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STATE OF NEVADA

5

BEFORE THE NEVADA GAMING COMMISSION

6

NEVADA GAMING CONTROL BOARD,)

7

Complainant,

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vs.

COMPLAINT

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CG TECHNOLOGY HOLDINGS, LLC,

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CG TECHNOLOGY, LLC,

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CG TECHNOLOGY HOLDINGS, L.P.,

12

And

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CG TECHNOLOGY, L.P.,
doing business as CG TECHNOLOGY,

14

Respondents.

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

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The State of Nevada, on relation of its Nevada Gaming Control Board (BOARD),

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Complainant herein, by and through its counsel, ADAM PAUL LAXALT, Attorney General, and

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MICHAEL P. SOMPS, Senior Deputy Attorney General, hereby files this Complaint for

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disciplinary action against Respondents pursuant to Nevada Revised Statute

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(NRS) 463.310(2) and alleges as follows:

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INTRODUCTION

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1. The BOARD brings this Complaint to address the serious and significant failures of

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CG Technology, L.P., dba CG Technology (CGT), to properly investigate, correct, and

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completely and accurately report to the BOARD systemic problems with CGT's computerized

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bookmaking system, known as "Cantor Sports Book (CSB)." The systemic problems with CSB

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were present since its inception in 2011 and resulted in thousands of CGT patrons being

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incorrectly paid on their winning wagers. Only once the BOARD initiated an investigation did

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CGT begin to take the necessary steps to identify all incorrectly paid wagers, identify those

1 patrons affected, and describe the nature and scope of the issue to the BOARD. CGT's
2 conduct, as more fully described herein, directly and negatively damages the reputation of
3 Nevada, the reputation of the gaming industry, and the public's confidence that gaming is
4 conducted honestly.

5 **PARTIES**

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

10 3. Respondent, CG TECHNOLOGY HOLDINGS, LLC, holds a license, registration
11 and/or finding of suitability as the general partner of CG TECHNOLOGY HOLDINGS, L.P.
12 issued by the Commission.

13 4. Respondent, CG TECHNOLOGY HOLDINGS, L.P., holds a license, registration
14 and/or finding of suitability as sole member and manager of CG TECHNOLOGY, LLC issued
15 by the Commission.

16 5. Respondent, CG TECHNOLOGY HOLDINGS, L.P., holds a license, registration
17 and/or finding of suitability as the limited partner of CGT issued by the Commission.

18 6. Respondent, CG TECHNOLOGY, LLC, holds a license, registration and/or finding of
19 suitability as the general partner of CGT issued by the Commission.

20 7. Respondent, CGT, holds licenses issued by the Commission to operate a race book,
21 a sports pool, off-track pari-mutuel race wagering, and off-track pari-mutuel sports wagering at
22 the establishments of the following nonrestricted gaming licensees:

- 23 a. The M Race and Sports Book;
- 24 b. Hard Rock Hotel & Casino – Race and Sports Book;
- 25 c. Tropicana Las Vegas Race & Sports Book;
- 26 d. Cosmopolitan of Las Vegas Race and Sports Book;
- 27 e. Venetian Casino Resort – Race and Sports Book;
- 28 f. Palms Casino Resort – Race and Sports Book; and

1 g. Silverton Casino Lodge Las Vegas – Race Book and Sports Pool.

2 8. Respondent, CGT, further holds licenses issued by the Commission as a
3 manufacturer, as a distributor and as an operator of a mobile gaming system.

4 9. Respondent, CGT, further holds a license, registration and/or a finding of suitability
5 as sole shareholder of CG Analytics, Inc., which is a licensed information service, issued by
6 the Commission.

7 **RELEVANT LAW**

8 10. NRS 463.0129 provides in relevant part the following:

9 1. The Legislature hereby finds, and declares to be the
10 public policy of this state, that:

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

13 (b) The continued growth and success of gaming is
14 dependent upon public confidence and trust that licensed gaming
15 and the manufacture, sale and distribution of gaming devices and
16 associated equipment are conducted honestly and competitively,
17 that establishments which hold restricted and nonrestricted licenses
18 where gaming is conducted and where gambling devices are
19 operated do not unduly impact the quality of life enjoyed by
20 residents of the surrounding neighborhoods, that the rights of the
21 creditors of licensees are protected and that gaming is free from
22 criminal and corruptive elements.

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

(e) To ensure that gaming is conducted honestly,
competitively and free of criminal and corruptive elements, all
gaming establishments in this state must remain open to the
general public and the access of the general public to gaming
activities must not be restricted in any manner except as provided
by the Legislature.

2. No applicant for a license or other affirmative commission
approval has any right to a license or the granting of the approval
sought. Any license issued or other commission approval granted
pursuant to the provisions of this chapter or chapter 464 of NRS is

1 a revocable privilege, and no holder acquires any vested right
2 therein or thereunder.

3 NRS 463.0129(1) and (2).

4 11. NRS 463.140(2) provides the following:

5 2. The Board and the Commission and their agents may:

6 (a) Inspect and examine all premises wherein gaming is
7 conducted or gambling devices or equipment are manufactured,
8 sold or distributed.

9 (b) Inspect all equipment and supplies in, upon or about
10 such premises.

11 (c) Summarily seize and remove from such premises and
12 impound any equipment, supplies, documents or records for the
13 purpose of examination and inspection.

14 (d) Demand access to and inspect, examine, photocopy and
15 audit all papers, books and records of any applicant or licensee, on
16 his or her premises, or elsewhere as practicable, and in the
17 presence of the applicant or licensee, or his or her agent,
18 respecting the gross income produced by any gaming business,
19 and require verification of income, and all other matters affecting
20 the enforcement of the policy or any of the provisions of this
21 chapter.

22 (e) Demand access to and inspect, examine, photocopy and
23 audit all papers, books and records of any affiliate of a licensee
24 whom the Board or Commission knows or reasonably suspects is
25 involved in the financing, operation or management of the licensee.
26 The inspection, examination, photocopying and audit may take
27 place on the affiliate's premises or elsewhere as practicable, and in
28 the presence of the affiliate or its agent.

18 NRS 463.140(2).

19 12. The Commission has full and absolute power and authority to limit, condition,
20 restrict, revoke or suspend any license, registration, finding of suitability or approval or fine any
21 person licensed, registered, found suitable or approved for any cause deemed reasonable by
22 the Commission. See NRS 463.1405(4).

23 13. The BOARD is authorized to observe the conduct of all licensees and other
24 persons having a material involvement directly or indirectly with a licensed gaming operation or
25 registered holding company in order to ensure that licenses are not issued or held by, nor is
26 there any material involvement directly or indirectly with a licensed gaming operation or
27 registered holding company by unqualified, disqualified or unsuitable persons, or persons
28 whose operations are conducted in an unsuitable manner. See NRS 463.1405(1).

1 14. NRS 463.170 provides in relevant part the following:

2 2. An application to receive a license or be found suitable
3 must not be granted unless the Commission is satisfied that the
4 applicant is:

- 5 (a) A person of good character, honesty and integrity;
6 (b) A person whose prior activities, criminal record, if any,
7 reputation, habits and associations do not pose a threat to the
8 public interest of this State or to the effective regulation and control
9 of gaming or charitable lotteries, or create or enhance the dangers
10 of unsuitable, unfair or illegal practices, methods and activities in
11 the conduct of gaming or charitable lotteries or in the carrying on of
12 the business and financial arrangements incidental thereto; and
13 (c) In all other respects qualified to be licensed or found
14 suitable consistently with the declared policy of the State.

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16 4. An application to receive a license or be found suitable
17 constitutes a request for a determination of the applicant's general
18 character, integrity, and ability to participate or engage in, or be
19 associated with gaming or the operation of a charitable lottery, as
20 appropriate. Any written or oral statement made in the course of an
21 official proceeding of the Board or Commission by any member
22 thereof or any witness testifying under oath which is relevant to the
23 purpose of the proceeding is absolutely privileged and does not
24 impose liability for defamation or constitute a ground for recovery in
25 any civil action.

26

27 8. Any person granted a license or found suitable by the
28 Commission shall continue to meet the applicable standards and
qualifications set forth in this section and any other qualifications
established by the Commission by regulation. The failure to
continue to meet such standards and qualifications constitutes
grounds for disciplinary action.

NRS 463.170(2), (4) and (8).

15. NRS 463.615 provides the following:

If any corporation, partnership, limited partnership, limited-
liability company or other business organization holding a license or
if any holding company or intermediary company with respect
thereto, does not comply with the laws of this state and the
regulations of the Commission, the Commission may, in its
discretion, do any one, all or a combination of the following:

1. Revoke, limit, condition or suspend the license of the
corporation, partnership, limited partnership, limited-liability
company or other business organization; or

1 2. Fine the persons involved, or the corporation,
2 partnership, limited partnership, limited-liability company or other
3 business organization holding a license or such holding company or
4 intermediary company,
5 ↳ in accordance with the laws of this state and the regulations of
6 the Commission.

7 NRS 463.615.

8 16. Nevada Gaming Commission Regulation 5.010 provides the following:

9 1. It is the policy of the commission and the board to require
10 that all establishments wherein gaming is conducted in this state be
11 operated in a manner suitable to protect the public health, safety,
12 morals, good order and general welfare of the inhabitants of the
13 State of Nevada.

14 2. Responsibility for the employment and maintenance of
15 suitable methods of operation rests with the licensee, and willful or
16 persistent use or toleration of methods of operation deemed
17 unsuitable will constitute grounds for license revocation or other
18 disciplinary action.

19 Nev. Gaming Comm'n Reg. 5.010.

20 17. Nevada Gaming Commission Regulation 5.011 provides in relevant part the
21 following:

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

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

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37 8. Failure to comply with or make provision for compliance
38 with all federal, state and local laws and regulations and with all
39 commission approved conditions and limitations pertaining to the
40 operations of a licensed establishment including, without limiting
41 the generality of the foregoing, payment of all license fees,
42 withholding any payroll taxes, liquor and entertainment taxes and
43 antitrust and monopoly statutes.

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1 10. Failure to conduct gaming operations in accordance with
2 proper standards of custom, decorum and decency, or permit any
3 type of conduct in the gaming establishment which reflects or tends
4 to reflect on the repute of the State of Nevada and act as a
5 detriment to the gaming industry.

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7 14. Denying any board or commission member or agent,
8 upon proper and lawful demand, access to, inspection or disclosure
9 of any portion or aspect of a gaming establishment as authorized
10 by applicable statutes and regulation.

11 Nev. Gaming Comm'n Regs. 5.011(1), (8), (10), and (14).

12 18. Nevada Gaming Commission Regulation 5.030 provides the following:

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

24 Nev. Gaming Comm'n Reg. 5.030.

25 19. Nevada Gaming Commission Regulation 5.040 provides the following:

26 A gaming license is a revocable privilege, and no holder
27 thereof shall be deemed to have acquired any vested rights therein
28 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.

20. Nevada Gaming Commission Regulation 5.060 provides the following:

1. No applicant, licensee or enrolled person shall neglect or
refuse to produce records or evidence or to give information upon
proper and lawful demand by a board or commission member or
any agent of the board, or shall otherwise interfere, or attempt to

1 interfere, with any proper and lawful efforts by the commission, the
2 board, or any agent to produce such information.

3 2. Each gaming licensee, licensed manufacturer, and
4 licensed distributor or seller shall immediately make available for
5 inspection by any board or commission member or agent all
6 papers, books and records produced by any gaming business and
7 all portions of the premises where gaming is conducted or where
8 gambling devices or equipment are manufactured, sold or
9 distributed. Any board or commission member or agent shall be
10 given immediate access to any portion of the premises of any
11 gaming licensee, licensed manufacturer or licensed distributor or
12 seller for the purpose of inspecting or examining any records or
13 documents required to be kept by such licensee under the
14 provisions of NRS chapter 463 or the regulations of the Nevada
15 gaming commission, and any gaming device or equipment or the
16 conduct of any gaming activity.

17 3. Access to the areas and records which may be inspected
18 or examined by board members or agents shall be granted to any
19 board member or agent who displays a badge issued by the board
20 and an identification card signed by a board member. Similar
21 access shall be granted to any commission member who displays
22 an identification card signed by the governor.

23 Nev. Gaming Comm'n Reg. 5.060.

24 21. Nevada Gaming Commission Regulation 6.090 provides in relevant
25 part the following:

26 1. Each licensee shall establish administrative and
27 accounting procedures for the purpose of determining the
28 licensee's liability for taxes and fees under chapters 463 and 464 of
NRS and for the purpose of exercising effective control over the
licensee's internal fiscal affairs. The procedures must be designed
to reasonably ensure that:

- (a) Assets are safeguarded;
- (b) Financial records are accurate and reliable;
- (c) Transactions are performed only in accordance with management's general or specific authorization;
- (d) Transactions are recorded adequately to permit proper reporting of gaming revenue and of fees and taxes, and to maintain accountability for assets;
- (e) Access to assets is permitted only in accordance with management's specific authorization;
- (f) Recorded accountability for assets is compared with actual assets at reasonable intervals and appropriate action is taken with respect to any discrepancies; and
- (g) Functions, duties, and responsibilities are appropriately segregated and performed in accordance with sound practices by competent, qualified personnel.

2. Each licensee and each applicant for a nonrestricted license shall describe, in such manner as the chairman may approve or require, its administrative and accounting procedures in detail in a written system of internal control. . . .

1 3. The chairman shall adopt and publish minimum
2 standards for internal control procedures that in the chairman's
3 opinion satisfy subsection 1. . . .

4

5 8. The licensee may not implement a system of internal
6 control procedures that does not satisfy the minimum standards
7 unless the chairman, in his sole discretion, determines that the
8 licensee's proposed system satisfies subsection 1, and approves
9 the system in writing. . . .

10

11 13. Each licensee shall comply with its written system of
12 internal control submitted pursuant to subsection 2 as it relates to
13 compliance with the minimum standards, variations from the
14 minimum standards approved pursuant to subsection 8, and
15 Regulation 14 associated equipment approvals.

16 14. Failure to comply with subsection 13 is an unsuitable
17 method of operation.

18 Nev. Gaming Comm'n Reg. 6.090(1), (2), (3), (8), (13), and (14).

19 22. Minimum Internal Control Standards (MICS) for Group I licensees (Version
20 7) for Race and Sports states in relevant part the following:

21 13. A sporting event wager is not accepted after the start of
22 the event unless "in progress" or a similar notation is indicated on
23 the original and each copy of the betting ticket, and the race and
24 sports computer system creates and maintains a record that
25 documents the supervisor's approval.

26

27 20. Tickets will not be written or voided after the outcome of
28 an event is known.

 68. Daily, accounting/audit personnel, for payouts made
without race and sports computer system authorization at the time
of payment including such payouts for contest/tournament winners,
will:

 a. Trace all payouts to the race and sports computer system
transaction report or the purged tickets report to verify authenticity
of the initial wager.

 b. For payouts subsequently entered into the race and
sports computer system by race and sports personnel, compare the

1 manual payout amount to the race and sports computer system
2 amount.

3 c. For payouts not entered into the race and sports
4 computer system by race and sports personnel, enter the payout
5 into the race and sports computer system and compare the manual
6 payout amount to the race and sports computer system amount. If
7 the system is inoperative, manually regrade the ticket to ensure the
8 proper payout amount was made.

9 Note: Appeasement payments (e.g., nonwinning ticket
10 payouts resulting from a customer complaint or employee error) are
11 not deductible from gross revenue.

12 MICS for Group I licensees (Version 7) for Race and Sports Nos. 13, 20, and 68.

13 23. NRS 463.310(4) states in relevant part that the Commission may:

14 (a) Limit, condition, suspend or revoke the license of any
15 licensed gaming establishment or the individual license of any
16 licensee without affecting the license of the establishment;

17 (b) Limit, condition, suspend or revoke any registration,
18 finding of suitability, preliminary finding of suitability, pari-mutuel
19 license, or prior approval given or granted to any applicant by the
20 Commission;

21

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

28

(2) Except as otherwise provided in subparagraph
(1), not more than \$100,000 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 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)(a), (b) and (d)(2).

BACKGROUND

24 24. On or about February 10, 2010, then BOARD Member Lipparelli issued an industry-
25 wide notice regarding "Associated Equipment and Systems Approval Process Changes," which
26 states in relevant part the following:
27
28

1 A manufacturer of Associated Equipment must notify the
2 Technology Division immediately of any deficiency observed or
3 identified with previously approved Associated Equipment that is
4 currently in operation at a licensed gaming establishment that may
5 affect the proper reporting of revenue, impact the player
6 experience, or affect the integrity of gaming in Nevada. The
7 manufacturer must submit the notification on the forms provided to
8 the Technology Division via the email address
9 agencynotification@gcb.nv.gov. Additionally, the manufacturer is
10 encouraged to contact the Technology Division at (702) 486-2043
11 to provide immediate notification of the deficiency. Failure to notify
12 the Board in a timely fashion of any Associated Equipment
13 malfunction or failure may result in disciplinary action against the
14 licensee and/or the Associated Equipment manufacturer.

9 25. On or about March 5, 2015, a BOARD Enforcement Division Agent responded to
10 the Silverton Casino Lodge Las Vegas Race Book and Sports Pool (Silverton) in response to a
11 patron complaint that the patron was underpaid by the Silverton on his winning round robin
12 parlay wager. The patron informed the BOARD agent that this was the fifth time he had been
13 underpaid by the Silverton on a winning round robin parlay wager. The patron further informed
14 the BOARD agent that in those prior instances when he was underpaid by the Silverton, the
15 patron brought the error to the attention of the Silverton and was then correctly paid. However,
16 given that the underpayments continued to occur and to avoid future errors, the patron decided
17 on this occasion to complain to the BOARD.

18 26. On or about March 5, 2015, the BOARD agent confirmed that the patron had been
19 underpaid by the Silverton and the Silverton ultimately correctly paid the patron on the winning
20 round robin parlay wager. However, the BOARD's investigation revealed that incorrect
21 payments on various winning parlay wagers had been a recurring and company-wide error for
22 several years due to a software issue or software issues known to CGT. Specifically, the
23 BOARD's investigation revealed the following:

24 a. In August 2011, CGT began operating a new computerized bookmaking system,
25 known as "Cantor Sports Book" (CSB), for its mobile sports wagering product and knew or
26 should have known at that time that CSB, under certain circumstances, miscalculated winning
27 single and round robin parlay wagers (collectively "parlays").

28

1 b. As a result of CSB miscalculating winning parlays, CGT patrons were incorrectly paid
2 on such winning parlays over a period of several years.

3 c. In April 2014, CGT expanded the use of CSB beyond mobile gaming and began
4 using CSB in over the counter wagers in its sports books. However, patrons continued to be
5 incorrectly paid on their winning parlays.

6 d. Subsequent to CGT expanding use of the CSB software to over the counter wagers,
7 incorrect payment of winning parlays increased.

8 e. From when CGT began operating CSB in August 2011, various CGT employees,
9 including CGT management, were aware or became aware that CSB was miscalculating
10 winning parlays, including underpaying winning parlays.

11 f. CGT only corrected miscalculated payouts on winning parlays after patrons brought
12 the miscalculation to the attention of CGT. Patrons who did not bring a miscalculated payout
13 on a winning parlay to the attention of CGT were not accurately paid by CGT.

14 g. CGT made no attempt to generally notify its patrons that CSB was miscalculating
15 winning parlays.

16 h. CGT made no attempt to specifically identify and notify those CGT patrons who had
17 been underpaid as a result of CSB miscalculating payments on winning parlays.
18 Consequently, CGT effectively ignored a group of several thousand patrons who had won their
19 parlay wagers but who had been underpaid their winnings and left responsibility to those
20 patrons to bring an underpayment to the attention of CGT. Only after the BOARD initiated its
21 investigation did CGT take steps to identify all parlay wagers and patrons affected by the CSB
22 software issue.

23 i. CGT, despite the direction given through the BOARD's February 10, 2010 industry
24 notice, failed to fully disclose to the BOARD the nature and scope of the CSB software issue
25 which was causing miscalculated payments on winning parlays. The only potential information
26 provided to the BOARD over the years since CSB was implemented that may relate to the
27 issue of CSB miscalculating winning parlay payouts consisted of, at most, a May 2014
28 software modification submittal wherein a fixed odds parlay issue was fifth on the list of nine

1 issues the modification was meant to address and that provided nothing to suggest the gravity,
2 or full nature of the CSB software issue.

3 j. As part of the May 2014 modification submittal, the BOARD was erroneously led to
4 believe that CGT had put into place manual procedures whereby every patron affected by the
5 CSB software issue was being fully and accurately paid on their winning parlay wagers.

6 k. CGT failed to notify the BOARD that CGT was only correcting underpaid payouts on
7 winning parlays when patrons brought the underpayment to the attention of CGT and that CGT
8 patrons who did not bring underpaid parlay payouts to the attention of CGT were not fully and
9 accurately paid.

10 l. From when CGT began operating CSB in August 2011 to March 9, 2015, winning
11 parlays were both underpaid and overpaid due to the CSB software issue. Winning parlays
12 were underpaid in excess of 20,000 separate occasions for a total of approximately \$700,000
13 in underpayments. Winning parlays were overpaid in excess of 11,000 separate occasions for
14 a total of approximately \$100,000 in overpayments.

15 m. CGT was aware in September 2012, if not earlier, that it could eliminate
16 miscalculated payments on winning parlays from occurring in the future by turning off the fixed
17 odds option within CSB. However, to the harm of patrons and for business and/or financial
18 purposes, CGT chose not to turn off fixed odds.

19 27. On or about March 9, 2015, after the commencement of the BOARD's investigation,
20 the BOARD directed CGT to take steps to ensure the correct payment to CGT patrons of their
21 winning parlays.

22 28. On or about March 9, 2015, to comply with the BOARD's direction to CGT to take
23 steps to ensure the correct payment to CGT patrons of their winning parlays, CGT turned off
24 the fixed odds option within CSB, and winning parlays began to be correctly calculated using
25 true odds.

26 29. Since turning off fixed odds on or about March 9, 2015, the amount CGT has paid
27 on winning parlays using true odds is more than had winning parlays been calculated using
28 fixed odds.

1 30. CGT, holding licenses, registrations and/or findings of suitability issued by the
2 Commission, is ultimately responsible for its operations, including the proper operation of CSB
3 and the accurate payment to CGT patrons of winning parlays.

4 31. The BOARD's investigation revealed that CGT failed to conduct its operations in
5 such a way that public confidence and trust that licensed gaming is conducted honestly is
6 maintained. CGT's actions and/or failures directly and negatively impact the State's reputation
7 and the reputation of the gaming industry.

8 32. CGT has previously been the subject of a complaint and disciplined by the
9 Commission pursuant to NRS 463.310 for violations of the Nevada Gaming Control Act and
10 Regulations of the Commission. Specifically, on January 23, 2014, the Commission approved
11 a Stipulation for Settlement resolving a complaint filed by the BOARD against CGT (NGC 12-
12 05) whereby CGT agreed to pay a fine in the amount of \$5,500,000. Further, during the
13 Commission's consideration of the Stipulation for Settlement, CGT was cautioned that any
14 future complaints could result in license revocation.

15 **COUNT ONE**
16 **VIOLATION OF NEVADA REVISED STATUTE 463.170(8)**
17 **and/or NEVADA GAMING COMMISSION REGULATIONS 5.011, 5.011(1), and/or 5.011(10)**

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

20 34. From August 2011 to March 2015, CGT implemented and operated its CSB
21 software that, during that period, resulted in CGT patrons being underpaid when such patrons
22 presented winning parlays for payment.

23 35. From August 2011 to March 2015, CGT implemented and operated its CSB
24 software that, during that period, resulted in CGT patrons being overpaid when such patrons
25 presented winning parlays for payment.

26 36. From August 2011 to March 2015, CGT only corrected miscalculated payouts on
27 winning parlays after patrons brought the miscalculation to the attention of CGT. CGT patrons
28 who were underpaid on winning parlays but who did not bring the underpayment to the
attention of CGT were not fully and accurately paid by CGT.

1 37. CGT patrons who were overpaid on winning parlays resulted in the underpayment
2 of taxes and/or fees to the State of Nevada.

3 38. CGT knew or should have known of the above-described conduct and failed to
4 prevent it from occurring.

5 39. CGT's conduct as described herein, in whole or in part, constitutes a failure to
6 continue to meet the applicable standards and qualifications necessary to hold a gaming
7 license and/or finding of suitability in violation of NRS 463.170(8).

8 40. CGT's conduct as described herein, in whole or in part, is inimical to the public
9 health, safety, morals, good order and general welfare of the people of the State of Nevada, or
10 reflects or tends to reflect discredit upon the State of Nevada or the gaming industry in
11 violation of Nevada Gaming Commission Regulation 5.011.

12 41. CGT's conduct as described herein, in whole or in part, constitutes a failure to
13 exercise discretion and sound judgment to prevent incidents which might reflect on the repute
14 of the State of Nevada and act as a detriment to the development of the industry in violation of
15 Nevada Gaming Commission Regulation 5.011(1).

16 42. CGT's conduct as described herein, in whole or in part, constitutes a failure to
17 conduct gaming operations in accordance with proper standards of custom, decorum and
18 decency and/or is a type of conduct permitted by CG which reflects or tends to reflect on the
19 repute of the State of Nevada and act as a detriment to the gaming industry in violation of
20 Nevada Gaming Commission Regulation 5.011(10).

21 43. Each separate occasion when a CGT patron presented a winning parlay to CGT for
22 payment and CGT failed to accurately pay the patron constitutes a separate violation of the
23 Gaming Control Act and regulations of the Nevada Gaming Commission, as herein specified,
24 for purposes of NRS 463.310(4)(d)(2).

25 44. The failure by CGT to comply with NRS 463.170(8) and/or Nevada Gaming
26 Commission Regulations 5.011, 5.011(1), and/or 5.011(10) is grounds for disciplinary action
27 against Respondents. See NRS 463.170(8), NRS 463.615, and Nev. Gaming Comm'n Regs.
28 5.010(2) and 5.030.

1 **COUNT TWO**
2 **VIOLATION OF NEVADA REVISED STATUTES 463.170(8)**
3 **and/or NEVADA GAMING COMMISSION REGULATIONS 5.011, 5.011(1), and/or 5.011(10)**

4 45. Complainant BOARD realleges and incorporates by reference as though set forth in
5 full herein paragraphs 1 through 44 above.

6 46. From August 2011 to March 2015, CGT did not take any steps to generally notify its
7 patrons that its CSB software was miscalculating winning parlays.

8 47. From August 2011 to March 2015, CGT did not take any steps to specifically
9 identify and then notify those CGT patrons who had been underpaid on winning parlays.

10 48. CGT's conduct as described herein, in whole or in part, constitutes a failure to
11 continue to meet the applicable standards and qualifications necessary to hold a gaming
12 license and/or finding of suitability in violation of NRS 463.170(8).

13 49. CGT's conduct as described herein, in whole or in part, is inimical to the public
14 health, safety, morals, good order and general welfare of the people of the State of Nevada, or
15 reflects or tends to reflect discredit upon the State of Nevada or the gaming industry in
16 violation of Nevada Gaming Commission Regulation 5.011.

17 50. CGT's conduct as described herein, in whole or in part, constitutes a failure to
18 exercise discretion and sound judgment to prevent incidents which might reflect on the repute
19 of the State of Nevada and act as a detriment to the development of the industry in violation of
20 Nevada Gaming Commission Regulation 5.011(1).

21 51. CGT's conduct as described herein, in whole or in part constitutes a failure to
22 conduct gaming operations in accordance with proper standards of custom, decorum and
23 decency and/or is a type of conduct permitted by CG which reflects or tends to reflect on the
24 repute of the State of Nevada and act as a detriment to the gaming industry in violation of
25 Nevada Gaming Commission Regulation 5.011(10).

26 52. The failure by CGT to comply with NRS 463.170(8) and/or Nevada Gaming
27 Commission Regulations 5.011, 5.011(1), and/or 5.011(10) is grounds for disciplinary action
28 against Respondents. See NRS 463.170(8), NRS 463.615, and Nev. Gaming Comm'n Regs.
5.010(2) and 5.030.

1 **COUNT THREE**
2 **VIOLATION OF NEVADA REVISED STATUTE 463.170(8)**
3 **and/or NEVADA GAMING COMMISSION REGULATIONS 5.011, 5.011(1), and/or 5.011(10)**

4 53. Complainant BOARD realleges and incorporates by reference as though set forth in
5 full herein paragraphs 1 through 52 above.

6 54. From August 2011 to March 2015, CGT failed to fully disclose to the BOARD the
7 nature and scope of the CSB software issue or issues which were causing miscalculated
8 payments on winning parlays.

9 55. From August 2011 to March 2015, CGT failed to notify the BOARD that CGT was
10 only correcting underpaid payouts on winning parlays when patrons brought the underpayment
11 to the attention of CGT.

12 56. From August 2011 to March 2015, CGT failed to notify the BOARD that CGT
13 patrons who did not bring underpaid parlay payouts to the attention of CGT were not
14 accurately paid.

15 57. CGT's conduct as described herein, in whole or in part, constitutes a failure to
16 continue to meet the applicable standards and qualifications necessary to hold a gaming
17 license and/or finding of suitability in violation of NRS 463.170(8).

18 58. CGT's conduct as described herein, in whole or in part, is inimical to the public
19 health, safety, morals, good order and general welfare of the people of the State of Nevada, or
20 reflects or tends to reflect discredit upon the State of Nevada or the gaming industry in
21 violation of Nevada Gaming Commission Regulation 5.011.

22 59. CGT's conduct, as described herein, in whole or in part, constitutes a failure to
23 exercise discretion and sound judgment to prevent incidents which might reflect on the reput
24 of the State of Nevada and act as a detriment to the development of the industry in violation of
25 Nevada Gaming Commission Regulation 5.011(1).

26 60. CGT's conduct as described herein, in whole or in part, constitutes a failure to
27 conduct gaming operations in accordance with proper standards of custom, decorum and
28 decency and/or is a type of conduct permitted by CGT which reflects or tends to reflect on the

.....

1 repute of the State of Nevada and act as a detriment to the gaming industry in violation of
2 Nevada Gaming Commission Regulation 5.011(10).

3 61. The failure by CGT to comply with NRS 463.170(8) and/or Nevada Gaming
4 Commission Regulations 5.011, 5.011(1), and/or 5.011(10) is grounds for disciplinary action
5 against Respondents. See NRS 463.170(8), NRS 463.615, and Nev. Gaming Comm'n Regs.
6 5.010(2) and 5.030.

7 **COUNT FOUR**
8 **VIOLATION OF NEVADA REVISED STATUTE 463.170(8), NRS 463.140(2)**
9 **and/or NEVADA GAMING COMMISSION**
10 **REGULATIONS 5.011, 5.011(1), 5.011(8), 5.011(10), 5.011(14), and/or 5.060**

11 62. Complainant BOARD realleges and incorporates by reference as though set forth in
12 full herein paragraphs 1 through 61 above.

13 63. Over the course of the BOARD's investigation, the BOARD conducted numerous
14 interviews of CGT employees and requested various data, documents and correspondence
15 from CGT.

16 64. Over the course of the BOARD'S investigation, CGT did not fully cooperate with the
17 BOARD. Instances of CGT's lack of cooperation include, without limitation, the following:

18 a. Beginning on March 5, 2015, the BOARD's investigation focused on miscalculated
19 payments occurring solely with winning round robin parlay wagers. However, despite CGT's
20 knowledge since August 2011 that CSB miscalculated both winning round robin parlay wagers
21 and winning single bet parlay wagers and despite substantial communication between the
22 BOARD and CGT during the early stages of the BOARD's investigation, CGT did not inform
23 the BOARD that CSB also miscalculated winning single bet parlay wagers until, at the earliest,
24 March 26, 2015.

25 b. During an interview by BOARD agents of CGT's Vice President of Race and Sports
26 Book Operations it became evident, through his conduct and responses to questions, that he
27 intended to provide as little information as possible to the BOARD.

28 c. CGT's Vice President, Deputy General Counsel, informed the BOARD on April 29,
2015 and on April 30, 2015 that CGT was gathering documentation to provide to the BOARD

1 evidencing that the BOARD's Technology Division had knowledge of the CSB parlay payout
2 miscalculation issue since its inception. On May 15, 2015, the BOARD requested, in writing,
3 the documentation CGT had to support its allegation that the BOARD's Technology Division
4 was aware of the CSB miscalculation issue. To date, CGT has not provided any such
5 documentation.

6 d. On June 24, 2015, a meeting was held between CGT representatives and BOARD
7 representatives where CGT was instructed that full cooperation was expected by the BOARD.

8 e. On July 2, 2015, BOARD agents arrived at CGT's corporate offices to access CGT
9 computers in an effort to obtain CGT employee e-mails. However, CGT's Vice President,
10 Deputy General Counsel, informed the BOARD agents that access to CGT computers could
11 not immediately occur because it would take a few days to compile the information. Further,
12 CGT's Vice President, Deputy General Counsel, asserted that the BOARD could not have
13 access to CGT computers because the information sought by the BOARD is privileged. After
14 a delay of approximately one hour, BOARD agents were finally allowed access to CGT
15 computers.

16 65. CGT's conduct as described herein, in whole or in part, constitutes a failure to
17 continue to meet the applicable standards and qualifications necessary to hold a gaming
18 license and/or finding of suitability in violation of NRS 463.170(8).

19 66. CGT's conduct as described herein, in whole or in part, constitutes a failure to
20 comply with NRS 463.140(2).

21 67. CGT's conduct as described herein, in whole or in part, constitutes a failure to
22 comply with Nevada Gaming Commission Regulation 5.060.

23 68. CGT's conduct as described herein, in whole or in part, is inimical to the public
24 health, safety, morals, good order and general welfare of the people of the State of Nevada, or
25 reflects or tends to reflect discredit upon the State of Nevada or the gaming industry in
26 violation of Nevada Gaming Commission Regulation 5.011.

27 69. CGT's conduct as described herein, in whole or in part, constitutes a failure to
28 exercise discretion and sound judgment to prevent incidents which might reflect on the repute

1 of the State of Nevada and act as a detriment to the development of the industry in violation of
2 Nevada Gaming Commission Regulation 5.011(1).

3 70. CGT's conduct as described herein, in whole or in part, constitutes a failure to
4 comply with or make provision for compliance with all federal, state and local laws and
5 regulations pertaining to the operations of a licensed establishment in violation of Nevada
6 Gaming Commission Regulation 5.011(8).

7 71. CGT's conduct as described herein, in whole or in part, constitutes a failure to
8 conduct gaming operations in accordance with proper standards of custom, decorum and
9 decency and/or is a type of conduct permitted by CGT which reflects or tends to reflect on the
10 repute of the State of Nevada and act as a detriment to the gaming industry in violation of
11 Nevada Gaming Commission Regulation 5.011(10).

12 72. CGT's conduct as described herein, in whole or in part, constitutes a failure to
13 comply with Nevada Gaming Commission Regulation 5.011(14).

14 73. The failure by CGT to comply with NRS 463.170(8), NRS 463.140(2) and/or
15 Nevada Gaming Commission Regulations 5.060, 5.011, 5.011(1), 5.011(8), 5.011(10), and/or
16 5.011(14) is grounds for disciplinary action against Respondents. See NRS 463.170(8), NRS
17 463.615, and Nev. Gaming Comm'n Regs. 5.010(2) and 5.030.

18 **COUNT FIVE**
19 **VIOLATION OF NEVADA GAMING COMMISSION REGULATIONS 5.011, 5.011(1),**
20 **5.011(8), 5.011(10) and/or 6.090**

21 74. Complainant BOARD realleges and incorporates by reference as though set forth in
22 full herein paragraphs 1 through 73 above.

23 75. During a BOARD audit of CGT for the period of April 1, 2012 through November 30,
24 2014, the BOARD determined that, for payouts made without race and sports computer
25 system authorization, CGT accounting/audit personnel 1) did not trace payouts made by CGT
26 to patrons due to CSB system errors to the system transaction report to verify the authenticity
27 of the initial wagers; and/or 2) did not manually regrade tickets to ensure the correct payouts.

28 76. CGT's conduct as described herein, in whole or in part, constitutes a failure to
comply with Race and Sports MICS No. 68.

1 77. CGT's failure to comply with Race and Sports MICS No. 68 constitutes a failure to
2 comply with Nevada Gaming Commission Regulation 6.090.

3 78. CGT's failure to comply with Nevada Gaming Commission Regulation 6.090
4 constitutes a failure to comply with Nevada Gaming Commission Regulation 5.011(8).

5 79. CGT's conduct as described herein, in whole or in part, is inimical to the public
6 health, safety, morals, good order and general welfare of the people of the State of Nevada, or
7 reflects or tends to reflect discredit upon the State of Nevada or the gaming industry in
8 violation of Nevada Gaming Commission Regulation 5.011.

9 80. CGT's conduct, as described herein, in whole or in part, constitutes a failure to
10 exercise discretion and sound judgment to prevent incidents which might reflect on the repute
11 of the State of Nevada and act as a detriment to the development of the industry in violation of
12 Nevada Gaming Commission Regulation 5.011(1).

13 81. CGT's conduct as described herein, in whole or in part, constitutes a failure to
14 conduct gaming operations in accordance with proper standards of custom, decorum and
15 decency and/or is a type of conduct permitted by CGT which reflects or tends to reflect on the
16 repute of the State of Nevada and act as a detriment to the gaming industry in violation of
17 Nevada Gaming Commission Regulation 5.011(10).

18 82. The failure by CGT to comply with Nevada Gaming Commission Regulations 5.011,
19 5.011(1), 5.011(8), 5.011(10) and/or 6.090 is grounds for disciplinary action against
20 Respondents. See NRS 463.615, and Nev. Gaming Comm'n Regs. 5.010(2), 5.030, and
21 6.090(14).

22 **COUNT SIX**
23 **VIOLATION OF NEVADA GAMING COMMISSION REGULATIONS 5.011, 5.011(1),**
24 **5.011(8), 5.011(10) and/or 6.090**

25 83. Complainant BOARD realleges and incorporates by reference as though set forth in
26 full herein paragraphs 1 through 82 above.

27 84. On or about January 19, 2016, CGT reported to the BOARD that, on January 17,
28 2016, CGT discovered that it had accepted six wagers on the Baghdad v. Wade mixed martial
arts match after the conclusion of the match.

1 85. The January 17, 2016 post-match wagers occurred following a June 10, 2015 letter
2 issued by the BOARD to CGT wherein the BOARD memorialized that on May 2, 2015 CGT
3 had improperly accepted wagers on a boxing match during and after the conclusion of the
4 match.

5 86. CGT's conduct as described herein, in whole or in part, constitutes a failure to
6 comply with Race and Sports MICS Nos. 13 and/or 20.

7 87. CGT's failure to comply with Race and Sports MICS Nos. 13 and/or 20 constitutes
8 a failure to comply with Nevada Gaming Commission Regulation 6.090.

9 88. CGT's failure to comply with Nevada Gaming Commission Regulation 6.090
10 constitutes a failure to comply with Nevada Gaming Commission Regulation 5.011(8).

11 89. CGT's conduct as described herein, in whole or in part, is inimical to the public
12 health, safety, morals, good order and general welfare of the people of the State of Nevada, or
13 reflects or tends to reflect discredit upon the State of Nevada or the gaming industry in
14 violation of Nevada Gaming Commission Regulation 5.011.

15 90. CGT's conduct, as described herein, in whole or in part, constitutes a failure to
16 exercise discretion and sound judgment to prevent incidents which might reflect on the repute
17 of the State of Nevada and act as a detriment to the development of the industry in violation of
18 Nevada Gaming Commission Regulation 5.011(1).

19 91. CGT's conduct as described herein, in whole or in part, constitutes a failure to
20 conduct gaming operations in accordance with proper standards of custom, decorum and
21 decency and/or is a type of conduct permitted by CGT which reflects or tends to reflect on the
22 repute of the State of Nevada and act as a detriment to the gaming industry in violation of
23 Nevada Gaming Commission Regulation 5.011(10).

24 92. Each separate occasion when CGT violated the BOARD'S Race and Sports MICS
25 constitutes a separate violation of the Gaming Control Act and regulations of the Nevada
26 Gaming Commission, as herein specified, for purposes of NRS 463.310(4)(d)(2).

27 93. The failure by CGT to comply with Nevada Gaming Commission Regulations 5.011,
28 5.011(1), 5.011 (8), 5.011(10), and/or 6.090 is grounds for disciplinary action against

1 Respondents. See NRS 463.615, and Nev. Gaming Comm'n Regs. 5.010(2), 5.030, and
2 6.090(14).

3 WHEREFORE, based upon the allegations contained herein which constitute
4 reasonable cause for disciplinary action against Respondents, pursuant to NRS 463.170(8),
5 NRS 463.310, NRS 463.615, and Nevada Gaming Commission Regulations 3.080, 5.010,
6 5.011 and 5.030, the NEVADA GAMING CONTROL BOARD prays for the relief as follows:

7 1. That the Nevada Gaming Commission serve a copy of this Complaint on
8 Respondents pursuant to NRS 463.312(2);

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

12 3. That the Nevada Gaming Commission take action against Respondents' licenses,
13 registrations, and/or findings of suitability pursuant to the parameters defined in NRS
14 463.310(4); and

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1 4. For such other and further relief as the Nevada Gaming Commission may deem just
2 and proper including taking any and all steps deemed appropriate to ensure that all patrons
3 affected by CGT's conduct are fully and accurately paid their winning parlay wagers.

4 DATED this 16th day of May, 2016.

5 NEVADA GAMING CONTROL BOARD

6 
7 _____
8 A.G. BURNET, Chairman

9 
10 _____
11 SHAWN R. REID, Member

12 _____
13 TERRY JOHNSON, Member

13 Submitted by:

14 ADAM PAUL LAXALT
15 Attorney General

16 By:

17 
18 _____
19 MICHAEL P. SOMPS
20 Senior Deputy Attorney General
21 (775) 687-2124
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Gaming Division
5420 Kietzke Lane, Suite 202
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4. For such other and further relief as the Nevada Gaming Commission may deem just and proper including taking any and all steps deemed appropriate to ensure that all patrons affected by CGT's conduct are fully and accurately paid their winning parlay wagers.

DATED this 16th day of May, 2016.

NEVADA GAMING CONTROL BOARD

A.G. BURNETT, Chairman

SHAWN R. REID, Member

Terry Johnson

TERRY JOHNSON, Member

Submitted by:
ADAM PAUL LAXALT
Attorney General

By: _____
MICHAEL P. SOMPS
Senior Deputy Attorney General
(775) 687-2124