

RECEIVED/FILED

NOV 29 2012

NEVADA GAMING COMMISSION  
CARSON CITY, NEVADA

1 NGC 12-02

2

3

4

STATE OF NEVADA

5

BEFORE THE NEVADA GAMING COMMISSION

6

STATE GAMING CONTROL BOARD,

7

Complainant,

8

vs.

COMPLAINT

9

LEROY'S HORSE AND SPORTS PLACE  
(a corporation),

10

Respondent.

11

12

The State of Nevada, on relation of its State Gaming Control Board (BOARD),  
Complainant herein, by and through its counsel, CATHERINE CORTEZ MASTO, Attorney  
General, and MICHAEL P. SOMPS, Senior Deputy Attorney General, hereby files this  
Complaint for disciplinary action against Respondent pursuant to Nevada Revised Statute  
(NRS) 463.310(2) and alleges as follows:

17

1. Complainant, BOARD, is an administrative agency of the State of Nevada duly  
organized and existing under and by virtue of chapter 463 of NRS and is charged with the  
administration and enforcement of the gaming laws of this state as set forth in Title 41 of NRS  
and the Regulations of the Nevada Gaming Commission.

21

2. Respondent, LEROY'S HORSE AND SPORTS PLACE (LEROY'S) is a corporation  
licensed as a race book and sports pool and is licensed to conduct sports and/or race  
wagering at numerous locations.

24

RELEVANT LAW

25

3. The Nevada Legislature has declared under NRS 463.0129(1) that:

26

(a) The gaming industry is vitally important to the economy  
of the State and the general welfare of the inhabitants.

27

(b) The continued growth and success of gaming is  
dependent upon public confidence and trust that licensed gaming  
and the manufacture, sale and distribution of gaming devices and

28

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

associated equipment are conducted honestly and competitively, that establishments which hold restricted and nonrestricted licenses where gaming is conducted and where gambling devices are operated do not unduly impact the quality of life enjoyed by residents of the surrounding neighborhoods, that the rights of the creditors of licensees are protected and that gaming is free from criminal and corruptive elements.

(c) Public confidence and trust can only be maintained by strict regulation of all persons, locations, practices, associations and activities related to the operation of licensed gaming establishments, the manufacture, sale or distribution of gaming devices and associated equipment and the operation of inter-casino linked systems.

NRS 463.0129(1)(a), (b) and (c).

4. The Nevada Gaming Commission has full and absolute power and authority to limit, condition, restrict, revoke or suspend any license, or fine any person licensed, for any cause deemed reasonable. See NRS 463.1405(4).

5. The BOARD is authorized to observe the conduct of licensees in order to ensure that the gaming operations are not being conducted in an unsuitable manner. See NRS 463.1405(1).

6. This continuing obligation is repeated in Nevada Gaming Commission Regulation 5.040, which provides as follows:

A gaming license is a revocable privilege, and no holder thereof shall be deemed to have acquired any vested rights therein or thereunder. The burden of proving his qualifications to hold any license rests at all times on the licensee. The board is charged by law with the duty of observing the conduct of all licensees to the end that licenses shall not be held by unqualified or disqualified persons or unsuitable persons or persons whose operations are conducted in an unsuitable manner.

Nev. Gaming Comm'n Reg. 5.040.

7. Nevada Gaming Commission Regulation 5.010(2) further provides that "[r]esponsibility for the employment and maintenance of suitable methods of operation rests with the licensee, and willful or persistent use or toleration of methods of operation deemed unsuitable will constitute grounds for license revocation or other disciplinary action."

.....  
.....

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

8. NRS 463.160(1)(a) provides the following:

1. Except as otherwise provided in subsection 4 and NRS 463.172, it is unlawful for any person, either as owner, lessee or employee, whether for hire or not, either solely or in conjunction with others:

(a) To deal, operate, carry on, conduct, maintain or expose for play in the State of Nevada any gambling game, gaming device, inter-casino linked system, mobile gaming system, slot machine, race book or sports pool;

....

without having first procured, and thereafter maintaining in effect, all federal, state, county and municipal gaming licenses as required by statute, regulation or ordinance or by the governing board of any unincorporated town.

NRS 463.160(1)(a).

9. Nevada Gaming Commission Regulation 5.011 states, in relevant part, as follows:

The board and the commission deem any activity on the part of any licensee, his agents or employees, that is inimical to the public health, safety, morals, good order and general welfare of the people of the State of Nevada, or that would reflect or tend to reflect discredit upon the State of Nevada or the gaming industry, to be an unsuitable method of operation and shall be grounds for disciplinary action by the board and the commission in accordance with the Nevada Gaming Control Act and the regulations of the board and the commission. Without limiting the generality of the foregoing, the following acts or omissions may be determined to be unsuitable methods of operation:

1. Failure to exercise discretion and sound judgment to prevent incidents which might reflect on the repute of the State of Nevada and act as a detriment to the development of the industry.

....

8. Failure to comply with or make provision for compliance with all federal, state and local laws and regulations pertaining to the operations of a licensed establishment including, without limiting the generality of the foregoing, payment of all license fees, withholding any payroll taxes, liquor and entertainment taxes and antitrust and monopoly statutes.

....

Nev. Gaming Comm'n Regs. 5.011(1) and (8).

1           10. Nevada Gaming Commission Regulation 14.260(1) provides in relevant part that “a  
2 manufacturer or distributor of associated equipment shall not distribute associated equipment  
3 unless it has been approved by the chairman.”

4           11. Nevada Gaming Commission Regulation 14.290 provides in relevant part that “[a]  
5 licensee shall not install or use associated equipment without prior written approval of the  
6 chairman or his designee. . . .”

7           12. Nevada Gaming Commission Regulation 14.300 provides that “[t]he manner in  
8 which previously approved associated equipment operates may be altered only with the prior  
9 written approval of the chairman or his designee.”

10           13. Nevada Gaming Commission Regulation 22.020(1) provides that “[n]o person  
11 may operate or own any interest in a race book or sports pool in Nevada unless that person  
12 holds a nonrestricted gaming license specifically permitting the person to do so.”

13           14. Nevada Gaming Commission Regulation 5.030 provides as follows:

14                           *Violation of any provision of the Nevada Gaming Control Act*  
15                           *or of these regulations by a licensee, his agent or employee shall*  
16                           *be deemed contrary to the public health, safety, morals, good*  
17                           *order and general welfare of the inhabitants of the State of Nevada*  
18                           *and grounds for suspension or revocation of a license.*  
19                           *Acceptance of a state gaming license or renewal thereof by a*  
20                           *licensee constitutes an agreement on the part of the licensee to be*  
21                           *bound by all of the regulations of the commission as the same now*  
22                           *are or may hereafter be amended or promulgated. It is the*  
23                           *responsibility of the licensee to keep himself informed of the*  
24                           *content of all such regulations, and ignorance thereof will not*  
25                           *excuse violations.*

26 Nev. Gaming Comm’n Reg. 5.030 (emphasis added).

27           15. NRS 463.310(4)(d)(2) states in relevant part that the Commission may:

28                           (d) Fine each person or entity or both, who was licensed,  
registered or found suitable pursuant to this chapter or chapter 464  
of NRS or who previously obtained approval for any act or  
transaction for which Commission approval was required or  
permitted under the provisions of this chapter or chapter 464 of  
NRS:

.....

(2) Except as otherwise provided in subparagraph  
(1), not more than \$100,000 for each separate violation of the

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

provisions of this chapter or chapter 464 or 465 of NRS or of the regulations of the Commission which is the subject of an initial complaint and not more than \$250,000 for each separate violation of the provisions of this chapter or chapter 464 or 465 of NRS or of the regulations of the Commission which is the subject of any subsequent complaint.

....

NRS 463.310(4)(d)(2).

**BACKGROUND**

**- PART A -**

16. LEROY'S operates race book and sports pool account wagering kiosks (kiosks) at various Golden Tavern Group, LLC subsidiaries commonly known by the name of "PT's".

17. The kiosks operated by LEROY'S make use of a computerized system for betting at a race book or sports pool and, as such, constitute associated equipment.

18. The kiosks operated by LEROY'S are manufactured and distributed by Computerized Bookmaking Systems, Inc. (CBS), which is a manufacturer and distributor of associated equipment and is an affiliate of LEROY'S.

19. On or about March 18, 2012, during the NCAA men's basketball tournament, LEROY'S personnel noticed shortages in the "cash on hand" journals for the kiosk operated by LEROY'S at Golden-Pt's Pub East Sahara 3, LLC, dba PT's Place.

20. LEROY'S, in collaboration with CBS, engaged in a review and analysis of the kiosks operated by LEROY'S at PT Pub locations to determine the source of the shortages.

21. On or about March 21, 2012, LEROY'S, in collaboration with CBS, discovered a software deficiency in the kiosks, ultimately amounting to more than thirty kiosks operated at locations throughout the Las Vegas area, that enabled a patron to repeatedly press the "deposit" button on the kiosks immediately after inserting cash into the kiosk which caused the wagering account to be credited for twice the amount of cash inserted.

22. On or about March 21, 2012, LEROY'S, in collaboration with CBS, made a modification to the computer software contained in the kiosks to correct the software deficiency.

....

1           23. On or about March 22, 2012, the BOARD's enforcement division was contacted by  
2 LEROY'S and was informed of fraudulent activity arising from the above-described software  
3 deficiency in the computer programming of the kiosks. LEROY'S further informed the  
4 BOARD's enforcement division that after the discovery of the software deficiency, kiosks were  
5 upgraded to prevent the problem from recurring.

6           24. The BOARD ultimately determined that six PT Pub location kiosks were upgraded  
7 prior to notifying the BOARD's enforcement division on March 22, 2012. All remaining PT Pub  
8 location kiosks were upgraded on March 26, 2012. Non-PT Pub location kiosks were  
9 upgraded subsequent to receiving the BOARD technology division's verbal approval for the  
10 upgrade on March 29, 2012.

11           25. At no time prior to LEROY'S correcting the software deficiency in six PT Pub  
12 location kiosks was the BOARD notified of the software deficiency and at no time prior to  
13 LEROY'S correcting the software deficiency at all PT Pub location kiosks was any BOARD  
14 approval obtained to make the modification.

15                                   - PART B -

16           26. LEROY'S, dbat the Colorado Belle Hotel & Casino, is licensed to accept sports  
17 wagers at that location, but is not licensed to accept race wagers.

18           27. LEROY'S, dbat Hooters Casino Hotel, is licensed to accept sports wagers at that  
19 location, but is not licensed to accept race wagers.

20           28. LEROY'S, dbat The Poker Palace, is licensed to accept sports wagers at that  
21 location, but is not licensed to accept race wagers.

22           29. LEROY'S, dbat Stockmen's Casino, is licensed to accept sports wagers at that  
23 location, but is not licensed to accept race wagers.

24           30. On or about May 9, 2012, LEROY'S reported to the BOARD that, on May 5, 2012,  
25 LEROY'S accepted wagers on the Kentucky Derby horse race at (1) Colorado Belle Hotel &  
26 Casino ; (2) Hooters Casino Hotel; (3) The Poker Palace; and (4) Stockmen's Casino,  
27 although such LEROY'S locations were not licensed to accept horse race wagers.

28 . . . . .

1 31. The BOARD issued an Order to Show Cause to LEROYS in 2004 citing a violation  
2 by LEROY'S of Nev. Gaming Comm'n Reg. 22.020(1) based on LEROY'S accepting five  
3 separate race wagers on the 2003 Kentucky Derby horse race at a location not licensed to  
4 accept race wagers.

5 **COUNT ONE**  
6 **VIOLATION BY LEROY'S OF NEVADA GAMING**  
7 **COMMISSION REGS. 14.290, 14.300 AND/OR 5.011(8)**

8 32. Complainant BOARD realleges and incorporates by reference as though set forth  
9 in full herein paragraphs 1 through 31 above.

10 33. On or about March 21, 22 and 26, 2012, LEROY'S, in collaboration with CBS,  
11 caused certain LEROY'S race and sports book account wagering kiosks to be modified.

12 34. LEROY'S failed to obtain approval from the BOARD prior to making a modification  
13 of certain LEROY'S race and sports book account wagering kiosks.

14 35. The failure of LEROY'S to obtain approval from the BOARD chairman prior to  
15 making a modification of the LEROY'S race and sports book account wagering kiosks is a  
16 violation of Nev. Gaming Comm'n Reg. 14.290 and/or Nev. Gaming Comm'n Reg. 14.300.

17 36. The failure of LEROY'S to comply with Nev. Gaming Comm'n Regs. 14.290 and/or  
18 14.300 constitutes a failure to comply with or make provision for compliance with all federal,  
19 state and local laws and regulations pertaining to the operation of a licensed establishment in  
20 violation of Nev. Gaming Comm'n Reg. 5.011(8).

21 37. The failure of LEROY'S to comply with Nev. Gaming Comm'n Regs. 14.290,  
22 14.300 and/or 5.011(8) is an unsuitable method of operation and is grounds for disciplinary  
23 action. See Nev. Gaming Comm'n Regs. 5.010(2) and 5.030.

24 **COUNT TWO**  
25 **VIOLATION BY LEROY'S OF NRS 463.160 AND/OR**  
26 **NEVADA GAMING COMMISSION REGS. 22.020(1) AND/OR 5.011(8)**

27 38. Complainant BOARD realleges and incorporates by reference as though set forth  
28 in full herein paragraphs 1 through 37 above.

39. On or about May 5, 2012, LEROY'S accepted wagers on a horse race at four  
locations where LEROY'S was not licensed to accept horse race wagers.

1           40. LEROY'S actions as set forth above constitute a violation of NRS 463.160 and  
2 Nev. Gaming Comm'n Reg. 22.020(1).

3           41. LEROY'S failure to comply with NRS 463.160 and/or Nev. Gaming Comm'n Reg.  
4 22.020(1) constitutes a failure to comply with or make provision for compliance with all federal,  
5 state and local laws and regulations pertaining to the operation of a licensed establishment in  
6 violation of Nev. Gaming Comm'n Reg. 5.011(8).

7           42. The failure of LEROY'S to comply with NRS 463.160 and/or Nev. Gaming Comm'n  
8 Regs. 22.020(1) and/or 5.011(8) is an unsuitable method of operation and is grounds for  
9 disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2) and 5.030.

10           WHEREFORE, based upon the allegations contained herein which constitute  
11 reasonable cause for disciplinary action against Respondent, pursuant to NRS 463.310, and  
12 Nevada Gaming Commission Regulations 5.010, 5.011 and 5.030, the STATE GAMING  
13 CONTROL BOARD prays for the relief as follows:

14           1. That the Nevada Gaming Commission serve a copy of this Complaint on  
15 Respondent pursuant to NRS 463.312(2);

16           2. That the Nevada Gaming Commission fine Respondent a monetary sum pursuant to  
17 the parameters defined at NRS 463.310(4) for each separate violation of the provisions of the  
18 Nevada Gaming Control Act or the Regulations of the Nevada Gaming Commission;

19           3. That the Nevada Gaming Commission take action against Respondent's license or  
20 licenses pursuant to the parameters defined in NRS 463.310(4); and

21           .....

22           .....

23           .....

24           .....

25           .....

26           .....

27           .....

28           .....

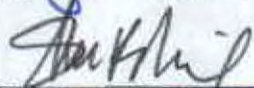


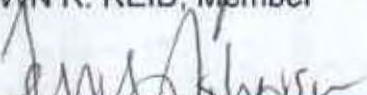
1 4. For such other and further relief as the Nevada Gaming Commission may deem just  
2 and proper.

3 DATED this 27<sup>th</sup> day of November, 2012.

4 STATE GAMING CONTROL BOARD

5   
6 \_\_\_\_\_  
A.G. BURNETTE, Chairman

7   
8 \_\_\_\_\_  
SHAWN R. REID, Member

9   
10 \_\_\_\_\_  
TERRY JOHNSON, Member

11 Submitted by:

12 CATHERINE CORTEZ MASTO  
13 Attorney General

14 By:

  
15 \_\_\_\_\_  
MICHAEL P. SOMPS  
16 Senior Deputy Attorney General  
Gaming Division  
(775) 850-4152

Office of the Attorney General  
Gaming Division  
5420 Kietzke Lane, Suite 202  
Reno, Nevada 89511