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GAMBLING COMMISSION
COMM & LEGAL DEPT

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Revocation and Summary)	
Suspension of the License to Conduct)	No. CR 2012-00247
Gambling Activities of:)	
)	
Washington CRE Services, Inc.,)	
Seattle, Washington)	SETTLEMENT ORDER
)	
Licensee.)	
_____)	

I.

The Washington State Gambling Commission and the licensee, Washington CRE Services, Inc., enter into this settlement to resolve the Order of Summary Suspension issued against the licensee. Stephanie U. Happold, Assistant Attorney General, and Arlene Dennistoun, Staff Attorney, represent the Gambling Commission. Joan K. Mell, Attorney, represents the Licensee.

II.

The Washington State Gambling Commission issued Washington CRE Services, Inc., license number 26-00307, authorizing Service Supplier activity.

The license expires on August 13, 2012, and was issued subject to the licensee's compliance with state gambling laws and regulations.

III.

The Director issued an Order of Summary Suspension on April 12, 2012, directing the licensee to stop operating gambling activities immediately upon service of the Order. The Order also seeks to revoke Washington CRE Services Inc.'s license. On April 18, 2012, Commission staff received the licensee's request for a stay hearing. The licensee has not yet requested an administrative hearing.

IV.

The following is a summary of the facts alleged, and the violations charged in the Summary Suspension:

The licensee has been operating Parker's Sports Bar and Casino's 13-table card room and punchboard/pull-tabs without valid licenses, since at least February 3, 2012. The licensee is operating Parker's under licenses that became void after George "Geordie" Sze, owner of Parker's Sports Bar and Casino, sold his interest in the business¹ to the licensee. Licenses can

¹ The Director issued an Order of Summary Suspension against Parker's Sports Bar & Casino (CR 2012-00398).

only be transferred in limited circumstances, none of which applies here. The licensee has a service supplier license, but has not applied for, and does not have a card room or punchboard/pull-tab license. The licensee has also transferred player-supported jackpot (PSJ) funds into its payroll account and has had PSJ funds seized by the Internal Revenue Service and the Department of Revenue.

VIOLATIONS:

1) **RCW 9.46.070** provides that the Commission shall have the following powers and duties: The Commission may authorize the Director to temporarily suspend licenses subject to final action by the Commission.

2) **WAC 230-17-165** provides as follows:

(1) "Summary suspension" means immediately taking a license or permit from a person or organization which prevents them from operating or conducting gambling activities.

(2) The Commission delegates its authority to the Director to issue an order to summarily suspend any license or permit if the Director determines that a licensee or permittee has performed one or more of the actions identified in RCW 9.46.075 as posing a threat to public health, safety, or welfare.

(3) The Commission deems the following actions of a licensee or permittee constitute an immediate danger to the public safety and welfare:

(The following subsections apply.)

(a) Failing or refusing to comply with the provisions, requirements, conditions, limitations, or duties imposed by chapter 9.46 RCW or any rules adopted by the Commission; or

(i) Having pursued or pursuing economic gain in an occupational manner or context which is in violation of the criminal or civil public policy of this state if such pursuit creates probable cause to believe that the participation of such person in gambling or related activities would be inimical to the proper operation of an authorized gambling or related activity in this state. For the purposes of this section, occupational manner or context shall be defined as the systematic planning, administration, management, or execution of an activity for financial gain.

(4) An order of summary suspension takes effect immediately on service unless stated otherwise in the order of summary suspension.

The licensee has been operating Parker's Sports Bar and Casino's (Parker's) 13-table card room and punchboard/pull-tabs without valid licenses, since at least February 3, 2012. The licensee is operating Parker's under licenses that became void after George "Geordie" Sze, owner of Parker's Sports Bar and Casino, sold his interest in Parker's. The licensee has a service supplier license, but has not applied for, and does not have a card room or punchboard/pull-tab license. The licensee, WA CRE and John Coyle, have never been an owner or substantial interest holder

of Parker's and under these circumstances, transferring licenses violates WAC 230-06-108. Cory Coyle is the Vice President of the licensee and has been involved with numerous licensed entities since about 2003. The licensee has also transferred player-supported jackpot (PSJ) funds into its payroll account and has had PSJ funds seized by the Internal Revenue Service and the Department of Revenue.

The licensee's actions constitute an immediate danger to public safety and welfare based on WAC 230-17-165(3) (a) and (i), and are a basis for having Washington CRE Services, Inc., immediately stop conducting gambling activities.

3) RCW 9.46.075 Denial, suspension, or revocation of license, application, or permit.

The Commission may deny an application, or suspend or revoke any license or permit issued by it, for any reason or reasons, it deems to be in the public interest. These reasons shall include, but not be limited to, cases wherein the applicant or licensee, or any person with any interest therein: (The following subsections apply.)

(1) Has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by chapter 9.46 RCW and any amendments thereto, or any rules adopted by the commission pursuant thereto, or when a violation of any provision of chapter 9.46 RCW, or any commission rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control;

(7) Makes a misrepresentation of, or fails to disclose, a material fact to the Commission;

(8) Fails to prove, by clear and convincing evidence, that he, she or it is qualified in accordance with the provisions of this chapter;

(10) Has pursued or is pursuing economic gain in an occupational manner or context which is in violation of the criminal or civil public policy of this state if such pursuit creates probable cause to believe that the participation of such person in gambling or related activities would be inimical to the proper operation of an authorized gambling or related activity in this state. For the purposes of this section, occupational manner or context shall be defined as the systematic planning, administration, management or execution of an activity for financial gain.

4) 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; or

(3) Has demonstrated willful disregard for complying with ordinances, statutes, administrative rules, or court orders, whether at the local, state, or federal level; or

(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.

5) RCW 9.46.160 Conducting activity without license.

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.

6) WAC 230-06-108 Ownership changes — Prohibited.

All gambling licenses held by a business will become void when the following changes in ownership occur and a new license must be obtained before operating any gambling activities:

(1) A person or business becomes the owner of more than fifty percent of corporate stock or limited liability membership shares/units, when the person or business did not have at least the following substantial interest in the business immediately before the transaction: (a) Ten or more percent ownership in a privately held corporation or limited liability company (LLC); or (b) Five or more percent ownership in a publicly traded corporation or LLC; or

(2) The business is sold; or

(3) A sole proprietorship brings in a new person and forms a partnership, corporation or LLC; or

(4) A partnership adds another partner or changes partners; or

(5) A change in a person's ownership, together with ownership of any members of his or her immediate family, who are under the age of eighteen years of age, results in the person having more than fifty percent interest in the business when the person did not have at least the following substantial interest in the business: (a) Ten or more percent ownership in a privately held corporation or LLC; or (b) Five or more percent ownership in a publicly traded corporation or LLC.

The licensee has a service supplier license, but has not applied for, and does not have licenses to operate card room or punchboard/pull-tab activities. Despite this, the licensee has been operating Parker's 13-table card room and punchboard/pull-tabs without valid licenses, since at least February 3, 2012, in violation of RCW 9.46.160.

The licensee is knowingly operating Parker's under licenses that became void after Geordie Sze sold Parker's. Agents took statements from John Coyle, Geordie Sze and Mark Jones, made onsite visits, and reviewed purchase and sales agreements between Geordie Sze/Slam Dunk, and the licensee (Washington CRE Services, Inc., and John Coyle). Cory Coyle is the licensee's Vice President and has been involved with numerous licensed entities since about 2003. The licensee (Washington CRE Services, Inc. and John Coyle) has never been an owner or

substantial interest holder of Parker's and under these circumstances, the licenses are void and the licensee's conduct violates **WAC 230-06-108**.

By failing to submit a new application for a license to conduct card room and pull-tab activity, and continuing to operate Parker's without valid licenses, after an agent repeatedly advised the licensee of Commission rules, the licensee has demonstrated willful disregard for complying with Commission rules. The licensee has also demonstrated that it 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 prior activities.

The licensee's continued operation of Parker's card room and pull-tabs since at least February 3, 2012, without valid licenses in violation of RCW 9.46.160 and WAC 230-06-108, demonstrates that the licensee is pursuing economic gain in a manner that includes the systematic planning, administration, management or execution of an activity for financial gain.

Based on the licensee's continued operation of gambling activities without valid licenses, there are grounds to revoke Parker's licenses based on RCW 9.46.075(1), (8) and (10) and WAC 230-03-085(1), (3) and (8).

7) WAC 230-15-360 Defining "player-supported jackpot."

"Player-supported jackpot" (PSJ) means a separate contest of chance directly related to the play or outcome of an authorized nonhouse-banked card game.

- (1) Only Class F or house-banked licensees may establish a prize fund to operate a PSJ for nonhouse-banked card games.
- (2) In PSJs, licensees:
 - (a) Collect funds from the players' wagers (the pot) for a separate prize; and
 - (b) Act only as the custodian of the PSJ funds, including any interest earned on this money; and
 - (c) Maintain no legal right to the funds, except for administrative fees; and
 - (d) Must strictly account for all funds.

8) WAC 230-15-400 Accounting for player-supported jackpot funds.

Class F or house-banked licensees must:

- (1) Maintain a separate bank account in a bank, mutual savings bank, or credit union in Washington state for holding player-supported jackpot (PSJ) funds; and
- (2) Deposit only funds from PSJs into the account; and
- (3) Not make payouts from the PSJ funds until licensees have first deposited the funds in the PSJ account. However, licensees may pay out prizes won during the gambling day and deduct administrative expenses before licensees deposit the funds; and

(4) Transfer or deposit the PSJ funds into the PSJ account or with an armored car service no later than the second banking day after the close of business; and

(5) Identify all deposits or transfers of PSJ funds by the type of PSJ fund and date of collection. Licensees must keep the validated deposit receipts or transfer information as a part of their required daily records or have on-line access to their player-supported jackpot bank accounts; and

(6) Transfer the amount from the PSJ account to the cage or general account before the end of the month if PSJ prizes are paid from the cage or general account. The licensee must keep the transfer information as part of the written records; and

(7) Reconcile the account balance in their bank statement to the PSJ prize balance on their PSJ fund accrual record each month. "Reconcile" means the licensee must compare the two balances, resolve any differences, and document the comparison and the differences in writing. Licensees must keep the reconciliation as part of their records.

9) WAC 230-15-390 Collecting an administrative fee on the player-supported jackpot.

Class F or house-banked licensees may collect an administrative fee of up to ten percent of the funds collected for a player-supported jackpot (PSJ). Licensees must deduct no other expenses from the PSJ account.

On February 24, and 26, and on March 3 and 25, 2012, Parker's failed to deposit PSJ funds into its designated bank account within two banking days as required by Commission rules. Mark Jones said they had placed PSJ funds into the cashier's cage and paid prizes from the cage, and then left the remaining \$476 in the cage. This conduct violated **WAC 230-15-400(4)**.

On February 28, 2012, while operating under licenses that became void after Geordie Sze sold the business, the licensee transferred \$6,632 in PSJ funds into its payroll account. The licensee deducted expenses other than administrative fees. This conduct violated **WAC 230-15-360(2)(b)(c) and (d), and WAC 230-15-390**.

Between February 29 and March 7, 2012, Parker's withdrew \$8,789 from its PSJ account that did not match the amount of prizes paid as listed on its prize fund accrual records. FOD agents were unable to determine the reason for the withdrawals. \$2,385 was withdrawn on February 29; \$3,171 and \$2,662 were withdrawn on March 2; and \$571 was withdrawn on March 7. This conduct violated **WAC 230-15-360(2)(b), (c) and (d)**.

On March 2 and March 9, 2012, Parker's deposited funds into its PSJ account that did not match funds collected as documented on its prize fund accrual records. FOD agents were unable to determine why Parker's deposited \$119.50 on March 2, and \$1,469, on March 9, into its PSJ account. This conduct violated **WAC 230-15-400(2)**.

Between March 16 and March 25, 2012, the licensee did not maintain a separate bank account for PSJ funds, in violation of **WAC 230-15-400(1)**.

On March 21, 2012, the licensee, through Mr. Jones, took \$7,683.40 of PSJ funds, and placed the funds into the cashier's cage for payroll. Mr. Jones later transferred funds from the payroll account into the PSJ account. This conduct WAC 230-15-360(2)(b), (c) and (d), and WAC 230-15-390.

The licensee failed to act only as custodian of funds, failed to properly account for PSJ funds, failed to keep a separate bank account for holding PSJ funds, failed to deposit only funds from PSJs into its PSJ account, and failed to deposit PSJ funds no later than the second banking day after the close of business. As a result of these violations, there are grounds to revoke Parker's licenses based on RCW 9.46.075(1), (8) and (10) and WAC 230-03-085(1) and (8).

10) RCW 9.46.170 provides that whoever, in any application for a license or in any book or record required to be maintained by the Commission or in any report required to be submitted to the Commission, shall make any false or misleading statement, or make any false or misleading entry or willfully fail to maintain or make any entry required to be maintained or made, or who willfully refuses to produce for inspection by the Commission, or its designee, any book, record, or document required to be maintained or made by federal or state law, shall be guilty of a gross misdemeanor subject to the penalty set forth in RCW 9A.20.021.

During the month of March 2012, while operating under licenses that became void after Geordie Sze sold Parker's, the licensee made false and misleading entries in PSJ prize fund accrual records. The records require licensees to fill in dates of "PSJ Bank Deposits;" however, no bank deposits were actually made, and instead, the licensee kept PSJ funds in the cashier's cage. This conduct violated RCW 9.46.170. As a result, grounds exist to revoke Washington CRE Services, Inc.'s, license based on RCW 9.46.075(1), (7), (8) and (10) and WAC 230-03-085(1) and (3) and (8).

11) RCW 9.46.153(1) provides that it shall be the affirmative responsibility of each applicant and licensee to establish by clear and convincing evidence the necessary qualifications for licensure of each person required to be qualified under this chapter, as well as the qualifications of the facility in which the licensed activity will be conducted.

The licensee has failed to establish clearly and convincingly, as required by RCW 9.46.153(1), that it is qualified to be licensed. As a result, there are grounds to revoke Washington CRE Services, Inc.'s, license based on RCW 9.46.075(1), (8), and (10) and WAC 230-03-085(1), (3) and (8).

V.

The licensee acknowledges reading and understanding the facts and charges alleged in the Order of Summary Suspension. While not admitting to the facts and violations specified in this case, the licensee agrees that if the Gambling Commission established the facts in the cases at issue, there would be sufficient evidence of the violations as stated in the Order of Summary Suspension.

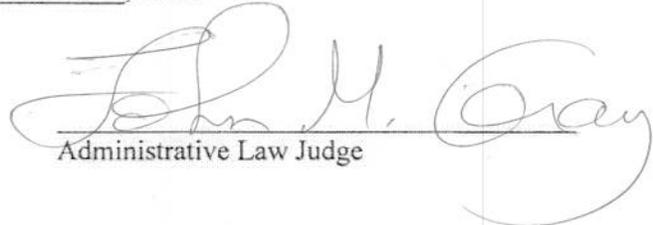
The Commission alleges that the facts and violations specified in the cases above constitute grounds for the revocation of Washington CRE Services, Inc.'s license to conduct authorized card room and punchboard/pull-tab activities under RCW 9.46.075 and WAC 230-03-085.

Washington CRE Services, Inc.
SETTLEMENT ORDER

CR 2012-00247

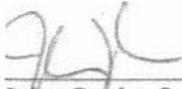
- 1) The licensee, Washington CRE Services, Inc., has waived its right to a hearing, and has agreed to surrender its license.
- 2) If Washington CRE Services, Inc. reapplies, or if any applicant related or associated in any way with the licensee or the licensee's substantial interest holders applies for a license, they shall be required to establish, by clear and convincing evidence, that they are qualified to hold a gambling license.
- 3) If Washington CRE Services, Inc. reapplies, or if any applicant related or associated in any way with the licensee or the licensee's substantial interest holders applies for a license, they will be subject to all the Commission's investigative procedures for processing an application for a gambling license, including staff's consideration of the facts alleged in this case.
- 4) No promises or assurances have been made that Washington CRE Services, Inc., or any applicant related or associated in any way with the current owners or substantial interest holders of the licensee, will receive a license from the Commission should they reapply.
- 5) ~~Washington CRE Services, Inc. agrees to reimburse the Commission nineteen thousand, three hundred and ninety-five dollars (\$19,395), which represents the Commission's investigative and administrative costs.~~ JSC
- 6) ~~The signed Settlement Order, reimbursement for the Commission's investigative and administrative costs, and gambling license must be received by Commission staff no later than the stay hearing on April 19, 2012.~~ JSC

DATED this 20 day of April, 2012.


Administrative Law Judge

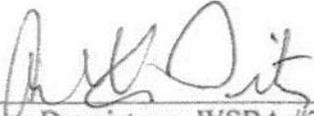
APPROVED FOR ENTRY.

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



John Coyle, Owner
Washington CRE Services, Inc.

4/18/12
(Date)



Arlene Dennistoun, WSBA #28760
Staff Attorney,
Washington State Gambling Commission

APPROVED AS TO FORM.

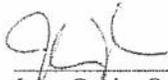


Stephanie U. Happold
Assistant Attorney General
Representing the Washington State
Gambling Commission

Joan K. Mell, Attorney, WSBA #21319
Washington CRE Services, Inc.

APPROVED FOR ENTRY:

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



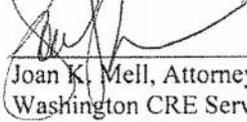
John Coyle, Owner
Washington CRE Services, Inc.

4/18/12
(Date)

Arlene Dennistoun, WSBA #28760
Staff Attorney,
Washington State Gambling Commission

APPROVED AS TO FORM:

Stephanie U. Happold
Assistant Attorney General
Representing the Washington State
Gambling Commission



4-19-12
Joan K. Mell, Attorney, WSBA #21319
Washington CRE Services, Inc.