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KING COUNTY
SUPERIOR COURT IN PERS
SEATTLE, WA.

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**STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT**

STATE OF WASHINGTON,

Plaintiff,

v.

SAM AARON ADAMS, and;
DANA LYNN SARGENT,

Defendants.

NO. 15-C-00888-5-SEA
NO. 15-C-00889-3-SEA

AFFIDAVIT FOR DETERMINATION
OF PROBABLE CAUSE

Lisa R. Gilman, being first duly sworn upon oath deposes and states:

I am an investigator with the Criminal Justice Division of the Attorney General's Office (AGO-CRJ) for the State of Washington. I am familiar with the investigation of West Seattle Athletic Club LLC, Lincoln Plaza Athletic Club LLC and West Seattle Club, LLC, Sam Aaron Adams, resident of Kirkland, Washington and Dana Lynn Sargent of Redmond, Washington the former owner/operators of West Seattle Athletic Club, LLC, West Seattle Club, LLC located in Seattle, Washington and Lincoln Plaza Athletic Club LLC, located in Tacoma, Washington. The investigation was conducted by the AGO-CRJ in Seattle, in conjunction with the State of Washington Department of Revenue (DOR) Office of Insurance Commission (OIC), the Employment Security Department (ESD) and Department of Labor and Industries (L&I).

The Honorable Dan Satterberg, King County Prosecuting Attorney and the Honorable Mark Lindquist, Pierce County Prosecuting Attorney granted the Washington State Office of

1 Attorney General concurrent authority to investigate this case and conduct any prosecution
2 arising from said investigation.

3 I have been employed as an investigator with the AGO-CRJ since September 1, 2013.
4 Before joining the AGO-CRJ, I was employed for twenty years with the Department of Social
5 and Health Services as an investigator for the Office of Fraud and Accountability, Adult
6 Protective Services and Child Protective Services. During my work as an investigator, I have
7 been responsible for investigating welfare fraud, vendor fraud, food stamp trafficking, child
8 abuse and the abuse/exploitation of vulnerable adults.

9 As an investigator with the AGO-CRJ, I have as one of my primary responsibilities the
10 investigation of tax fraud in which the State of Washington Department of Revenue and other
11 State agencies are the victims. I am familiar with the facts and circumstances contained in this
12 certification, either through personal investigation or through personal discussions with DOR,
13 Office of Insurance Commission (OIC), the Employment Security Department (ESD),
14 Department of Labor and Industries (L&I) personnel, who have obtained information in the
15 normal course of their duties.

16 All individuals and business entities wishing to conduct business in the State of
17 Washington must file a Master Business License and receive a Unified Business Identifier
18 prior to engaging in business. If the business (taxpayer) intends to engage in activity subject to
19 retail sales tax, the business must also obtain a Certificate of Registration from the DOR.
20 Businesses that are engaged in the sales of retail goods and personal property in the State of
21 Washington are required to collect Washington State sales and other applicable taxes from
22 their customers.

23 RCW 82.08.050 requires the seller to collect retail sales tax, which is "deemed to be
24 held in trust by the seller until paid to the Department (DOR)". Businesses are required to
25 report their gross receipts from the retail sales and remit the appropriate amount of sales tax by
26 the due date of the tax return for the reporting period.

1 Sam A. Adams, former professional football player for the Seattle Seahawks and his
2 business associate; Dana L. Sargent have operated and owned a total of six athletic clubs, four
3 in the state of Oregon and two in the state of Washington. The two in Washington State were
4 Lincoln Plaza Athletic Club, LLC and West Seattle Athletic Club, LLC. After West Seattle
5 Athletic Club, LLC closed on 12/31/13, West Seattle Club, LLC was opened under a different
6 unified business identifier (UBI #603 365 819) but at the same location, on 01/01/14. In
7 addition, to the athletic clubs Sam A. Adams has a holding company called Hollystone
8 Holdings, Inc., which opened on September 1, 2012 under UBI# 603 237 555 and remains
9 active. The employees that are management level are put under the Hollystone Holdings, Inc.
10 umbrella. The Employment Security Department (ESD) has been a lien placed on Hollystone
11 Holdings, Inc. in the amount of \$4,292.49 and after penalties and interest have accrued the lien
12 amount is up to **\$5,336.65**. This lien was placed due to Adams failing to pay into
13 unemployment insurance while withholding the employees' contributions from their
14 paychecks.

15 Sam Adams was assisted by his business associate Dana Sargent who acted as the chief
16 financial officer for the companies. Sargent wrote and cut the company payroll checks, made
17 the business bank deposits/payments/withdrawals and filed some of the combined excise tax
18 returns (CETRs) for the businesses. In a bankruptcy deposition taken on August 13, 2014
19 under cause number #14-15003-MLB Adams claims that his brother Jeremy Adams was a 50%
20 owner of the businesses since 2013. Witness interviews and other documentation do not
21 support this claim.

22 Adams and Sargent have not only made multiple attempts to evade tax liabilities
23 resulting in a tax bill, as of January 21, 2015, of over **\$446,571.38**, but have failed to pay
24 employees their deserved wages, failed to pay the medical premiums promised to employees as
25 part of their benefit packages, failed to remit the premiums withheld from employees'
26 paychecks for medical insurance and failed to pay into unemployment insurance for

1 employees, resulting in liens by the Employee Security Department on each company. During
2 the latter part of 2013 through January 2014, Adams's and Sargent's illegal actions have
3 caused employees, through no fault of their own, to have countless insufficient fund checks
4 that they were unable to cash which resulted in employees losing their housing, being unable to
5 pay household bills, being unable to buy Christmas gifts and accruing thousands of dollars in
6 unpaid medical bills for themselves and their families. Numerous wage complaints have been
7 filed against Lincoln Plaza Athletic Club, LLC, West Seattle Athletic Club, LLC, Adams and
8 Sargent. The Department of Labor has been involved in efforts to assist employees in getting
9 their unpaid medical, dental and vision bills paid due to Adams and Sargent either failing to
10 pay the premiums as promised in the employees' compensation packages and/or deducting
11 premiums from employees' pay checks and failing to remit them to the insurance company.

12 On April 5, 2012, Sam A. Adams filed a Certificate of Formation and an Initial Report
13 for Hollystone Holdings, LLC under the unified business identifier of 603 196 125, naming
14 himself the owner of the company. On January 7, 2013, Sam A. Adams filed an Amendment
15 of Formation changing the business name to Lincoln Plaza Athletic Club, LLC. **Hollystone**
16 **Holdings, LLC was later opened under UBI 603 237 555 and acts as the umbrella**
17 **company for Sam Adams and remains open as of January 21, 2015.** The Annual Report
18 submitted to the Secretary of State, on June 6, 2013, listed Sam A. Adams as the only member
19 of the company. Initially, Lincoln Plaza Athletic Club LLC did not file combined excise tax
20 returns (CETRs), but once the business was contacted by the DOR Compliance Division,
21 returns were filed by Sam A. Adams or Dana Sargent on a monthly basis from May 2013
22 through December 2013. While the business did file the returns there were no payments
23 remitted for the collected sales tax. This business was closed due to unpaid tax warrants on
24 December 30, 2013.

25 The table below outlines the CETRs filed by Lincoln Plaza Athletic Club, LLC, the
26 reported income and the amount remitted to pay the taxes owed for each month listed:

<u>Lincoln Plaza;</u> <u>CETRs</u>	<u>Reported</u> <u>Income</u>	<u>Tax Due on Reported</u> <u>Income</u>	<u>Remitted Sales Tax</u>
April 2013	\$120,426.92	\$12,041.15	0.00
May 2013	\$121,544.44	\$11,547.91	0.00
June 2013	\$131,418.61	\$12,484.91	0.00
July 2013	\$109,060.15	\$10,904.64	0.00
Aug. 2013	\$109,751.78	\$10,426.60	0.00
Sept. 2013	\$101,646.76	\$9,656.59	0.00
Oct. 2013	\$97,228.75	\$9,721.57	0.00
Nov. 2013	\$85,917.67	\$8,162.25	0.00
Dec. 2013	\$81,133.83	\$7,707.72	0.00
Total:	\$958,128.91	\$92,653.34	0.00

On August 2, 2012 Lincoln Plaza Athletic Club, LLC filed a CETR for the month of July 2012 and on August 21, 2012 a CETR was filed for the month of June 2012. Initially Adams claimed zero income for both months. After Adams and Sargent were informed of the pending criminal investigation amended returns were filed for both months, on March 27, 2014, reporting \$74,778.27 income for June of 2012 and \$156,242.02 income for July of 2012.

Lincoln Athletic Club, LLC, Adams and Sargent have made a total of \$100,435.45 in payments toward the tax debt owed. When businesses make payments to DOR they are applied to interest and penalties prior to the tax amount owed in accordance with RCW 82.32.080(5)(a).

As of January 21, 2015, the amount of back taxes, accrued interest and penalties for Lincoln Plaza Athletic Club, LLC is **\$75,029.41**.

In addition, there is a lien on Lincoln Athletic Club, LLC that was originally \$18,469.13 and now with penalties and interest the lien up to **\$20,670.79**. This lien was placed

1 by the Employee Security Department due to Adams not paying into unemployment insurance
2 for his employees while withholding the employees' contributions from their paychecks.

3 On December 14, 2012, Dana Sargent submitted a Certificate of Formation for West
4 Seattle Athletic Club, LLC under the unified business identifier of 603 260 421. On this
5 paperwork it named Sam A. Adams as the Executor. Tax returns were filed monthly for West
6 Seattle Athletic Club LLC from April 2013 through December of 2013. Initially, West Seattle
7 Athletic Club, LLC did not file tax returns, however once the business was contacted by the
8 Department of Revenue Compliance Division the combined excise tax returns (CETRs) were
9 filed either by Adams or Sargent but the collected sales tax was not remitted. This business
10 was closed due to unpaid tax warrants on December 31, 2013.

11 The table below outlines the CETRs filed by West Seattle Athletic Club, LLC, the
12 reported income and the amounts remitted to pay the taxes owed for each month listed:

13

<u>West Seattle Athletic Club, LLC CETRs</u>	<u>Reported Income</u>	<u>Tax Due on Reported Income</u>	<u>Remitted Sales Tax</u>
14 April 2013	\$174,564.22	\$16,583.60	0.00
15 May 2013	\$239,689.13	\$22,770.46	0.00
16 June 2013	\$261,671.89	\$24,858.83	0.00
17 July 2013	\$220,448.26	\$20,942.62	0.00
18 Aug. 2013	\$221,206.15	\$21,014.61	0.00
19 Sept. 2013	\$228,676.34	\$21,724.06	0.00
20 Oct. 2013	\$216,815.37	\$21,678.39	0.00
21 Nov. 2013	\$213,022.22	\$20,237.11	0.00
22 Dec. 2013	\$209,904.81	\$19,940.95	0.00
23 Total:	\$1,985,998.39	\$189,750.63	0.00

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1 West Seattle Athletic Club, LLC originally claimed zero income on the CETR that was
2 submitted by Adams on June 25, 2013, for the month of April 2013. On March 27, 2014, an
3 amended return was filed by Adams, after the DOR inquired about the amount of bank deposits
4 showing in the business bank account. On the amended return Sam Adams reported
5 \$174,564.22 income for April 2013.

6 West Seattle Athletic Club, LLC, Adams and Sargent have made \$34,364.11 in
7 payments towards their back taxes owed. As of January 21, 2015 the amount of back taxes,
8 interest and accrued penalties owed for West Seattle Athletic Club, LLC is **\$208,827.37**.

9 In addition, there is a lien on West Seattle Athletic Club, LLC that was originally
10 \$8,372.86 and now with penalties and interest the lien up to **\$9,814.44**. This lien was placed
11 by the Employee Security Department due to Adams not paying into unemployment insurance
12 for his employees while withholding the employees' contributions from their paychecks.

13 On January 1, 2014, a day after West Seattle Athletic Club, LLC was closed a "new"
14 business was opened under a new UBI number and under the name: "West Seattle Club, LLC".
15 The location of this business remained the same. The Certificate of Formation was filed on
16 January 13, 2014, by Dana L. Sargent. On the Formation document Sargent is listed as both
17 the registered agent and executor, in the subsequent Initial Report filed February 25, 2014,
18 Sargent is listed as the agent and Sam Adams as a member. On March 25, 2014, West Seattle
19 Club, LLC, filed a CETR claiming zero income for the month of January 2014. After learning
20 that there would be a criminal investigation, an amended return was filed on March 27, 2014,
21 by Sargent, reporting \$205,897.77 in generated income.

22 **This was the same date that amended returns were filed for Lincoln Plaza Athletic club,**
23 **LLC. for the months of June and July 2012 and West Seattle Athletic Club, LLC for the**
24 **month of April 2013.**

25 West Seattle Club, LLC filed CETRs for January, February and March of 2014 and the
26 sales tax was remitted. For the months of April, May, June, July, August and September of

2014, CETRs were filed reporting that the business was generating income but the taxes were not remitted, leading to \$162,714.60 in taxes, interest and penalties being owed, as of January 21, 2015. West Seattle Club, LLC closed its doors on October 24, 2014, after the landlord of the facility formally evicted Adams from the building. Prior to Adams's departure from the facility Adams caused \$23,128.59 in damage to the swimming pool by clogging the drains and destroying the pool's filter system. During the transition of the club, on October 24, 2014, the new facility manager, Dan Lehr, who was hired by the building owner to oversee the transition, was threatened by Adams. Adams threatened Lehr by saying, "I'll cap your ass if you don't get the fuck out of here". The police were called by Lehr and remained until the transition was complete.

The table below outlines the CETRs filed for West Seattle Club, LLC, the income reported and the amount of sales tax remitted for the month in question:

<u>West Seattle Club, LLC CETRs</u>	<u>Reported Income</u>	<u>Tax Due on Reported Income</u>	<u>Remitted Sales Tax</u>
Jan. 2014	\$205,897.77	\$18,220.81	\$18,220.81
Feb. 2014	\$201,828.50	\$19,173.71	\$19,173.71
Mar. 2014	\$220,033.59	\$19,179.00	\$19,179.00
April 2014	\$169,856.72	\$16,136.39	\$0.00
May 2014	\$183,326.81	\$17,416.04	\$0.00
June 2014	\$189,214.92	\$17,975.32	\$0.00
July 2014	\$177,508.72	\$16,863.33	\$0.00
Aug. 2014	\$194,774.61	\$16,946.73	\$0.00
Sept. 2014	\$174,742.49	\$15,456.39	\$0.00
Total:	\$1,717,184.13	\$157,367.72	\$56,573.52

1 Numerous wage complaints have been filed by former employees of Lincoln Plaza
2 Athletic Club, LLC and West Seattle Athletic Club, LLC and additional wage discrepancies
3 have been discovered through the course of this investigation.

4 The table below summarizes the wage complaints/discrepancies and the amounts owed
5 to former employees due to Adams's clubs having insufficient funds in the business bank
6 accounts when employees tried to cash their checks and not having the checks reissued or
7 employees not being paid their final and/or rightful wages:

<u>Paycheck date range</u>	<u>Employee</u>	<u>Amount owed</u>	<u>Status of Claim</u>
12/05/13-12/31/13	Anani Agbemehin	\$715.82	unpaid
11/11/13	Lesa Bryant	\$369.81	unpaid
09/30/13-10/30/13	Kelly Buchanan	\$350.00	unpaid
01/15/14	Nick Dalbey	\$1,708.00	unpaid
10/28/13-12/27/13	Mariah Hoops	\$267.86	unpaid
09/18/13-10/14/13	Mark Hummel	\$255.16	unpaid
10/20/13-11/04/13	Thu H. Nguyen	\$130.05	unpaid
09/18/13-10/31/13	Danielle Plumb	\$275.00	unpaid
10/15/13-11/02/13	Stephanie Ponder	\$879.94	unpaid
12/16/13-12/31/13	Daryl Wallace	\$1,690.48	unpaid
08/20/13-11/28/13	Cheryl Williams	\$524.42	unpaid
Total:	11	\$7,166.54	unpaid

22 Anani Agbemehin worked for Lincoln Plaza Athletic Club, LLC in the capacity of a
23 housekeeper. When Lincoln Plaza Athletic Club, LLC closed at the end of the year in
24 December 2013, Mr. Agbemehin was not paid his final paycheck, for the time frame of
25 December 5, 2013 through December 31, 2013. Mr. Agbemehin contacted Sam Adams and
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1 was told that if he continued to bother Sam Adams then Mr. Agbemehin would not be paid his
2 final paycheck. Mr. Agbemehin filed a wage complaint through the Department of Labor and
3 Industries (L&I) for his unpaid wages. Mr. Agbemehin has not been paid the \$715.82 that he
4 is owed. L&I issued a citation on this matter that has since been sent to collections for non-
5 payment.

6 Lesa Bryant worked for Lincoln Plaza in the capacity of an exercise instructor. On
7 November 11, 2013, Ms. Bryant was issued a pay check in the amount of \$369.81. Ms. Bryant
8 was unable to cash this check due to their being insufficient funds in the payroll bank account.
9 Ms. Bryant incurred bank fees for the NSF check. In addition, Ms. Bryant agreed to work a
10 women's health fair on her weekend off, October 25th and October 26th of 2013. Ms. Bryant
11 was told that she would be paid her hourly wage of \$30.00 per hour; this was documented in a
12 text message from her manager, Goreal Hudson at Lincoln Plaza, on Thursday, October 24,
13 2013. After the women's health fair was over Sam Adams told Ms. Bryant that she would not
14 be paid the agreed upon \$30.00 per hour but that he would pay her \$10.00 per hour for the ten
15 hours she worked at the women's health fair.

16 Kelly Buchanan was hired by Sam Adams at Lincoln Athletic Club, LLC in the
17 capacity of an exercise instructor. Ms. Buchanan worked for one month from September 30,
18 2013 through October 30, 2013. Ms. Buchanan is a single mother raising three teenagers and
19 has multiple jobs. During her month of employment she taught the early morning classes that
20 began at 4:30AM or 5:30AM. She was told she would be paid \$25.00 per hour but was paid
21 nothing. Ms. Buchanan made numerous attempts at obtaining her paycheck and was given
22 multiple excuses. First she was told that they she had not been entered into the payroll system
23 but would be paid the next pay period, then she was told by the general manager, Goreal
24 Hudson, that he had forgotten to submit her hours. Ms. Buchanan submitted a wage complaint
25 to L&I when she had still not received her wages on December 4, 2013. As a result of the
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1 wage complaint L&I issued a citation on this matter that has since been sent to collections for
2 non-payment.

3 Nick Dalbey worked in the capacity of vice president of fitness at the West Seattle
4 Athletic Club, LLC and other club locations for approximately two years. On December 30,
5 2013, Mr. Dalbey was told that his wage was going to be cut because the business had been
6 reduced to one club he provided his notice to vacate his position. When Mr. Dalbey received
7 his final pay check on January 15, 2014, covering the final pay period in December 2013, he
8 discovered that Sam Adams had retroactively cut his hourly wage resulting in Mr. Dalbey
9 receiving a \$1,500.00 pay check instead of the \$3,208.00 he was entitled.

10 Mariah Hoops was seventeen when she began working for Lincoln Plaza Athletic Club,
11 LLC, in the position of lifeguard. Ms. Hoops was a student attending high school and was very
12 excited to have her first chance to earn money. Ms. Hoops received two checks, in the amount
13 of \$118.12 and \$149.79 for the time frame of October 27, 2013 through December 27, 2013.
14 Both checks bounced. Ms. Hoops explained that it was common practice to get a text from her
15 immediate supervisor, Stephanie Middleton, with instructions to go immediately and cash her
16 check while there was money in the payroll account to cover it. Even with this tip, Ms. Hoops
17 was unable to cash her checks. Ms. Hoops filed a wage complaint, which resulted in L&I
18 issuing a citation to Adams that has since gone to collections due to non-payment. Ms. Hoops
19 is owed \$267.86.

20 Mark Hummel worked for Lincoln Plaza Athletic Club, LLC in the capacity of an
21 exercise instructor. Mr. Hummel had worked as an exercise instructor since 2008 and had
22 gone through three ownership changes. Beginning in October 2013, Mr. Hummel began
23 receiving not sufficient fund (NSF) checks. Mr. Hummel received a total of three NSF checks.
24 Two of the checks were replaced but the first one he received in the amount of \$255.18 dated
25 October 14, 2013 was not. Mr. Hummel was initially told that there was an issue with the
26 payroll company and then was told to "hold" his paychecks until advised otherwise.

1 Mr. Hummel made several attempts to contact both the club manager and the payroll manager
2 to request that the check be reissued but received no response. Mr. Hummel filed a wage
3 complaint, on November 27, 2013, which resulted in L&I issuing a citation that has since been
4 sent to collections for non-payment.

5 Thu Nguyen worked in the child care department at West Seattle Athletic Club, LLC
6 for approximately five months. Ms. Nguyen had multiple checks bounce and accrued fees
7 from her bank due to depositing the checks and there being NSF. Ms. Nguyen's last check,
8 dated November 14, 2013, bounced three times when she tried to deposit it with no success.
9 Ms. Nguyen made attempts to contact both Sam Adams and her operations manager but
10 received no response. Ms. Nguyen submitted a wage complaint to L&I on December 4, 2013,
11 as a result of this complaint a citation was issued by L&I, in the amount of \$130.05, which has
12 been sent to collections due to non-payment.

13 Danielle Plumb had volunteered as an instructor in the past and was hired by Adams to
14 teach exercise classes at Lincoln Plaza Athletic Club in Tacoma. Ms. Plumb was excited to
15 receive a wage that would allow her to purchase updated equipment. Ms. Plumb worked for
16 Adams from September of 2013 until October 31, 2013. Ms. Plumb was told she would
17 receive \$25.00 per hour and taught a total of eleven classes. Ms. Plumb was never paid for the
18 classes she taught, despite being promised that she would be. Ms. Plumb is still owed \$275.00.

19 Stephanie Ponder is a 33 year old mother of six children between the ages of two to
20 seventeen. Ms. Ponder was employed as a housekeeper for the Lincoln Plaza Athletic Club,
21 LLC, from June of 2013 until November of 2013. Ms. Ponder had numerous checks bounce
22 due to insufficient funds during her course of employment. Ms. Ponder was not reimbursed for
23 the bounced checks. Her pleas to Sam Adams and management went ignored including her
24 inability to buy Christmas gifts for her six children due to the bounced checks. Ms. Ponder did
25 not believe the failure to pay her wages was a result of the club having a lack of income
26 because she would hear stories from friends of Sam Adams about how he and his entourage

1 would go on expensive vacations, dine out at extravagant restaurants and in general live a
2 lavish lifestyle while his employees went without their earned wages during the holiday
3 season. Ms. Ponder is owed \$879.94. Ms. Ponder has not been reimbursed. Ms. Ponder filed
4 a wage complaint with L&I on December 31, 2013. The complaint resulted in a citation being
5 issued by L&I to Sam Adams which remains unpaid and has since been sent to collections.

6 Daryl Wallace was employed by Sam Adams from September 16, 2013 through
7 January 3, 2014, in the capacity of a maintenance technician. Mr. Wallace began receiving
8 NSF checks and then during his last pay period, after he had given his notice to vacate his
9 position. Mr. Wallace was not paid at all resulting in \$1,690.48 in owed wages. Mr. Wallace
10 tried to resolve this issue by going through his general manager; Goreal Hudson and was told
11 that Adams was working on it. After receiving no resolution, Mr. Wallace filed a complaint
12 with L&I that resulted in L&I issuing a citation to Sam Adams which remains unpaid and has
13 since been sent to collections.

14 Cheryl Williams, an attorney, taught yoga as her past time and passion. She has since
15 retired from practicing law but remains actively involved in her community, teaching yoga
16 classes. Ms. Williams had been teaching yoga at the Lincoln Plaza Athletic Club, location
17 since 2007. Since 2007 the club had gone through several transfers of ownership.
18 Ms. Williams was committed to the health and well-being of her members and remained an
19 instructor despite the many changes. During the months of September 2013 through
20 November 2013, Ms. Williams had six checks issued that either bounced or she was told not to
21 cash because they would not clear due to NSF. The total amount owed to her is \$524.42.
22 Ms. Williams accrued an additional \$30.00 in bank fees. At the end of November 2013,
23 Ms. Williams discontinued her employment at Lincoln Plaza Athletic Club, LLC.
24 Ms. Williams continued for a time to make attempts to resolve the outstanding wages she was
25 owed, but received no response from club owners or managers. Ms. Williams filed a wage
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1 complaint with L&I on November 20, 2013. L&I issued a citation to Sam Adams, in the
2 amount of \$524.42, which has since gone to collections due to non-payment.

3 The management employees of Sam Adams's athletic clubs are/were entitled to
4 medical, dental and vision benefits as part of their compensation package with their premiums
5 covered at 100%. If the employees wished to cover their spouse or dependents they had
6 money deducted from their paychecks in order to cover their family members' premiums.
7 There are four former employees that were entitled to medical, dental and vision benefits as
8 part of their compensation package but ended up with unpaid bills because Adams and Sargent
9 failed to pay the healthcare premiums to "Aetna Healthcare".

10 Jessica Randall was employed by West Seattle Athletic Club, LLC, in the capacity of a
11 "Member Service Specialist", when she received word that she had thyroid cancer and would
12 require surgery. Ms. Randall believed that she had medical benefits based on what she was
13 told by her employer; Sam Adams. Ms. Randall went forward with the surgery. Following the
14 surgery she was inundated with unpaid medical bills and learned that her insurance premiums
15 had not been paid resulting in approximately \$50,000.00 in uncovered medical bills.
16 Ms. Randal is considering filing for bankruptcy, at the age of 28, due to the unsurmountable
17 medical bills. When Ms. Randall was interviewed she explained that she really wanted to
18 forget all about this time in her life. Ms. Randall asked if she was called as a witness would
19 she have to see Adams in person, when told this was a possibility she became tearful and
20 expressed that Adams can be intimidating.

21 Greg Sparks was employed in the capacity of a manager for multiple club locations
22 both in Washington and Oregon. Mr. Sparks was excited that this job offered medical benefits
23 for his family as he has three family members that suffer from asthma and allergies.
24 Mr. Sparks had approximately \$470.00 each pay period or \$940 per month deducted from his
25 paycheck to pay for his medical premiums so that his family could get the medical care they
26 required. Mr. Sparks later learned that while the benefits were being deducted from his

1 paycheck the money was not being remitted to the insurance company. Mr. Sparks had
2 approximately \$2000.00 in medical bills that were unpaid.

3 Don Pak was the president of Hollystone Holdings for approximately two years and his
4 medical, dental and vision benefits were covered as part of his compensation package at 100%.
5 Mr. Pak had a significant other, who he chose to cover along with her daughter and therefore
6 had insurance premiums taken out of his pay check, in the amount of approximately \$372.60
7 per month, in order to provide coverage for them. Mr. Pak had approximately \$2,000.00 in
8 unpaid medical bills because Mr. Pak believed that he and his family were covered based on
9 the company policy and the premiums that were being deducted from his paychecks. The
10 insurance premiums were not paid, as promised in Mr. Pak's compensation package resulting
11 in uncovered medical bills for himself and his family. When Mr. Pak requested compensation
12 for the medical bills he was threatened by Sam Adams. Adams would make physically
13 threatening gestures to Mr. Pak and would text him messages such as: "I have a gun too you
14 know". Mr. Pak left the company due to the ongoing conflict he had with Adams.

15 Lisa Trieu-Bliss was a loyal employee for Adams and his athletic clubs, first Lincoln
16 Plaza Athletic Club, LLC and subsequently, West Seattle Athletic Club, LLC and West Seattle
17 Club, LLC, from November 5, 2012 until the club closed on October 24, 2014. Ms. Trieu-
18 Bliss was employed as the accounts receivable manager. During Ms. Trieu-Bliss's
19 employment there were two occasions where she had checks returned due there being
20 insufficient funds in the business bank account to cover payroll. Ms. Trieu-Bliss was
21 promised, by Adams, as part of her hiring agreement, full health coverage, including
22 premiums, for herself and her two daughters. Ms. Trieu-Bliss and her daughters had routine
23 and necessary medical appointments during her employment with Adams. Ms. Trieu-Bliss has
24 one daughter, who is diagnosed with Downs Syndrome who requires additional medical care
25 due to her disability. Ms. Trieu-Bliss accrued \$3,566.50 in unpaid medical bills due to her
26 medical premiums not being paid. Sam Adams did not reimburse Ms. Trieu-Bliss for these

1 unpaid medical bills despite agreeing to do so. In addition, Ms. Trieu-Bliss was paying, in
2 recent months \$80.00 per month for an upgraded medical plan. For the last two months that
3 Ms. Trieu-Bliss paid these premiums they were not remitted to her insurance company and her
4 medical coverage was terminated a month before the club closed, without her knowledge.
5 Since the closure of West Seattle Club, LLC, Ms. Trieu-Bliss has filed for unemployment
6 benefits. Ms. Trieu-Bliss's unemployment claim is pending investigation because while
7 deductions were made from her paycheck for unemployment insurance they were not remitted
8 to the Employment Security Department. Ms. Trieu-Bliss was told, by Adams, to file for
9 unemployment benefits one week before the club closed, yet she has been unable to receive
10 unemployment benefits is due to Adams's failure to pay the unemployment insurance.
11 Ms. Trieu-Bliss was also owed for one week of work for the time frame of October 17, 2014
12 through October 24, 2014. After contacting Adams on several occasions Adams agreed to
13 meet Ms. Trieu-Bliss and provided her a check written from the business bank account. The
14 check was dated December 4, 2014 and was for the amount of \$800.00 even, the approximate
15 amount of one week of work. Ms. Trieu-Bliss was unable to cash the check as the business
16 bank account was closed a week prior on, November 26, 2014. Adams had Sargent deposit a
17 check written from Adams's personal account into Ms. Trieu-Bliss's account, approximately
18 one week later.

19 Aetna Insurance Company was selected by Adams to provide coverage for his
20 employees in October 2013. Aetna Insurance Company and Adams had an agreement
21 regarding the monthly amount that Adams would pay for premiums. Adams failed to pay any
22 premiums to Aetna. Aetna wrote several letters to Adams outlining the amount owed and
23 requesting Adams to remit payment or the insurance coverage would be terminated. Adams
24 ignored these requests. Aetna notified Hollystone Holdings and Adams in writing on
25 December 18, 2013 that the group coverage would be cancelled effective December 1, 2013 if
26 payment was not received. Aetna continued to make multiple attempts to notify Adams and

1 Sargent in writing, by email and by phone, even attempting to devise a payment schedule to no
2 avail. Despite canceling the group coverage, Aetna covered the unpaid medical, dental and
3 pharmacy bills incurred by Adams's employees through May 27, 2014. Aetna paid a total of
4 **\$57,757.47** in medical bills, **\$7,714.30** in dental bills and **\$1,859.74** in pharmacy/prescription
5 costs, suffered a loss of **\$41,640.24** in unpaid medical and dental premiums.

6 In addition to the wage and insurance issues there was another situation concerning
7 former employee, Ramon Velasquez. Mr. Velasquez was employed by Sam Adams, from
8 March 25, 2013 through November 11, 2013, and had a child support obligation during his
9 employment. Mr. Velasquez had his child support deducted from his pay check and remitted
10 to the Division of Child Support (DCS) by his employer Sam Adams. Mr. Velasquez's last
11 paycheck, for November of 2013, had child support in the amount of **\$414.32** deducted.
12 However this amount was never remitted to DCS, which caused his account to become
13 delinquent. Mr. Velasquez's explained that his last pay check bounced three times and finally
14 Sargent hand wrote him a check which he was able to cash. On this final check there was no
15 pay stub attached and the child support payment was never remitted to DCS.

16 Sam Adams and Sargent were signers on the business bank accounts. Paychecks were
17 signed by either Sam Adams or Sargent. The pay stubs often showed inaccurate deductions
18 and/or utilized previous deduction amounts from old pay stubs instead of the correct deduction
19 amounts for the pay period and at times there was no pay stub accompanying the paycheck at
20 all.

21 Since the initial tax warrants were issued to Lincoln Plaza Athletic Club, LLC and
22 West Seattle Athletic Club, LLC in August of 2013, the DOR agent has attempted to inform
23 Adams and Sargent through written communication whenever a tax liability has come due.
24 This has been done in an effort to provide an opportunity for Adams and Sargent to pay the tax
25 amount due and avoid any additional tax warrants. Adams and Sargent have made promises on
26 multiple occasions, by phone and through emails, to pay the tax obligations but have failed to

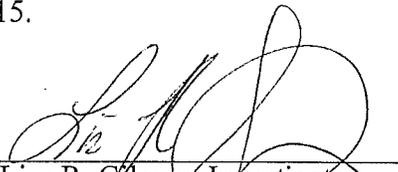
1 follow through. Sam Adams has emailed or phoned with excuses citing being out of town,
2 business and family emergencies as some of the reasons why payment was not remitted.

3 Sam A. Adams and Dana L. Sargent were residents of King County, Washington,
4 during the DOR audit period.

5 Based upon my information and belief, Lincoln Plaza Athletic Club, LLC had its
6 physical location in Tacoma, Washington and the corporate office located in Seattle,
7 Washington. West Seattle Athletic Club, LLC and subsequently West Seattle Club, LLC have
8 had their physical location in West Seattle and their corporate office in the same location, in
9 the county of King, and all of the above acts and/or omissions occurred in Pierce and King
10 County, State of Washington.

11 I certified under penalty of perjury under the laws of the State of Washington that the
12 foregoing is true and correct.

13 DATED 4th day of February, 2015.

14
15 
16 Lisa R. Gilman, Investigator
Criminal Justice Division