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OCT 06 2014

STATE OF WASHINGTON  
GAMBLING COMMISSION

Gambling Commission  
Comm. & Legal Division

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

NO. CR 2014-00786 & 2014-01062

Diamond Lil's )  
Renton, Washington, )

**SETTLEMENT ORDER**

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

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

I.

The Washington State Gambling Commission issued Diamond Lil's, organization number 00-05124, the following licenses:

- Number 05-01996, authorizing class "C" Punchboard Pull-Tab activity; and
- Number 65-00556, authorizing class "F11" Public Card Room activity.

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

II.

In the above-entitled case, the Gambling Commission issued a Notice of Administrative Charges and Opportunity for an Adjudicative Hearing on June 5, 2014, seeking the suspension or revocation of Diamond Lil's licenses to conduct gambling activities. On June 23, 2014, Commission staff received the licensee's request for a hearing. On July 10, 2014, an Amended Notice of Administrative Charges was issued. The following summary of facts and violations were alleged in the Amended Notice of Administrative Charges:

**SUMMARY:**

During a follow up inspection, Diamond Lil's failed to document and reconcile differences between the Player Supported Jackpot (PSJ)<sup>1</sup> bank statement and the PSJ Prize Fund Accrual record. In addition, the licensee failed to provide information regarding five cash transfers between their two licensed properties, Diamond Lil's and Freddie's Club. Diamond Lil's also failed an underage gambling inspection.

<sup>1</sup> The PSJ is collected from the players' wages and Diamond Lil's acts only as a custodian of these funds.

As a result, the licensee failed to comply with the terms in a previous Settlement Order issued October 7, 2013.

**VIOLATIONS:**

**1) RCW 9.46.075 Denial, suspension, or revocation of license**

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

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

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

We may deny, suspend, or revoke any application, license or permit, when the applicant, licensee, or anyone holding a substantial interest in the applicant's or licensee's business or organization, (The following subsections apply.)

(1) Commits any act that constitutes grounds for denying, suspending, or revoking licenses or permits under RCW 9.46.075;

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

(8) Poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by: (a) Prior activities.

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

(The following subsection applies.)

Class F or house-banked licensees must:

(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.

**4) 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.

(The following subsections apply.)

(1) Only Class F or house-banked licensees may establish a prize fund to operate a PSJ for non house-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.

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

(The following subsections apply.)

(2) Licensees must submit to us any new or updated documents and information within thirty days of the effective date of the document or information, including the following:

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

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

(The following subsections apply.)

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

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

- (a) "Immediate family" means only the spouse, parents, or grandparents of an individual; and
- (b) "Guardian" means only a court-appointed, legal guardian of an individual; or

(2) To play bingo at agricultural fairs or school carnivals; or

(3) To play amusement games; or

(4) To sell raffle tickets for a charitable or nonprofit organization that:

- (a) Has development of youth as a primary purpose; and
- (b) Has at least three members or advisors who are at least eighteen years old and who supervise the operation of the raffle; and
- (c) Has an adult member or advisor designated as the manager for the raffle.

From at least September 2013 through March 2014, the licensee failed to document and reconcile the differences between the PSJ prize fund accrual record and the PSJ bank statement, in violation of WAC 230-15-400. In addition, the licensee failed to report information regarding five cash transfers, in violation of WAC 230-06-080. Diamond Lil's also allowed a minor to gamble, in violation of WAC 230-06-010.

The licensee previously entered into a Settlement Order to resolve charges for failure to report cash transfers and grounds exist to impose the deferred suspension from the October 2013 Settlement Order. Therefore, the licensee has demonstrated willful disregard for complying with Commission rules, and grounds exist for the suspension or revocation of Diamond Lil's licenses to operate gambling activities, based on RCW 9.46.075(1), and WAC 230-03-085(1), (3), and (8).

III.

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

IV.

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

On June 23, 2014, Commission staff received Diamond Lil's request for a hearing in this matter; however, the licensee has waived its right to a hearing, based on the terms and conditions of this Settlement Order.

The licensee agrees to the following terms and sanctions:

1) Diamond Lil's shall surrender its licenses effective October 31, 2014. **The signed Settlement Order must be received by Commission staff on or before October 6, 2014**, and mailed to Commission Headquarters at the following address:

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

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

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

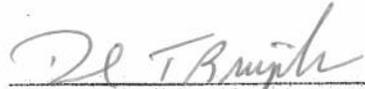
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2) In the event any of Diamond Lil's current owners or substantial interest holders subsequently apply for a gambling license, they will be subject to all the Commission's investigative procedures for processing an application for a gambling license. Furthermore, no promises or assurances have been made to Diamond Lil's current owners or substantial interest holders that they will receive a license from the Commission should they apply.

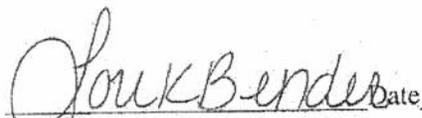
DATED this 12 day of October, 2014.

  
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DAVID TRUJILLO, DIRECTOR

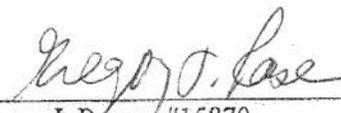
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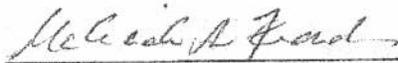
APPROVED AS TO FORM:

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

  
\_\_\_\_\_  
Lori Bender, Owner  
Diamond Lil's, Licensee

Date 10/3/14

  
\_\_\_\_\_  
Gregory J. Rosen, #15870,  
Assistant Attorney General,  
Representing the Washington  
State Gambling Commission

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