

1 NGC 12-07

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4 **STATE OF NEVADA**

5 **BEFORE THE NEVADA GAMING COMMISSION**

6 STATE GAMING CONTROL BOARD,)
7 Complainant,)
8 v.)
9 FP HOLDINGS, L.P. dba)
10 PALMS CASINO RESORT,)
11 Respondent.)

COMPLAINT

12 The State of Nevada, on relation of its State Gaming Control Board (BOARD),
13 Complainant herein, by and through its counsel, CATHERINE CORTEZ MASTO, Attorney
14 General, by JOHN S. MICHELA, Senior Deputy Attorney General, hereby files this Complaint
15 for disciplinary action against RESPONDENT pursuant to Nevada Revised Statute (NRS)
16 463.310(2) and alleges as follows:

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

21 2. FP HOLDINGS, L.P., dba PALMS CASINO RESORT (PALMS), located at 4321
22 West Flamingo Road, Las Vegas, Nevada holds a nonrestricted gaming license.

23 3. Moon Nightclub (Moon) is a nightclub located on the premises of PALMS. Moon is
24 owned and operated by N-M Ventures II, LLC.

25 4. Rain Nightclub (Rain) is a nightclub located on the premises of PALMS. Rain is
26 owned and operated by N-M Ventures, LLC.

27 5. Ghostbar Nightclub (Ghostbar) is a nightclub located on the premises of PALMS.
28 Ghostbar is owned and operated by N-M Ventures, LLC.

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

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

4 11. The Nevada Gaming Commission may also place "such conditions as it may deem
5 necessary in the public interest upon any registration, finding of suitability or approval for
6 which application has been made." NRS 463.220(3).

7 12. The BOARD is authorized to observe the conduct of licensees in order to ensure
8 that the gaming operations are not being conducted in an unsuitable manner. See NRS
9 463.1405(1).

10 13. This continuing obligation is repeated in Nevada Gaming Commission Regulation
11 5.040, which provides as follows:

12 A gaming license is a revocable privilege, and no holder
13 thereof shall be deemed to have acquired any vested rights therein
14 or thereunder. The burden of proving his qualifications to hold any
15 license rests at all times on the licensee. The board is charged by
16 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.

17 Nev. Gaming Comm'n Reg. 5.040.

18 14. Nevada Gaming Commission Regulation 5.010 provides as follows:

19 1. It is the policy of the commission and the board to require
20 that all establishments wherein gaming is conducted in this state be
21 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.

22 2. Responsibility for the employment and maintenance of
23 suitable methods of operation rests with the licensee, and willful or
24 persistent use or toleration of methods of operation deemed
unsuitable will constitute grounds for license revocation or other
disciplinary action.

25 Nev. Gaming Comm'n Reg. 5.010.

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

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

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

16

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

23

24 10. Failure to conduct gaming operations in accordance with
25 proper standards of custom, decorum and decency, or permit any
26 type of conduct in the gaming establishment which reflects or tends
27 to reflect on the repute of the State of Nevada and act as a
28 detriment to the gaming industry.

19 Nev. Gaming Comm'n Reg. 5.011 (1), (8), and (10).

20 16. Nevada Revised Statute 453.321 provides in relevant part:

21 1. Except as authorized by the provisions of NRS 453.011
22 to 453.552, inclusive, it is unlawful for a person to:

23 (a) Import, transport, sell, exchange, barter, supply,
24 prescribe, dispense, give away or administer a controlled or
25 counterfeit substance. . . .

26

27 2. Unless a greater penalty is provided in NRS 453.333 or
28 453.334, if a person violates subsection 1 and the controlled
substance is classified in schedule I or II, the person is guilty of a
category B felony. . . .

28 NRS 453.321 (1)(a) and (2).

1 17. Nevada Revised Statute 453.031 provides: "'Board' means the State Board of
2 Pharmacy."

3 18. Nevada Revised Statute 453.146 provides in relevant part: "1. The Board shall
4 administer the provisions of NRS 453.011 to 453.552, inclusive, and may add substances to
5 or delete or reschedule all substances enumerated in schedules I, II, III, IV and V by
6 regulation."

7 19. Nevada Administrative Code 453.510 provides in relevant part:

8 1. Schedule I consists of the drugs and other substances
9 listed in this section by whatever official, common, usual, chemical
10 or trade name designated.

11

12 4. Unless specifically excepted or unless listed in another
13 schedule, any material, compound, mixture or preparation which
14 contains any quantity of the following hallucinogenic substances,
including, without limitation, their salts, isomers and salts of
isomers, whenever the existence of such salts, isomers and salts of
isomers is possible within the specific chemical designation:

15

16 3,4-methylenedioxymethamphetamine (MDMA);

17

18 8. Unless specifically listed in another schedule, coca
19 leaves, cocaine base or free base, or a salt, compound, derivative,
20 isomer or preparation thereof which is chemically equivalent or
21 identical to such substances, and any quantity of material,
22 compound, mixture or preparation which contains coca leaves,
cocaine base or cocaine free base or its isomers or any of the salts
of cocaine, except decocainized coca leaves or extractions which
do not contain cocaine or ecgonine.

23 NAC 453.510 (1), (4), and (8).

24 20. 3,4-methylenedioxymethamphetamine (MDMA), is also known as ecstasy.

25 21. Nevada Administrative Code 453.520 provides in relevant part:

26 1. Schedule II consists of the drugs listed in this section, by
27 whatever official, common, usual, chemical or trade name
designated.

28 2. Unless specifically excepted or unless listed in another
schedule, any of the following substances, whether produced

1 directly or indirectly by extraction from substances of vegetable
2 origin, or independently by means of chemical synthesis, or by
3 combination of extraction and chemical synthesis, is hereby
4 enumerated in schedule II:

5 (a) Opium and opiate, and any salt, compound, derivative or
6 preparation of opium or opiate, excluding apomorphine, thebaine-
7 derived butorphanol, dextrophan, nalbuphine, nalmefene,
8 naloxone and naltrexone, and their respective salts, but including:

9

10 Oxycodone. . . .

11 NAC 453.510 (1) and (2)(a).

12 22. Percocet contains oxycodone.

13 23. Nevada Revised Statute 201.295 provides:

14 As used in NRS 201.295 to 201.440, inclusive, unless the
15 context otherwise requires:

- 16 1. "Adult" means a person 18 years of age or older.
- 17 2. "Child" means a person less than 18 years of age.
- 18 3. "Prostitute" means a male or female person who for a fee
19 engages in sexual intercourse, oral-genital contact or any touching
20 of the sexual organs or other intimate parts of a person for the
21 purpose of arousing or gratifying the sexual desire of either person.
- 22 4. "Prostitution" means engaging in sexual conduct for a fee.
- 23 5. "Sexual conduct" means any of the acts enumerated in
24 subsection 3.

25 NRS 201.295.

26 24. Nevada Revised Statute 201.354 provides:

- 27 1. It is unlawful for any person to engage in prostitution or
28 solicitation therefor, except in a licensed house of prostitution.
- 1 2. Except as otherwise provided in subsection 3, a person
2 who violates subsection 1 is guilty of a misdemeanor.
- 3 3. A person who violates subsection 1 by soliciting a child
4 for prostitution is guilty of a category E felony and shall be punished
5 as provided in NRS 193.130.

6 NRS 201.354.

7 25. Nevada Gaming Commission Regulation 5.030 provides as follows:

8 ***Violation of any provision of the Nevada Gaming Control
9 Act or of these regulations by a licensee, his agent or employee
10 shall be deemed contrary to the public health, safety, morals, good
11 order and general welfare of the inhabitants of the State of Nevada
12 and grounds for suspension or revocation of a license.***

1 Acceptance of a state gaming license or renewal thereof by a
2 licensee constitutes an agreement on the part of the licensee to be
3 bound by all of the regulations of the commission as the same now
4 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.***

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

6 **BACKGROUND**

7 26. All events and activities contained herein took place on the premises of PALMS.

8 27. On or about February 7, 2006; April 9, 2009; and April 9, 2012, the BOARD sent
9 letters to nonrestricted gaming licensees concerning nightclub activities. The BOARD,
10 through its Enforcement Division, also conducted a number of industry classes concerning
11 nightclubs in casinos.

12 28. The letters and classes were concerned with what were becoming recurring events
13 surrounding nightclubs located on the premises of nonrestricted gaming licensees and how
14 these events constituted situations which could bring discredit to the State and act as a
15 detriment to the development of the gaming industry. The events with which the BOARD was
16 concerned in the letters included, but were not limited to, drug distribution and prostitution.

17 29. PALMS had representatives attend at least one industry nightclub class.

18 30. The letters also set out that the BOARD would hold licensees responsible for any
19 incidents resulting from activities on the premises of a licensee.

20 31. As such, PALMS is responsible for all incidents that have been brought onto the
21 premises of PALMS based on its ownership and/or association with N-M Ventures, LLC and
22 N-M Ventures II, LLC.

23 32. The violations comprising this Complaint are the result of a joint, undercover
24 investigation conducted by the BOARD and the Las Vegas Metropolitan Police Department.

25 **COUNT ONE**

26 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

27 33. Complainant BOARD realleges and incorporates by reference as though set forth
28 in full herein paragraphs 1 through 32 above.

1 43. PALMS failed to take action to prevent the above from occurring.

2 44. By itself and/or in conjunction with the actions contained in the other counts of this
3 complaint, this failure to prevent the above reflects or tends to reflect poorly on the reputation
4 of gaming in the State of Nevada and/or acts as a detriment to the development of the gaming
5 industry and/or reflects or tends to reflect discredit upon the State of Nevada or the gaming
6 industry.

7 45. PALMS' failure to prevent the acts as set out above are a violation of Nevada
8 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
9 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
10 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

11 **COUNT THREE**

12 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

13 46. Complainant BOARD realleges and incorporates by reference as though set forth
14 in full herein paragraphs 1 through 45 above.

15 47. On March 31, 2012, at about 12:30 a.m., UC#1 was in Rain. UC#1 made contact
16 with Bottle Runner #2 (BR#2) and asked if BR#2 could provide UC#1 with prostitutes. BR#2
17 initially stated that BR#2 could do so. About 15 minutes later, BR#2 stated BR#2 could not
18 provide any prostitutes.

19 48. UC#1 then asked BR#2 what BR#2 could provide. BR#2 stated BR#2 could
20 provide UC#1 some cocaine. UC#1 said "sure", UC#1 would take \$100 worth. BR#2 reached
21 into his front pocket and sold UC#1 0.9 grams of cocaine.

22 49. PALMS failed to take action to prevent the above from occurring.

23 50. By itself and/or in conjunction with the actions contained in the other counts of this
24 complaint, this failure to prevent the above reflects or tends to reflect poorly on the reputation
25 of gaming in the State of Nevada and/or acts as a detriment to the development of the gaming
26 industry and/or reflects or tends to reflect discredit upon the State of Nevada or the gaming
27 industry.

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1 51. PALMS' failure to prevent the acts as set out above are a violation of Nevada
2 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
3 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
4 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

5 **COUNT FOUR**

6 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

7 52. Complainant BOARD realleges and incorporates by reference as though set forth
8 in full herein paragraphs 1 through 51 above.

9 53. On March 31, 2012, while in Rain and after UC#1 had already purchased 0.9
10 grams of cocaine from BR#2, UC#1 asked BR#2 if UC#1 could purchase an "8 ball" of
11 cocaine from BR#2. BR#2 said "sure" and mentioned that BR#2 had plenty of cocaine to sell.
12 BR#2 returned several minutes later and sold UC#1 5.1 grams of cocaine.

13 54. BR#2 stated to UC#1 that he had sold some cocaine to other patrons throughout
14 the evening, as well. BR#2 further stated BR#2 could get UC#1 one pound of cocaine for
15 approximately \$18,000.

16 55. PALMS failed to take action to prevent the above from occurring.

17 56. By itself and/or in conjunction with the actions contained in the other counts of this
18 complaint, this failure to prevent the above reflects or tends to reflect poorly on the reputation
19 of gaming in the State of Nevada and/or acts as a detriment to the development of the gaming
20 industry and/or reflects or tends to reflect discredit upon the State of Nevada or the gaming
21 industry.

22 57. PALMS' failure to prevent the acts as set out above are a violation of Nevada
23 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
24 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
25 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

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1 COUNT FIVE

2 VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)

3 58. Complainant BOARD realleges and incorporates by reference as though set forth
4 in full herein paragraphs 1 through 57 above.

5 59. On April 21, 2012, at approximately 11:45 p.m., UC#1 arrived at Moon, made
6 contact with Bottle Runner #3 (BR#3), and asked BR#3 if BR#3 could provide UC#1 with any
7 prostitutes or drugs. BR#3 stated BR#3 could provide both. UC#1 asked BR#3 if BR#3 could
8 get UC#1 cocaine or ecstasy. BR#3 replied BR#3 could get UC#1 cocaine. UC#1 requested
9 \$100 worth of cocaine. BR#3 left and returned a few minutes later. BR#3 sold UC#1 1.2
10 grams of cocaine upon BR#3's return. BR#3 further stated BR#3 was working on obtaining a
11 prostitute and ecstasy for UC#1. BR#3 also indicated BR#3 was working on obtaining some
12 pain pills for one of the other undercover officers.

13 60. PALMS failed to take action to prevent the above from occurring.

14 61. By itself and/or in conjunction with the actions contained in the other counts of this
15 complaint, this failure to prevent the above reflects or tends to reflect poorly on the reputation
16 of gaming in the State of Nevada and/or acts as a detriment to the development of the gaming
17 industry and/or reflects or tends to reflect discredit upon the State of Nevada or the gaming
18 industry.

19 62. PALMS' failure to prevent the acts as set out above are a violation of Nevada
20 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
21 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
22 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

23 COUNT SIX

24 VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)

25 63. Complainant BOARD realleges and incorporates by reference as though set forth
26 in full herein paragraphs 1 through 62 above.

27 64. On April 22, 2012, at approximately 12:26 a.m. at Moon, HM arrived at UC#1's
28 table in Moon. UC#1 requested two 8-balls of cocaine from HM. HM stated HM would obtain

1 the cocaine and then return. At approximately 2:10 a.m., HM returned to Moon and sold
2 UC#1 5.6 grams of cocaine.

3 65. PALMS failed to take action to prevent the above from occurring.

4 66. By itself and/or in conjunction with the actions contained in the other counts of this
5 complaint, this failure to prevent the above reflects or tends to reflect poorly on the reputation
6 of gaming in the State of Nevada and/or acts as a detriment to the development of the gaming
7 industry and/or reflects or tends to reflect discredit upon the State of Nevada or the gaming
8 industry.

9 67. PALMS' failure to prevent the acts as set out above are a violation of Nevada
10 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
11 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
12 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

13 **COUNT SEVEN**

14 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

15 68. Complainant BOARD realleges and incorporates by reference as though set forth
16 in full herein paragraphs 1 through 67 above.

17 69. On April 22, 2012, at approximately 12:35 a.m. at Moon, UC#1 saw and made
18 contact with BR#1. UC#1 asked BR#1 for some pills. At approximately 2:15 a.m., BR#1
19 approached UC#1 on the dance floor and sold UC#1 a Percocet pill. UC#1 did not have a
20 prescription for Percocet, and BR#1 was not authorized under law to write such a prescription
21 or provide Percocet to anyone.

22 70. PALMS failed to take action to prevent the above from occurring.

23 71. By itself and/or in conjunction with the actions contained in the other counts of this
24 complaint, this failure to prevent the above reflects or tends to reflect poorly on the reputation
25 of gaming in the State of Nevada and/or acts as a detriment to the development of the gaming
26 industry and/or reflects or tends to reflect discredit upon the State of Nevada or the gaming
27 industry.

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1 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
2 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

3 **COUNT NINE**

4 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

5 79. Complainant BOARD realleges and incorporates by reference as though set forth
6 in full herein paragraphs 1 through 78 above.

7 80. Upon UC#1's return to his table in Moon on April 22, 2012, at approximately 1:25
8 a.m., UC#1 noticed a white female adult (WFA) sitting there. WFA stated she was sent to
9 UC#1's table based on UC#1's inquiries to BR#3 regarding prostitutes and ecstasy.

10 81. WFA texted her drug dealer to get the prices for the ecstasy. WFA left the table
11 and, at approximately 2:25 a.m., returned and sold ecstasy pills to Undercover Officer #2
12 (UC#2).

13 82. PALMS failed to take action to prevent the above from occurring.

14 83. By itself and/or in conjunction with the actions contained in the other counts of this
15 complaint, this failure to prevent the above reflects or tends to reflect poorly on the reputation
16 of gaming in the State of Nevada and/or acts as a detriment to the development of the gaming
17 industry and/or reflects or tends to reflect discredit upon the State of Nevada or the gaming
18 industry.

19 84. PALMS' failure to prevent the acts as set out above are a violation of Nevada
20 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
21 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
22 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

23 **COUNT TEN**

24 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

25 85. Complainant BOARD realleges and incorporates by reference as though set forth
26 in full herein paragraphs 1 through 84 above.

27 86. While WFA was at UC#1's table in Moon on April 22, 2012, UC#2 explained to
28 WFA the sexual acts the undercover officers would like for later. UC#2 asked WFA if the

1 requested sexual acts would cost more than \$2,000. WFA indicated the requested sexual
2 acts would not cost more than \$2,000.

3 87. PALMS failed to take action to prevent the above from occurring.

4 88. By itself and/or in conjunction with the actions contained in the other counts of this
5 complaint, this failure to prevent the above reflects or tends to reflect poorly on the reputation
6 of gaming in the State of Nevada and/or acts as a detriment to the development of the gaming
7 industry and/or reflects or tends to reflect discredit upon the State of Nevada or the gaming
8 industry.

9 89. PALMS' failure to prevent the acts as set out above are a violation of Nevada
10 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
11 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
12 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

13 **COUNT ELEVEN**

14 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

15 90. Complainant BOARD realleges and incorporates by reference as though set forth
16 in full herein paragraphs 1 through 89 above.

17 91. While WFA was at UC#1's table in Moon on April 22, 2012, UC#1 told Security
18 Officer #4 (SO#4) that the undercover officers at the table were popping pills and didn't want
19 anyone to see. UC#1 then asked SO#4 to block the entrance to the booth and handed SO#4
20 \$20. SO#4 moved to block the entrance to UC#1's booth to prevent anyone from seeing
21 UC#1's table. SO#4 blocked the view until UC#1 told SO#4 that SO#4 could move.

22 92. PALMS failed to take action to prevent the above from occurring.

23 93. By itself and/or in conjunction with the actions contained in the other counts of this
24 complaint, this failure to prevent the above reflects or tends to reflect poorly on the reputation
25 of gaming in the State of Nevada and/or acts as a detriment to the development of the gaming
26 industry and/or reflects or tends to reflect discredit upon the State of Nevada or the gaming
27 industry.

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1 procuring the ecstasy for UC#3. Over the next hour, SO#6 worked on obtaining the ecstasy
2 and gave UC#3 regular updates. SO#6 then informed UC#3 that SO#6's drug dealer had not
3 gotten back to SO#6, but SO#6 would keep trying.

4 102. PALMS failed to take action to prevent the above from occurring.

5 103. By itself and/or in conjunction with the actions contained in the other counts of
6 this complaint, this failure to prevent the above reflects or tends to reflect poorly on the
7 reputation of gaming in the State of Nevada and/or acts as a detriment to the development of
8 the gaming industry and/or reflects or tends to reflect discredit upon the State of Nevada or
9 the gaming industry.

10 104. PALMS' failure to prevent the acts as set out above are a violation of Nevada
11 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
12 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
13 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

14 **COUNT FOURTEEN**

15 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

16 105. Complainant BOARD realleges and incorporates by reference as though set forth
17 in full herein paragraphs 1 through 104 above.

18 106. On May 11, 2012, at Ditch Friday's after Security Officer #7 (SO#7) reported
19 SO#7 was unable to obtain drugs for UC#1, UC#1 asked SO#7 if SO#7 would draw the
20 shades on the undercover officer's cabana for the stated purpose of ingesting cocaine. SO#7
21 agreed to do so and did, in fact, do so. SO#7 drew the shades and stood in front of the
22 cabana for additional coverage upon being requested to do so by UC#1 for the stated purpose
23 of ingesting cocaine at approximately 1:50 p.m.

24 107. PALMS failed to take action to prevent the above from occurring.

25 108. By itself and/or in conjunction with the actions contained in the other counts of
26 this complaint, this failure to prevent the above reflects or tends to reflect poorly on the
27 reputation of gaming in the State of Nevada and/or acts as a detriment to the development of

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1 the gaming industry and/or reflects or tends to reflect discredit upon the State of Nevada or
2 the gaming industry.

3 109. PALMS' failure to prevent the acts as set out above are a violation of Nevada
4 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
5 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
6 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

7 **COUNT FIFTEEN**

8 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

9 110. Complainant BOARD realleges and incorporates by reference as though set forth
10 in full herein paragraphs 1 through 109 above.

11 111. On May 11, 2012, at Ditch Friday's, at approximately 12:30 p.m., UC#1 made
12 contact with SO#3 and asked if SO#3 could provide UC#1 with some drugs. SO#3 agreed to
13 do so. At approximately 1:10 p.m., SO#3 asked UC#1 if cocaine was acceptable. UC#1
14 agreed that it was. At approximately 1:45 p.m., SO#3 sold UC#1 6.2 grams of cocaine.

15 112. PALMS failed to take action to prevent the above from occurring.

16 113. By itself and/or in conjunction with the actions contained in the other counts of
17 this complaint, this failure to prevent the above reflects or tends to reflect poorly on the
18 reputation of gaming in the State of Nevada and/or acts as a detriment to the development of
19 the gaming industry and/or reflects or tends to reflect discredit upon the State of Nevada or
20 the gaming industry.

21 114. PALMS' failure to prevent the acts as set out above are a violation of Nevada
22 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
23 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
24 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

25 **COUNT SIXTEEN**

26 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

27 115. Complainant BOARD realleges and incorporates by reference as though set forth
28 in full herein paragraphs 1 through 114 above.

1 116. On May 11, 2012, at Ditch Friday's at approximately 2:30 p.m., HM sold UC#1 2.5
2 grams of cocaine.

3 117. PALMS failed to take action to prevent the above from occurring.

4 118. By itself and/or in conjunction with the actions contained in the other counts of
5 this complaint, this failure to prevent the above reflects or tends to reflect poorly on the
6 reputation of gaming in the State of Nevada and/or acts as a detriment to the development of
7 the gaming industry and/or reflects or tends to reflect discredit upon the State of Nevada or
8 the gaming industry.

9 119. PALMS' failure to prevent the acts as set out above are a violation of Nevada
10 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
11 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
12 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

13 **COUNT SEVENTEEN**

14 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION 5.011(1) and (10)**

15 120. Complainant BOARD realleges and incorporates by reference as though set forth
16 in full herein paragraphs 1 through 119 above.

17 121. PALMS has not maintained sufficient control over its premises to prevent
18 incidents which reflect or tend to reflect poorly on the reputation of gaming in the State of
19 Nevada and/or act as a detriment to the development of the gaming industry and/or reflect or
20 tend to reflect discredit upon the State of Nevada or the gaming industry.

21 122. PALMS now wholly owns N-M Ventures, LLC and N-M Ventures II, LLC which
22 own and operate Moon, Rain, Ghostbar, and Ditch Fridays. PALMS has owned at least fifty
23 percent (50%) of NM Ventures, LLC and N-M Ventures II, LLC at all times relevant to this
24 Complaint.

25 123. At least thirteen employees of N-M Ventures, LLC and N-M Ventures II, LLC
26 working in venues located on PALMS' premises provided drugs, provided prostitutes, offered
27 to provide drugs, offered to provide prostitutes, provided private areas in which to consume
28 drugs, and/or created privacy in public areas to enable drug use for the undercover officers

1 over a period of five visits to the venues. A number of these employees did so on multiple
2 occasions.

3 124. PALMS did not exercise sufficient control over its nightclubs and pool to prevent
4 the employees of N-M Ventures, LLC and N-M Ventures II, LLC from engaging in the
5 aforementioned activities.

6 125. Thus, the BOARD, in order to halt the illegal activities occurring within the
7 nightclubs and pool of the PALMS and to protect gaming in the State of Nevada, to protect the
8 welfare of the gaming industry, and to protect the welfare of the inhabitants of the State of
9 Nevada, has had to file this Complaint.

10 126. By itself and/or in conjunction with the actions contained in the other counts of
11 this complaint, this failure of PALMS to exercise control reflects or tends to reflect poorly on
12 the reputation of gaming in the State of Nevada and/or acts as a detriment to the development
13 of the gaming industry and/or reflects or tends to reflect discredit upon the State of Nevada or
14 the gaming industry.

15 127. PALMS' failure to prevent the acts as set out above are a violation of Nevada
16 Gaming Commission Regulations 5.010 and 5.011 (1) and (10). This constitutes an
17 unsuitable method of operation, and, as such, is grounds for disciplinary action. See Nev.
18 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

19 WHEREFORE, based upon the allegations contained herein which constitute
20 reasonable cause for disciplinary action against RESPONDENT, pursuant to NRS 463.310,
21 and Nevada Gaming Commission Regulations 5.010 and 5.030 the STATE GAMING
22 CONTROL BOARD prays for the relief as follows:

23 1. That the Nevada Gaming Commission serve a copy of this Complaint on
24 RESPONDENT pursuant to NRS 463.312(2);

25 2. That the Nevada Gaming Commission fine RESPONDENT a monetary sum
26 pursuant to the parameters defined at NRS 463.310(4) for each separate violation of the
27 provisions of the Nevada Gaming Control Act or the Regulations of the Nevada Gaming
28 Commission;

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3. That the Nevada Gaming Commission take action against RESPONDENT'S license
or licenses pursuant to the parameters defined in NRS 463.310(4); and
4. For such other and further relief as the Nevada Gaming Commission may deem just
and proper.

DATED this 10th day of January, 2013.

STATE GAMING CONTROL BOARD



A.G. BURNETT, Chairman


SHAWN R. REID, Member


TERRY JOHNSON, Member

Submitted by:

CATHERINE CORTEZ MASTO
Attorney General

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