were making an effort to get out into the industry and visit the card rooms. Any time anyone would like to visit one of the rooms that he was over, then he would love to have Commissioners visit. He could take the Commissioners through the surveillance and have then be more familiar with what is out in the industry. It was all good, and this discussion today was just simply his effort to have

discussion with the Commissioners and help them understand the position at least that he had. And he appreciated them listening.

**Chair Amos** asked if there were any other questions, there were none.

**Mr. Harmon** thanked the Commissioners.

**Commissioner Gray** added that she thought that Mr. Harmon had a point that Commissioners could talk about, and that was the number of rules that are brought to the commission that staff ends up having to write over, and over, and over to change every little thing. And it might be a way to allow staff more flexibility as they work with the industry and still meet the needs and not have to have them write one rule after another, after another. And she recognized that, because she saw it on the agenda regularly five rules, or 10 rules, that have been written and staff has had to work on. And this made her wonder about the comment.

**Commissioner Simpson** said he thought the Commissioners could have a further discussion about it at some other time. He personally thought that the system's working the way it was intended to work. Commissioners were the body that had to approve these rules, and he did not think that staff really was empowered to do that. It was the Commissioners responsibility, and certainly need staff's help. Like Mr. Harmon said, there was no way that Commissioners were able to understand how these games work with the depth of knowledge that the staff had, he kind of liked the system the way it was.

**Commissioner Prentice** replied that she had always been leery of loosening things up because one cannot predict the future. She had always said to be careful even of a comma because it can change the meaning. She was leery for another reason. Internet gambling was fast approaching, and she was worried about loosening things up so that there was no control of it. The Commissioners certainly do not want to lose the industry, but we don't want to let go of the rules either.

**Commissioner Gray** responded she wished Commissioner Stearns were here too. The discussion was one that was broader than this particular rule.

**Commissioner Simpson** suggested the topic could be put it on a future agenda for discussion.

**Director Trujillo** affirmed and suggested staff could come back with a short presentation on how card game approvals work. The structure is within the rules themselves, and the rules do allow for some flexibility. At this point, AD Harris, do you recall how many card games are approved in the State?

**Assistant Director Harris** replied about 125-ish house-banked card games. That's not including the non-house banked card games.

**Director Trujillo** agreed and explained there were variations or derivatives from certain games, and they kind of fall out of the rule structure that was in place. When something was significantly different, or really different in a way that had not been set out in the rules, then those are what come before the Commissioners. But the process right now was really one of an application/staff/vendor

process. But he thought staff could certainly share with Commissioners that process and help in understanding what staff does in the rule making process.

**Commissioner Gray** replied she would appreciate that and it would be very helpful.

**Director Trujillo** responded okay.

**Chair Amos** called for any further discussion. There was a motion and a second on the floor.

**Commissioner Simpson** made a motion seconded by **Commissioner Gray** to approve the amendment to WAC 230-15-040 effective 31 days from filing. *The vote was taken; the motion passed with four aye votes.*

### **Staff Proposed Rule Change**

#### **Holding stay hearings within 14 days rather than 7**

a) Amendatory Section: **WAC 230-17-170** Petition and hearing for stay of the summary suspension

**Ms. Hunter** explained this next rule was a very procedural rule change that deals with Stay Hearings. This was a staff proposal asking for the time to hold a Stay Hearing be increased from 7 days to 14 days. Under the impact of the proposed change there was some information about what a summary suspension is. A summary suspension was basically when someone has done something so serious that staff felt that they really need to stop working as soon as they get an Order which was signed by the Director, who was the only one that can sign the Order. The Director cannot delegate the signing of the Order. If he is out for a week, the Order has to wait until he is back in order to sign it.

Staff does not do a whole lot of these because they are meant for limited circumstances when there is public harm. But when it happens, the licensee has a right to two different hearings; a Stay Hearing which was where they are asking an Administrative Law Judge to stay the Order that they got that says they cannot work -- so they are basically saying they want staff to put a hold on this so they can go back to work; and then they have a right to what Ms. Hunter would call the more traditional hearing on the merits, which was what Commissioners would see before them on appeals.

Staff has found that having a Stay Hearing within seven days was a very big commitment because if staff receives a request for a Stay Hearing today, then staff would have to have it held within a week. Ms. Hunter explained for most staff this Monday is a State holiday, President's Day, which agency staff will not be working. But those days still count towards the seven days, although there are some exceptions. Staff is not sure why initially we had the seven day time limit. It has been that way since she worked here. As staff started looking at other agency's rules it was discovered that other agencies allow 14 days. With the amount of preparation which needs to go into a Stay Hearing, both from our own staff, from our AAG, and also for the licensee -- him or herself because what they have to show is that they're likely to prevail on the merits of the case. That can be hard to get that all wrapped together. If Commissioners and staff can agree to extend that time, there would not be a misunderstanding that it is required to be seven days. Unless someone agrees to an extension though, the Stay Hearing does have to be held within seven days.

Staff is requesting that this rule be filed for further discussion. Again, the rule would extend the time to hold a Stay Hearing from seven days to 14 days. Yes.

**Chair Amos** asked if there were any questions.

**Commissioner Gray** responded that what she understood when she read this was that it was something both staff and the licensee would agree to be a good thing.

**Ms. Hunter** replied she thought that most licensees, if they understand what they have to show at a Stay Hearing -- it might be fair to say for licensees who have an attorney representing them would understand it more than licensees who represent themselves. Also it does put an extra burden on the Office of Administrative Hearings, who supplies the ALJ to hear the case. They have always been able to come up with a date. But again, staff is saying the hearing has to be held in seven days, which ALJ is available. Sometimes that means staff will just get whatever ALJ they have that is available and it might be someone who has never heard a gambling case.

**Commissioner Gray** understood.

**Chair Amos** asked if there were any further questions, there were none.

**Commissioner Gray** made a motion seconded by **Commissioner Prentice** to file for further discussion the proposed amendment to WAC 230-17-170 Petition and hearing for stay of the summary suspension from 7 to 14 days. *The vote was taken; the motion passed with four aye votes.*

### **Staff Proposed Rule Change**

#### **Gambling equipment**

- a) Amendatory Section: **WAC 230-06-050** Review of electronic or mechanical gambling equipment
- b) New Section: **WAC 230-06-054** Notification of electronic or mechanical gambling equipment malfunctions

**Assistant Director Griffin** explained the next rule up for discussion and possible filing was an amendment to the review of electronic and mechanical gambling equipment. Staff is amending WAC 230-06-050 to codify the Gambling Commission's current practice into rule which would require that the version of gambling equipment that is submitted for review be identical or substantially similar to what is going to be used in the State of Washington; that all review costs had to be paid prior to the completion of the review. The rule also will require that if the application for review was incomplete or if staff asks for additional information, that they supply that information within 30 days. Staff is also amending to make sure that it is clear in the rule that submitters have to have a license and approval of the gambling equipment before they can sell or lease the equipment in the State.

All of this is in current practice. Staff is changing the rule so that it makes more sense for submitters because currently staff gets a lot of questions and it is not very clear in terms of the process for review.

This amendment will assist the Gambling Commission in accomplishing our mission by ensuring the integrity of the gambling equipment that is deployed has been properly tested. The rules require gambling equipment to operate in the same capacity as approved by staff.

The second rule that is part of this package is a new rule that will require licensees to notify us within 72 hours of identifying or becoming aware of any malfunction of the electronic or mechanical gambling equipment. By receiving this notification if the gambling equipment malfunctions, staff can make a timely assessment as to whether the problem is an isolated incident, maybe just an equipment malfunction for that particular location, or if this is something that is going to be more prevalent that would impact all the equipment that's deployed throughout the state. The 72 hours notice will give us a timelier to those latter situations where staff has to work with the manufacturer on a fix and notify all the operators of equipment that needs to be fixed in the future.

Staff has created a form for the reporting of this information to the Commission, and a draft has been handed out to stakeholders in the last few months. Staff has modified the form based on their comments.

Stakeholders have weighed in on these rule proposals. Notification letters were sent out in November of 2013 to the large bingo licensees, house-banked card rooms, manufacturers, and the tribal gaming agencies for their comments. Three licensees have responded indicating that they were satisfied with the changes that staff is proposing. And their e-mails are included in the Commissioner packets for your review.

Staff is recommending filing these rules for further discussion.

**Chair Amos** asked if there were any questions.

**Commissioner Gray** asked when she read the rule petition she wondered what machines staff were talking about. Were they talking about these little shuffler mechanisms.

**Assistant Director Griffin** replied that was a pretty broad subject, and that the form in the packet will give an idea of the gambling equipment. Progressive bonusing systems, those would be electronic or mechanical table layouts, so kind of similar to the layout that staff demonstrated yesterday. There can be electronic or mechanical pieces to that which would track progressive wagers.

**Commissioner Gray** replied okay.

**Assistant Director Griffin** further explained that bonus wagers that are placed; electronic card facsimiles, those are completely electronic tables in which the electronic facsimile of cards show up and there were no regular cards; electronic pull-tab dispensing devices, electronic raffle systems. These are all approved gambling equipment that staff has currently approved that are available and shown on our website, including shufflers, and electronic bingo dauber systems too. Hopefully this gives a little better understanding of the electronic or mechanical gambling equipment that pertains to the rule being discussed.

**Commissioner Gray** asked if the tribes had a chance to look at this too, and would it apply to them.

**Assistant Director Griffin** explained that the tribes do deploy some of this equipment. No, they would not be required to let staff know and to use this form. But if they do experience problems, it would be nice. AD Griffin turned the question over to Assistant Director Julie Lies of the Tribal and Technical Gambling Division to respond.

**Assistant Director Julie Lies** clarified that there was no requirement in the Compact for the tribes them to notify staff of those malfunctions. However our agency does have a system in place called a Notice of System -- NSI -- Notice of System Incident where the TGA directors or their staff does report it to our agents so staff can investigate it and make sure that the malfunction is corrected.

**Commissioner Gray** replied all right.

**Chair Amos** asked if there were any further comments or questions. There were none.

**Commissioner Simpson** made a motion seconded by **Commissioner Prentice** to file for further discussion the proposed amendment to WAC 230-06-050 and WAC 230-06-054 Review of electronic or mechanical gambling equipment and Notification of electronic or mechanical gambling equipment malfunctions. *The vote was taken; the motion passed with four aye votes.*

### **Staff Proposed Rule Change**

#### **Background checks on landlords**

- a) New Section: **WAC 230-03-061** Fingerprinting persons holding an interest in the building of house-banked card room licensees or charitable or non-profit licensees in regulatory groups III, IV or V

**Assistant Director Griffin** explained the next rule up for discussion and possible filing is WAC 230-03-061, fingerprinting persons holding an interest in the building of house-banked card room licensees or charitable or non-profit licensees in regulatory groups III, IV and V. RCW 9.46.070 sets out the powers and duties of the Commission. Section 070 of the RCW states the Commission shall require fingerprinting and national criminal history background checks of any person seeking licenses, certifications or permits of any person holding an interest in the gambling activity, building or equipment used in the gambling activity. The Statute goes on to say that the Commission must establish rules to delineate which persons in the application are subject to the national criminal history background checks.

The rule proposal will bring licensees into compliance with the RCW requiring those holding an interest in the building that is used in the gambling activity to be fingerprinted. The new rule applies to house-banked card rooms and non-profit licensees in the regulatory groups III, IV and V. These regulatory groups are already defined in a current rule as having combined gross gambling receipts of \$3 million or more. Those landlords who meet the definition of a person of interest would be subject to the national criminal history background check, which is done through fingerprinting. Persons of interest are defined in the rule as owning more than 50% in the building using the gambling activity, or

less than 50% of the building using the gambling activity and having actual or potential influence over the gambling activity. The new rule would apply to house-banked card rooms and non-profit licensees with combined gross gambling receipts of \$3 million or more. Those licensed after July 1, 2014 and the existing house-banked card rooms and the eight non-profit licensees would be impacted if they change their location or they have a change in the person holding an interest in the building.

Commissioners might recall that last July a similar rule that applied only to house-banked card rooms was filed for further discussion, and at the August 2013 meeting, stakeholders raised concerns about the rule and staff was asked to work with the stakeholders on the rule. Staff met with stakeholders three times in September and October of 2013, and resolved all the concerns that were raised, which included how to handle large and out of state conglomerates, defining what disqualifying criteria was, reporting requirements, management companies, sub-leases, and who this rule would actually apply to.

Licensees' last concern was why the proposed rule was only applicable to house-banked card rooms. Upon further consideration staff amended the proposed rule, which was what was before Commissioners today, to include these eight non-profit licensees because the primary activity in their buildings, as with house-banked card rooms, was the gambling activity.

In January of 2014, last month, staff sent notification letters out to all the house-banked card rooms with this proposed new language. In January field staff met with all of the eight impacted non-profit licensees to discuss this rule proposal with them. The non-profits did not mention any concerns to staff when they met with them regarding this rule proposal. Staff recommends filing this rule for further discussion.

**Chair Amos** called for questions.

**Commissioner Gray** responded she had a really quick one and apologized. Ms., Griffin, you named the ones that were exempt, four different groups.

**Assistant Director Griffin** replied four different groups of what?

**Commissioner Gray** said she thought there were four groups when talking about out of town, and conglomerates and things like that.

**Assistant Director Griffin** replied the list that she had spoken about were the concerns that were raised with stakeholders. We addressed those in staff meetings with them and were able to talk about all those topics and alleviate their concerns regarding those topics. The question was how does staff handle out of state entities.

**Commissioner Gray** agreed.

**Assistant Director Griffin** explained further that large conglomerates, and staff talked about that, wouldn't be exempt, and there was no exemption. Basically if there was an out of state company that owned the building in which was used for a house-banked card room or a non-profit in one of those

regulatory groups, then only those persons of interest -- so if there was one person that owned more than 50% in that building or somebody who owned less than 50% interest in that building but had actual potential influence, staff would require only those people to be fingerprinted. It is going to be a very small group of people that are actually going to have to provide fingerprints to staff. To give a few examples, it was going to be the person who owns 100% of the building. But if there was an LLC that has three members and each owns 33% nobody would trigger the definition of person of interest. Ms. Griffin asked if the definition helped.

**Commissioner Gray** replied that she understood and thanked AD Griffin.

**Chair Amos** asked if there were any further questions or comments, there were none.

**Commissioner Simpson** made a motion seconded by **Commissioner Prentice** to file for further discussion the proposed amendment to WAC 230-03-061 Fingerprinting persons holding an interest in the building of house-banked card room licensees or charitable or non-profit licensees in regulatory groups III, IV or V *The vote was taken; the motion passed with four aye votes.*

#### **Other Business/General Discussion/Comments From the Public**

**Chair Amos** opened the meeting for other business, general discussion, and comments from the public.

**Mr. Harmon** commented that he would just add to the public record his expression to former Senator Prentice, Commissioner Prentice, that she would be missed. Mr. Harmon hoped that Senator Prentice would enjoy everything that was ahead for her. He then thanked her for her service to the Gambling Commission.

**Commissioner Prentice** thanked Mr. Harmon, and added that truly it had been a great 20 years. She added that as she looked over the friends that she had made, and some weren't here anymore, it really had been a great experience. She thanked everyone. Obviously it was time to go, but when the Commission was on television she would be watching and keeping tabs on what was happening.

**Mr. Harmon** responded his compliments to Senator Prentice's decision as far as being wise and living life to the fullest. Enjoy.

**Commissioner Prentice** thanked Mr. Harmon.

#### **Executive Session to Discuss Pending Investigations, Tribal Negotiations and Litigation**

**Chair Amos** announced that the Executive Session was expected to last approximately one hour and at the end of the executive session the public meeting would be resumed solely for the purposes of adjourning. At 10:30 a.m. the Commission went into an Executive Session to discuss pending investigations, tribal negotiations, and litigation.

#### **Adjourn**

**Chair Amos** adjourned the meeting at 11:07 a.m.

Minutes were submitted to the Commission for approval by:  
Michelle Rancour, Executive Assistant