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Office of the Attorney General Gaming Division 55 E. Washington Ave., Ste. 3900 Las Vegas, Nevada 89101

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NGC 16-03



STATE OF NEVADA

BEFORE THE NEVADA GAMING COMMISSION

NEVADA GAMING CONTROL BOARD.

Complainant,

VS.

COMPLAINT

REBEL OIL COMPANY, INCORPORATED. dba REBEL #39; REBEL #40; REBEL #42; REBEL #43; REBEL #44; REBEL #46; REBEL #47; REBEL #48; REBEL #52; REBEL #53; REBEL #56; and REBEL TRUCK STOP CAFÉ #8.

Respondents.

The State of Nevada, on relation of its NEVADA GAMING CONTROL BOARD (BOARD), Complainant herein, by and through its counsel, ADAM PAUL LAXALT, Attorney General, and EDWARD L. MAGAW, Deputy Attorney General, hereby files this Complaint for disciplinary action against REBEL OIL COMPANY, INCORPORATED (REBEL OIL), dbal REBEL #39. REBEL #40. REBEL #42. REBEL #43. REBEL #44. REBEL #46. REBEL #47, REBEL #48, REBEL #52, REBEL #53, REBEL #56, and REBEL TRUCK STOP CAFÉ #8. RESPONDENTS herein, pursuant to Nevada Revised Statute (NRS) 463.310(2) and alleges as follows:

 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 (Nevada Gaming Control Act) and the Regulations of the Nevada Gaming Commission (Commission or NGC).

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- 2. RESPONDENTS each currently hold a restricted gaming license, and as such, are each charged with the responsibility of complying with all of the provisions of the Nevadal Gaming Control Act and regulations adopted thereunder. At all times relevant to the Complaint:
- a. Respondent REBEL OIL, dba REBEL #39, was located at 3191 North Nellis Boulevard, Las Vegas, Nevada 89110;
- b. Respondent REBEL OIL, dba REBEL #40, was located at 3380 East Tropicanal Avenue, Las Vegas, Nevada 89121;
- c. Respondent REBEL OIL, dba REBEL #42, was located at 4111 South Paradise Road, Las Vegas, Nevada 89109;
- d. Respondent REBEL OIL, dba REBEL #43, was located at 1100 South Rainbow Boulevard, Las Vegas, Nevada 89102;
- e. Respondent REBEL OIL, dba REBEL #44, was located at 6060 West Tropicanal Avenue, Las Vegas, Nevada 89122;
- f. Respondent REBEL OIL, dba REBEL #46, was located at 6020 West Charleston Boulevard, Las Vegas, Nevada 89107;
- g. Respondent REBEL OIL, dba REBEL #47, was located at 650 U.S. Highway 95, Searchlight, Nevada 89046;
- Respondent REBEL OIL, dba REBEL #48, was located at 820 South Highway 160, Pahrump, Nevada 89041;
- Respondent REBEL OIL, dba REBEL #52, was located at 3200 North Ranchol Drive, Las Vegas, Nevada 89130;
- j. Respondent REBEL OIL, dba REBEL #53, was located at 4595 East Tropicana Avenue, Las Vegas, Nevada 89121;
- k. Respondent REBEL OIL, dba REBEL #56, was located at 4220 East Sahara Avenue, Las Vegas, Nevada 89104; and
- Respondent REBEL OIL, dba REBEL TRUCK STOP CAFÉ #8, was located at 3235 North Las Vegas Boulevard, North Las Vegas, Nevada 89030.

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In addition to the above, Respondent REBEL OIL is a registered holding company of Rebel Slots, Inc. ("Rebel Slots"), which is currently licensed by the NGC as an operator of a slot route.

RELEVANT LAW

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

(a) The gaming industry is vitally important to the economy

- of the State and the general welfare of the inhabitants.
- (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 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 intercasino linked systems.

(d) All establishments where gaming is conducted and where gaming devices are operated, and manufacturers, sellers and distributors of certain gaming devices and equipment, and operators of inter-casino linked systems must therefore be licensed, controlled and assisted to protect the public health, safety, morals, good order and general welfare of the inhabitants of the State, to foster the stability and success of gaming and to preserve the competitive economy and policies of free competition

of the State of Nevada.

NRS 463.0129(1)(a)-(d).

- 5. The 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).
- 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).
- 7. This continuing obligation is repeated in NGC Regulation 5.040, which provides as follows:

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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.

- Nevada Gaming Commission Regulation 5.010 provides as follows:
 - 1. It is the policy of the commission and the board to require that all establishments wherein gaming is conducted in this state be operated in a manner suitable to protect the public health, safety, morals, good order and general welfare of the inhabitants of the State of Nevada.
 - Responsibility 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.

Nev. Gaming Comm'n Reg. 5.010.

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 license fees, withholding any payroll taxes, liquor and entertainment taxes and antitrust and monopoly statutes.

The Nevada gaming commission in the exercise of its sound discretion can make its own determination of whether or not the

licensee has failed to comply with the aforementioned, but any such determination shall make use of the established precedents in interpreting the language of the applicable statutes. Nothing in this section shall be deemed to affect any right to judicial review.

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

10. Nevada Gaming Commission Regulation 5.030 provides as follows:

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

Nev. Gaming Comm'n Reg. 5.030 (emphasis added).

11. Nevada Revised Statutes 463.310 states in relevant part as follows:

1. The Board shall make appropriate investigations:

(a) To determine whether there has been any violation of this chapter or chapter 462, 464, 465 or 466 of NRS or any regulations adopted thereunder.

(b) To determine any facts, conditions, practices or matters which it may deem necessary or proper to aid in the enforcement of any such law or regulation.

. . . .

If, after any investigation the Board is satisfied that

(a) A license, registration, finding of suitability, preliminary finding of suitability, pari-mutuel license or prior approval by the Commission of any transaction for which the approval was required or permitted under the provisions of this chapter or chapter 462, 464 or 466 of NRS should be limited, conditioned, suspended or revoked; or

(b) A person or entity which is licensed, registered, found suitable pursuant to this chapter or chapter 464 of NRS or which 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 should be fined,

→ the Board shall initiate a hearing before the Commission by filing a complaint with the Commission in accordance with NRS 463.312 and transmit therewith a summary of evidence in its possession

1 bearing on the matter and the transcript of testimony at any investigative hearing conducted by or on behalf of the Board. 2 3 NRS 463.310(1)(a) and (b), and (2). 4 12. In response to a Complaint brought by the Board, NRS 463.310(4) provides in relevant 5 part that the Commission may: 6 (a) Limit, condition, suspend or revoke the license of any licensed gaming establishment or the individual license of any 7 licensee without affecting the license of the establishment: 8 9 (d) Fine each person or entity or both, which is licensed, registered, found suitable . . . pursuant to this chapter or chapter 10 464 of NRS . . . : 11 12 (2) . . . not more than \$100,000 for each separate violation of the provisions of this chapter or chapter 464 or 465 of 13 NRS or of the regulations of the Commission which is the subject of an initial complaint and not more than \$250,000 for each 14 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 15 subject of any subsequent complaint. 16 NRS 463.310(4)(a) and (d)(2). 17 The licensing requirements to offer gaming and to lawful receive proceeds from the 18 conducting of gaming is set for under NRS 463.160(1)(a) and (b) as follows: 19 Except as otherwise provided in subsection 4 and NRS. 463.172, it is unlawful for any person, either as owner, lessee or 20 employee, whether for hire or not, either solely or in conjunction with others: 21 (a) To deal, operate, carry on, conduct, maintain or expose for play in the State of Nevada any gambling game, gaming 22 device, inter-casino linked system, mobile gaming system, slot machine, race book or sports pool; 23 24 (d) To receive, directly or indirectly, any compensation or 25 reward or any percentage or share of the money or property played, for keeping, running or carrying on any gambling game, 26 slot machine, gaming device, mobile gaming system, race book or sports pool: 27

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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) and (b).

 A "restricted license" and "restricted operation" is defined under NRS 463.0189 as follows:

> Restricted license" or "restricted operation" means a state gaming license for, or an operation consisting of, not more than 15 slot machines and no other game or gaming device, race book or sports pool at an establishment in which the operation of slot machines is incidental to the primary business of the establishment.

NRS 463.0189.

- The person to whom a restricted license can be issued is set forth under! NRS 463.161(1) as follows:
 - 1. A license to operate 15 or fewer slot machines at an establishment in which the operation of slot machines is incidental to the primary business conducted at the establishment may only be granted to the operator of the primary business or to a licensed operator of a slot machine route.

NRS 463.161(1) (emphasis added).

16. The phrase "licensed gaming establishment" is defined under NRS 463.0169 as follows:

> "Licensed gaming establishment" means any premises licensed pursuant to the provisions of this chapter wherein or whereon gaming is done.

NRS 463.0169.

The term "gaming" includes, but is not limited to, the offering of slot machines for play. See NRS 463.0152 and NRS 463.0153.

BACKGROUND

18. This Complaint addresses multiple violations by the RESPONDANTS of the Nevada Gaming Control Act and the Regulations adopted thereunder relating to the sale, leaseback and subsequent management of the twelve properties named herein.

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19. At all times relevant to this Complaint, each of the Respondents exposed slot machines for play by the general public at their respective locations named herein.

A. SALE OF THE TWELVE LOCATIONS.

- On or about June 8, 2015, Respondent REBEL OIL entered in to an "Asset Purchase" and Sale Agreement" ("APS Agreement") with a third party purchaser ("TP Purchaser").
- 21. Under the APS Agreement, TP Purchaser agreed to pay REBEL OIL a certain amount of money to purchase multiple businesses owned by REBEL OIL, including the twelve businesses named in this Complaint.
 - 22. In accordance with the APS Agreement, the TP Purchaser acquired the following:
- The fee simple interest in the purchased premises, including all building and improvements;
 - b. The leasehold interest in the purchased premises;
 - c. Right and title to trade names and logos; and
 - d. All leases and other agreements.
 - 23. The APS Agreement did not include the purchase of gaming assets.
- 24. The funds under the APS Agreement and title to the respective properties were transferred between TP Purchaser and REBEL OIL on or about December 18, 2015.

B. THE LEASEBACK AGREEMENT.

- 25. On or about December 18, 2015, a Leaseback Agreement ("LB Agreement") was entered into between REBEL OIL and the third party landlord ("TP Landlord"), an affiliate of TP Purchaser, to leaseback the twelve locations named in this Complaint.
- 26. Under the LB Agreement, the Respondents were to remain the operators of the primary business at each of their respective locations.
- 27. It was necessary for the Respondents to remain the operators of the primary businesses in order to allow them to continue to lawfully operate the slot machines at their respective locations under the existing restricted garning licenses after the sale of the locations to TP Purchaser.

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- Under the LB Agreement, REBEL OIL agreed to pay TP Landlord rent in the amount of \$1.00 per month.
- 29. The LB Agreement became effective on the date of the transfer of title of the locations to TP Purchaser, which was on or about December 18, 2015.

C. THE MANAGEMENT AGREEMENT.

- 30. On or about December 18, 2015, the same date REBEL OIL entered into the LB Agreement with the TP Landlord, REBEL OIL entered into a Management Agreement ("M Agreement") with a third party manager ("TP Manager"), an affiliate of TP Purchaser.
- Under the M Agreement, TP Manager agreed to manage the twelve locations named in this Complaint.
- 32. Under the M Agreement, TP Manager, or, in some cases, its affiliate, had the following duties, among others, at each of the twelve locations:
 - a. Supervise the operations, with responsibility for the management and direction;
 - Responsible for the selecting and employing employees;
 - c. Supervise, procure inventory subject to the approved budget;
 - d. Maintain expenses;
 - e. Pay all contracts and leases;
 - Prepare marketing programs;
 - g. Pay all taxes and utilities; and
 - Take all actions necessary to operate within the approved operating budget.
- The M Agreement did not include the management of the gaming operations at each of the twelve locations. That responsibility remained with REBEL OIL.
- 34. In exchange for managing the twelve locations, the M Agreement called for TP Manager to receive a management fee from REBEL OIL equal to 100% of the amount of net non-gaming receipts at the twelve locations.
- 35. The M Agreement did not include net receipts from the gaming operations at each location. Those proceeds were retained by REBEL OIL.

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- 36. Upon the effective date of the M Agreement, TP Manager became the operator of the primary businesses at each location.
- 37. Despite no longer being the operator of each of the primary businesses at issue, each of the Respondents continued to operate the slot machines at their respective locations.
- 38. At no time relevant to this Complaint did TP Manager possess a restricted gaming license to offer gaming at any one of the twelve locations named herein.
- 39. At no time relevant to this Complaint did any of the Respondents possess a slot route operator's license allowing them to place and operate slot machines on the premises of any of the twelve locations named herein.

D. CORRESPONDENCE WITH THE BOARD REGARDING TRANSACTION.

- 40. On or about December 15, 2015, the attorney for the Respondents provided the Board with a copy of the LB Agreement and M Agreement.
- 41. On or about December 22, 2015, after reviewing and evaluating the LB Agreement and M Agreement ("Operation Agreements"), the BOARD informed the attorney for the Respondents, in writing, that under the Operation Agreements the Respondents could not continue to operate gaming at their respective locations unless TP Manager filed an application as REBEL OIL's key employee.
- 42. REBEL OIL did not file a key employee application for TP Manager upon being notified by the BOARD to do so, nor did any of the Respondents cease to operate garning at their respective locations.

E. MARCH 3, 2016 BOARD HEARING REGARDING REBEL SLOTS.

- 43. At its March 3, 2016 meeting, the BOARD considered whether to recommend the approval of the application of Rebel Slots, a licensed slot route operator and wholly owned subsidiary of REBEL OIL, to place and operate slot machines at the twelve locations named in this Complaint.
- 44. At the above referenced BOARD meeting, the Respondents agreed to shut down all of its machines at the twelve locations and leave them off until such time as REBEL OIL filed a key employee application for TP Manager and/or TP Purchaser.

46. The Attorney for the Respondents further conceded that the BOARD had informed him on December 22, 2015 of its conclusion that, under the M Agreement, TP Manager was the operator of the primary businesses at the applicable locations, not the Respondents. (See Transcript of Gaming Control Board Meeting for March 3, 2016, p. 15, Ins. 6-11.)

F. POST MARCH 3, 2016 BOARD MEETING EVENTS.

- 47. Following the BOARD meeting, on or about March 3, 2016, the BOARD received written notice from the Respondents' attorney that REBEL OIL had temporarily shut down all of the slot machines at the twelve locations, pursuant to the discussions held during the March 3, 2016 BOARD meeting.
- 48. On or about March 4, 2016, REBEL OIL filed a key employee application with the BOARD for TP Manager and/or TP Purchaser.
- 49. On or about March 4, 2016, the BOARD received written notice from the Respondents' attorney notifying the BOARD that each of them had resumed gaming operations at their respective locations after the submission of the above referenced key employee application.
- 50. On March 17, 2016, the Commission granted Rebel Slots the necessary licenses to place and operate slot machines at the twelve locations.
- 51. Upon the above approval by the Commission, the Respondents ceased conducting gaming at the twelve locations under their respective restricted gaming licenses.

G. REBEL OIL'S PROFIT DURING RELEVANT PERIOD.

52. As stated previously, the BOARD notified the Respondents, after reviewing the M Agreement, that they were no longer the operators of the primary businesses at issue, and therefore, unless and until REBEL OIL submitted a key employee application for TP Manager, they could not lawfully operate slot machines at their respective locations.

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- 53. As further stated previously, rather than following the BOARD's recommendation or, in the alternative, cease gaming operations at the twelve locations, the Respondents chose to continue their respective gaming operations.
- 54. It was not until March 3, 2016, following the previously discussed BOARD Meeting. that the Respondents ceased gaming operations at the twelve locations.
- 55. During the time period from December 22, 2015 through March 3, 2016, REBEL OIL received net revenue from the slot operations at the twelve locations in the amount of \$416,158.85.
- 56. During the same time period, REBEL OIL paid the TP Manager and/or TP Purchaser an allocated amount of \$ 281,285.61 to place its machines at the 12 locations.1

COUNT I VIOLATION OF NRS 463.160 AND/OR 463.161 AND/OR NGC REGULATIONS 5.011, 5.011(1), AND/OR 5.011(8) CONTINUATION OF RESTRICTED GAMING OPERATIONS AFTER CEASING TO BE **OPERATOR OF PRIMARY BUSINESS**

- 57. Complainant BOARD realleges and incorporates by reference as though set forth in full herein paragraphs 1 through 55 above.
- 58. During the period beginning December 18, 2015 and running through March 3, 2016, none of the Respondents were the operator of the primary business at their respective locations.
- 59. Because they were not the operator of the primary business at their respective locations, none of the Respondents could lawfully operate gaming during the above referenced time period under the restricted gaming licenses that had been issued to them by the Commission.
- 60. Despite not lawfully being able to do so, each Respondent operated gaming at its respective location during the above stated time period.

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²⁶ 1 REBEL OIL paid a flat monthly lease payment to TP Manager and/or TP Purchaser for all of TP 27 28

Purchaser's locations at which it and Rebel Slots had placed slot machines, including the 12 locations at issue in this Complaint. REBEL OIL was required to pay this flat fee regardless of whether gaming devices were actually placed at the locations. Dividing the total lease payments for the applicable time period by the number of total locations and multiplied by the 12 locations at issue, the allocated lease payment amount comes to \$281,285.61.

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- 61. By operating gaming at each of their respective locations during the above stated time period, each of the Respondents individually violated NRS 463.160, NRS 463.161, and/or NGC Regulations 5.011, 5.011(1), and/or NGC Regulation 5.011(8).
- 62. The above described violations constitute an unsuitable method of operation and provide grounds for disciplinary action against Respondents. See NRS 463.170(8) and Nev. Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.
- 63. For purposes of NRS 463.310(4)(d)(2), the operation of gaming by each individual Respondent described in this Complaint during the period at issue constitutes a separate violation.

PRAYER FOR RELIEF

WHEREFORE, based upon the allegations contained herein, which constitute reasonable cause for disciplinary action against Respondents, pursuant to NRS 463.310, and NGC Regulations 5.010, 5.011 and 5.030 the BOARD prays for the relief set forth as follows:

- That the Commission serve a copy of this Complaint on the Respondents pursuant to Nevada Revised Statute 463.312(2):
- 2. That the Commission fine each of the Respondents a monetary sum pursuant to the parameters defined at Nevada Revised Statute 463.310(4) for each separate violation of the provisions of the Nevada Gaming Control Act or the Regulations of the Nevada Gaming Commission;
- 3. That the Commission take action against the Respondents licenses pursuant to the parameters defined at Nevada Revised Statute 463.310(4); and

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