

ID# 031241

December 13, 2006



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CERTIFIED MAIL

RETAILER CHAIN ID #031241

R. Craig Estey, President  
Oregon Restaurant Services, Inc.  
PO Box 4726  
Portland, OR 97208

RECEIVED  
DEC 14 2006  
LOTTERY SECURITY

RE: CONTRACT TERMINATION  
Oregon Restaurant Services, Inc.  
(Twenty-six locations as detailed at the end of this order.)

Dear Mr. Estey:

Under the terms of the Oregon Restaurant Services, Inc. Retailer Contract with the Oregon State Lottery, Section 15, the Lottery hereby provides notice of Contract Termination. This contract is terminated effective 14 days from the date of delivery of this notice. Pursuant to Section 2.9 of the Retailer Contract, this notice is deemed delivered 5 days after mailing.

This is a Final Order of the Oregon State Lottery and is subject to Judicial Review as provided in Oregon Revised Statute (ORS) 183.484 of the Oregon Administrative Procedures Act. If you wish to file a petition for Judicial Review, you must file in Marion County Circuit Court within 60 days of the date of this order.

You may also request reconsideration if the circumstances leading to this order have changed, or if you have new or additional information that is relevant to the issues in this order. Your written request must be received by the Lottery within 14 days of the date of delivery of this notice.

At the end of February 2006, the Lottery began an investigation after receiving an inquiry from *The Oregonian* newspaper about information from Nevada that R. Craig Estey, President of Oregon Restaurant Services, a Lottery retailer, had been fined \$200,000 by the Nevada Gaming Commission for lying to an investigator with the Nevada Gaming Control Board.

As president and owner of the corporation, you are a Key Person of Oregon Restaurant Services, Inc. On March 1, 2006, Lottery wrote a letter notifying you that the Lottery would investigate the information received from *The Oregonian* and requesting any information you wished to provide for the investigation.

The Oregon State Police, Lottery Security section conducted an investigation and has issued a report to the Director. Materials have been received and reviewed from the

2 R. Craig Estey, President  
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Nevada Gaming Commission, several letters were received from your legal counsel, Mr. Schreck and Mr. Chicoine, and you and your legal counsel participated in a voluntary interview with Director Penn on August 30, 2006. You were provided additional time to provide any further information for consideration while a transcript of the interview was being prepared and Nevada authorities were contacted concerning additional materials.

Having fully investigated this matter, the Oregon Restaurant Services, Inc. Retailer Contract is terminated for any one or all of the following reasons:

1) Key Person's Character, Honesty, Integrity and Reputation; Lottery's Fairness, Honesty, Integrity and Security<sup>1</sup>

On or about August 4, 2002, you committed domestic violence against Kathrine Estey by pushing her, putting your hands around her throat, slapping her, and kicking a door in, which struck her hand.

On or about August 29, 2005, you threatened Ms. Estey with a deadly weapon and physically assaulted her. You have agreed that for regulatory purposes that you do not dispute Ms. Estey's reported version of events that occurred on or about August 29, 2005. She reported you grabbed and held her hair, held a gun to her head, waved the gun in her face and you threatened her life and your own by telling her she would not see your son again and that your son would grow up without parents.

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<sup>1</sup> Pursuant to Sections 1.1 (b) and (c) of the Retailer Contract (hereinafter, "Contract"), the Oregon State Lottery Act (ORS Chapter 461) and Lottery's Administrative Rules (OAR Chapter 177) are included and incorporated into the Contract by reference.

Pursuant to Section 4.1 of the Contract, Retailer agreed to maintain his integrity and reputation.

Section 15.2(c) of the Contract gives Lottery the right to immediately terminate the Contract if Lottery, acting in good faith and fair dealing, reasonably believes that Retailer may pose a threat to the actual or apparent integrity, security, honesty, or fairness of Lottery, its Games, or its players.

Pursuant to Section 15.7 of the Contract, Retailer acknowledged understanding and agreed that Lottery has the right, at its sole discretion, to take any contract enforcement or administrative action, including Contract termination, with respect to Retailer and all its locations.

ORS 461.150(4) requires the Director to take into account the particularly sensitive nature of the Lottery in all decisions, and to act to promote and insure the integrity, security, honesty and fairness of the operation and administration of the state Lottery. ORS 461.100(4) requires the same of Lottery Commission Members.

ORS 461.300(2)(a) requires the Director to consider integrity and reputation in the selection of Retailers.

OAR 177-040-0000(2) includes Key Persons in the definition of "Applicant" for purposes of OAR Chapter 177 Division 40; section (7) of this section of rule includes officers, directors, and stockholders of a corporation in the definition of "Key Persons." References to "applicant" in OAR 177-040-0010, therefore, refer to R. Craig Estey as well as Oregon Restaurant Services, Inc.

Pursuant to OAR 177-040-0010(9), OAR 177-040-0010(1)(a)(b) and (d) apply to existing Contracts and may provide grounds for the Director of the Oregon State Lottery (hereinafter "Director") to terminate a Contract.

OAR 177-040-0010(1)(a)(b) and (d) require the Director to consider whether a key person is a person of good character, honesty, and integrity; the key person is a person whose reputation does not jeopardize the public interest of the state or the security or integrity of the Lottery; and whose character or general fitness is such that continuing to Contract with Retailer would be consistent with the public interest, convenience, and trust in keeping with the sensitive nature of the Lottery.

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Oregon Restaurant Services, Inc.

On or about November 4, 2005, you lied to an Agent of the Nevada Gaming Control Board, Investigations Division, who was investigating the August 29, 2005 incident.

On or about March 8, 2006, you accused Nevada State Gaming Control Board member Bobby Siller of carrying on a "feud" with you and suggested that you were being persecuted because Mr. Siller questioned your reasons for lying to the Nevada State Gaming Control Board.

On August 30, 2006, you told Director Penn, in essence, that you lied to the Nevada regulators because of stress related to scrutiny, wanting the conflicts behind you, and the "external pressures" and "problems" you were having in the states of Montana, Nevada, and Oregon.

Your reputation has been called into question by the above-described actions. It has also been marred by a February 28, 2006 statewide newspaper article in *The Oregonian* entitled "Lying in Nevada - Laying Low in Oregon" in which the allegations concerning the August 29, 2005 incident and the penalty you received for lying to Nevada regulators was discussed.

Based on the above-described behaviors and statements, the Director concludes that you do not satisfy the requirements of good character, honesty, and integrity that apply to all Lottery Retailers and Key Persons and therefore you are not qualified to be a Key Person. You lied to regulators in the State of Nevada, do not dispute allegations you held a gun to your wife's head and threatened her life, and you admit you previously struck your wife during an argument. Each of these activities provides a basis for disqualification as a Key Person and termination of the Retailer Contract.

Further, you have shown a lack of integrity by failing to notify Lottery of the regulatory action taken by the Nevada Gaming Commission and failing to be candid and forthright in describing the circumstances of the August 29, 2005 incident. While Lottery acknowledges your right to assert the Fifth Amendment for purposes of potential criminal action against you, your lack of candor shows that in a regulatory situation, you cannot be relied upon to be honest, candid and cooperative when faced with questions or concerns about compliance with regulatory requirements under the Retailer Contract, particularly if you are acting to protect your self-interest or if you feel pressured in some way.

Because you lied to gaming regulators, admitted through a stipulated settlement agreement between you and the Nevada Gaming Commission that you failed to cooperate with the Nevada Gaming Commission, have refused to be candid and forthright about the circumstances of the incident on August 29, 2005, and failed to notify the Lottery of the Nevada Gaming Commission action, you cannot be relied upon to protect the integrity, fairness and security of the Lottery, its games and its players. The Director reasonably believes that your continued association with the Oregon Lottery poses a threat to the actual or apparent integrity, fairness and security of the Lottery and is not consistent with the public interest, convenience, and trust in keeping with the sensitive nature of the Lottery.

4 R. Craig Estey, President  
Oregon Restaurant Services, Inc.

2) Criminal History or Conduct<sup>2</sup>

On or about August 4, 2002, you committed domestic violence against Ms. Estey by pushing her, putting your hands around her throat, slapping her, and kicking a door in, which struck her hand.

On or about August 29, 2005, you threatened Ms. Estey with a deadly weapon and physically assaulted her. You have agreed that for regulatory purposes that you do not dispute Ms. Estey's reported version of events that occurred on or about August 29, 2005. She reported you grabbed and held her hair, held a gun to her head, waved the gun in her face and you threatened her life and your own by telling her she would not see your son again and that your son would grow up without parents.

Based on reasonably reliable information relating to the above facts, the Director finds that you have engaged in conduct which constitutes an offense and are not qualified to be a Key Person.

3) Key Person Held Responsible by Administrative Body based on Misleading or Dishonest Conduct<sup>3</sup>

On or about February 16, 2006, you were held responsible by Stipulation for Settlement and Order by the Nevada Gaming Commission, an administrative body, which was based in whole or in part on allegations of you being dishonest and misleading to the Nevada Gaming Control Board. Therefore, you are not qualified to be a Key Person.

4) Termination Upon 14 Days Notice

Pursuant to Section 15.1, either party has the right to terminate this Contract at any time by giving 14 days advance written notice to the other Party. Lottery chooses to exercise this right.

Your Contract with the Oregon State Lottery is terminated effective December 27, 2006.

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<sup>2</sup> See bases for Contract termination in note <sup>1</sup>

OAR 177-040-0010(3)(e) requires the Director to consider the criminal history or conduct of a key person and allows the Director to take action when the Director has reasonably reliable information that a key person engaged in conduct which constitutes an offense.

<sup>3</sup> See bases for Contract termination in <sup>1</sup>

OAR 177-040-0010(3)(d) requires the Director to consider conduct of a key person and allows the Director to take action when a key person has been held responsible, by judgment, settlement, consent decree or otherwise, in any court proceeding, or proceeding before an administrative body which was based in whole or in part on allegations of misleading or dishonest conduct including but not limited to, fraud, deceit, misrepresentation. . . , or the Director has reasonably reliable information that the applicant has engaged in such conduct.

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If you wish to request reconsideration as discussed above, send your written request to:

Oregon State Lottery  
ATTENTION: Marcia Hutchins  
Retail Contract Administration  
PO Box 12649  
Salem, OR 97309

To be considered, your request must be received by 5:00 p.m. on December 27, 2006. Requesting reconsideration will not jeopardize your right to petition the Court for Judicial Review. If Lottery denies your request, or orders contract termination on reconsideration, you will have a new 60-day period within which to petition the Court.

Sincerely,



Dale Penn  
Director

DP/mh:031241-1mh

- c: Sarah Castner, Assistant Attorney General, Department of Justice  
R. Craig Estey, via Regular US Mail  
Jeffrey P. Chicoine, Attorney at Law  
Frank Schreck, Attorney at Law  
Central Files (27)
- e: Field Managers  
Field Sales Representatives  
Kier Hartwig, Controller  
Area Coordinators  
Sgt. Vern Fowler, Oregon State Police, Lottery Security Section  
Sgt. Dave Scholten, Oregon State Police, Lottery Security Section

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Oregon Restaurant Services, Inc.

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DOTTY'S #1  
Retailer ID# 207911  
15581 SW 116<sup>th</sup>  
Suite W  
King City, OR

DOTTY'S #2  
Retailer ID# 186956  
1395 NE 181<sup>st</sup>  
Suite 43  
Gresham, OR

DOTTY'S #3  
Retailer ID# 186947  
2055 SE T-V Hwy.  
Hillsboro, OR

DOTTY'S #4  
Retailer ID# 185066  
16353 SE Division  
Suite 1  
Portland, OR

DOTTY'S #5  
Retailer ID# 185048  
8269 SW Wilsonville Rd  
Wilsonville, OR

DOTTY'S #6  
Retailer ID# 185057  
2654 SW Cedar Hills Blvd.  
Beaverton, OR

DOTTY'S #7  
Retailer ID# 185039  
11926 SE Division  
Portland, OR

DOTTY'S #8  
Retailer ID# 185020  
12266 SW Scholls Ferry Rd.  
Tigard, OR

DOTTY'S #9  
Retailer ID# 185255  
1325 NW 185<sup>th</sup> Ave.  
Aloha, OR

DOTTY'S #10  
Retailer ID# 185237  
10812-B SE Oak St.  
Milwaukie, OR

DOTTY'S #11  
Retailer ID# 185539  
13539 NW Cornell Rd.  
Portland, OR

DOTTY'S #12  
Retailer ID# 185246  
37061 Hwy. 26  
Sandy, OR

DOTTY'S #13  
Retailer ID# 190678  
1861 NE Division  
Gresham, OR

DOTTY'S #14  
Retailer ID# 190687  
8227 NE Sandy Blvd.  
Portland, OR

DOTTY'S #15  
Retailer ID# 193408  
11310 SE 82<sup>nd</sup> Ave.  
Suite 201  
Portland, OR

DOTTY'S #16  
Retailer ID# 202573  
20571 SW T-V Hwy.  
Aloha, OR

DOTTY'S #17  
Retailer ID# 202565  
14304 SW Allen Blvd.  
Beaverton, OR

DOTTY'S #18  
Retailer ID# 202557  
1595 NE Division  
Gresham, OR

DOTTY'S #19  
Retailer ID# 202549  
16200 SW Pacific Hwy.  
Suite 1  
Tigard, OR

DOTTY'S #20  
Retailer ID# 207896  
15037 SE McLoughlin Pl.  
Milwaukie, OR

DOTTY'S #21  
Retailer ID# 207903  
1550 Molalla Ave.  
Oregon City, OR

DOTTY'S #22  
Retailer ID# 207911  
8001 SE Powell Blvd.  
Suite G  
Portland, OR

DOTTY'S #23  
Retailer ID# 234378  
901 SW Highland Dr.  
Suite N  
Gresham, OR

DOTTY'S #24  
Retailer ID# 234055  
11955 N. Center Ave.  
Portland, OR

DOTTY'S #25  
Retailer ID# 237794  
2505 SW Cherry Park Rd.  
Troutdale, OR

DOTTY'S #26  
Retailer ID# 236051  
27054 SE Stark St.  
Troutdale, OR