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NEVADA GAMING COMMISSION  
CARSON CITY, NEVADA

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STATE OF NEVADA

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BEFORE THE NEVADA GAMING COMMISSION

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7 STATE GAMING CONTROL BOARD,

8

Complainant,

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vs.

COMPLAINT

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COMSTOCK GAMES, INC.

11

Respondent.

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

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

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2. Respondent, COMSTOCK GAMES, INC. (COMSTOCK), located at 12580 Thomas Creek Road, Reno, Nevada, is a corporation licensed as a slot route operator in Nevada.

24

RELEVANT LAW

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

26

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

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(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

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

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

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

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

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

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

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

Nev. Gaming Comm'n Reg. 5.040.

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

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

2 The board and the commission deem any activity on the  
3 part 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,  
7 to 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 . . .

20 . . . .

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

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

27 9. Nevada Gaming Commission Regulation 5.015 provides as follows:

28 1. An operator of a slot machine route shall affix in a  
prominent place to each gaming device exposed for play,  
pursuant to his license or any agreement, a sign or label that  
identifies the person responsible for repairs of malfunctions of the  
machine, payments of winnings, and disputes regarding  
payments.

2. A licensee shall not expose for play any gaming device  
of an operator of a slot machine route that fails to display the  
information required by subsection 1 of this section.

Nev. Gaming Comm'n Reg. 5.015.

10. Nevada Gaming Commission Regulation 14.200 provides in relevant part that "[a]  
licensee . . . shall maintain the gaming devices in a suitable condition."

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11. 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).

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

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

.....

(2) Except as otherwise provided in subparagraph (1) of this paragraph, 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)(d)(2).

**BACKGROUND**

13. On or about March 18, 1982, COMSTOCK was licensed by the Nevada Gaming Commission as a slot route operator.

14. COMSTOCK places slot machines at establishments on a space lease basis and on a gaming revenue participation basis.

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1           15. On or about May 12, 2008, the BOARD received a report that slot machines,  
2 placed and operated by COMSTOCK, were "always" out of order at the Spirit Gas and  
3 Grocery (Spirit) in Reno, Nevada. The slot machines at Spirit are operated by COMSTOCK  
4 on a space-lease basis.

5           16. On or about May 13, 2008, the BOARD began an investigation of COMSTOCK  
6 and found four out of five slot machines at Spirit were out of order.

7           17. BOARD agents made periodic visits to Spirit and observed the following:

- 8           a) May 14, 2008 – One slot machine was out of order.
- 9           b) May 18, 2008 – All five machines were out of order.
- 10           c) May 19, 2008 – All five machines were working.
- 11           d) May 20, 2008 – Three slot machines were out of order.
- 12           e) May 21, 2008 – All five machines were working.

13           18. On May 20, 2008, BOARD agents learned from the owner of Spirit that Spirit slot  
14 machines were not kept at a sufficient coin level to maintain play for any significant length of  
15 time. In addition, Dan Meyer, who is the majority shareholder, president and a director of  
16 COMSTOCK, was not responding to telephone messages left by Spirit.

17           19. On May 21, 2008, a slot route operator identification label was missing from one  
18 slot machine at Spirit. Further, the identification labels on the remaining slot machines  
19 contained a non-working telephone number.

20           20. On June 9, 2008, BOARD agents discussed with Mr. Meyer the issues concerning  
21 Spirit and Mr. Meyer was asked to address the issues.

22           21. On September 24, 2008 four slot machines were out of order at Spirit. BOARD  
23 agents were also informed that one slot machine had been out of order for more than one  
24 month and on September 21, 2008, all five slot machines had been out of order.

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1           22. On September 30, 2008, three slot machines were out of order at Spirit. In  
2 addition:

- 3           a) The "touch screen" feature of house/serial no. 1/v010609532 was inoperable;  
4           b) The hopper of house/serial no. 2/956648 was missing and its hold/cancel plate  
5           was missing;  
6           c) The video display of house/serial no. 3/956651 was out of calibration; and  
7           d) The key reset of house/serial no. 5/955056 was broken and the wiring was  
8           disconnected and it was missing the "play one credit" plate.

9           23. On October 6, 2008, BOARD agents conducted an inspection at the Coney Island  
10 Bar in Sparks, Nevada, for which COMSTOCK is the slot route operator through a  
11 participation agreement. At the Coney Island Bar, five out of five slot machines were off and  
12 three of those five were out of order. The owner of the Coney Island Bar had been making  
13 attempts to reach Mr. Meyer, without response, since October 3, 2008 to service the slot  
14 machines.

15           24. On October 31, 2008, the BOARD was contacted by the owner of the Big Horn Bar  
16 and Grill (Big Horn) in Reno, Nevada, for which COMSTOCK is the slot route operator on a  
17 space-lease basis, and informed that COMSTOCK had not been maintaining the slot  
18 machines at the Big Horn. The BOARD began an investigation of COMSTOCK at the Big  
19 Horn and found that six out of six slot machines at the Big Horn were out of order. One slot  
20 machine had been out of service for approximately one month at the direction of the BOARD's  
21 Technology Division due to a screen adjustment problem, which had not been corrected. Mr.  
22 Meyer was not returning phone messages left by the owner of the Big Horn.

23           25. On November 12, 2008, BOARD agents conducted an inspection at the Shamrock  
24 Grocery and Deli in Reno, Nevada, for which COMSTOCK operates the slot machines on a  
25 space-lease basis. One out of three of the slot machines was out of order and had been for  
26 two days.

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1 26. On November 25, 2008, BOARD agents conducted an inspection at the following  
2 COMSTOCK locations:

- 3 a) At Spirit all slot machines were operational. However, one slot route operator  
4 identification label was missing from a slot machine.
- 5 b) At the General Store in Reno, Nevada, which has slot machines operated on a  
6 space-lease basis with COMSTOCK, one out of the four slot machines was out  
7 of order. In addition, slot route operator identification labels were missing from  
8 two slot machines.
- 9 c) At the Coney Island Bar, all five slot machines were shut down. In addition, slot  
10 route operator identification labels were missing from two slot machines.
- 11 d) At the Big Horn, one slot machine was out of order.

12 27. On November 28, 2008, two slot machines at the Big Horn were out of order.

13 28. On December 1, 2008, four slot machines at the General Store were out of order.

14 29. On December 1, 2008, all the slot machines at the Coney Island Bar were shut  
15 down and had been for at least 5 weeks because they had not been serviced. In addition, Mr.  
16 Meyer was not responding to phone messages.

17 30. On December 12, 2008, two slot machines at the Big Horn were out of order.

18 31. On March 28, 2009, two slot machines at the Big Horn were out of order.

19 32. BOARD agents have had difficulties obtaining timely responses from Mr. Meyer.

20 **COUNT ONE**

21 **NEV. GAMING COMM'N REGS. 5.011, 5.011(1), 5.011(8) and 5.011(10), and**

22 **NEV. GAMING COMM'N REG. 14.200**

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

25 34. COMSTOCK is responsible for maintaining its slot machines in a suitable condition  
26 pursuant to Nev. Gaming Comm'n Reg. 14.200.

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1 machines contained a non-working telephone number for COMSTOCK. This constitutes  
2 violations of Nev. Gaming Comm'n Reg. 5.015.

3 43. On or about November 25, 2008, a slot route operator identification label was  
4 missing from one slot machine at Spirit, from two slot machines at the General Store, and  
5 from two slot machines at the Coney Island Bar. This constitutes additional violations of Nev.  
6 Gaming Comm'n Reg. 5.015.

7 44. The failure of COMSTOCK to comply with Nev. Gaming Comm'n Reg. 5.015  
8 constitutes a violation of Nev. Gaming Comm'n Reg. 5.011(8).

9 45. COMSTOCK's failure to comply with Nev. Gaming Comm'n Regs. 5.011(8) and  
10 5.015 is an unsuitable method of operation and is grounds for disciplinary action. See Nev.  
11 Gaming Comm'n Regs. 5.010(2) and 5.030.

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

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

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

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

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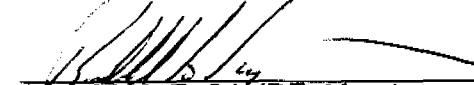
1 4. For such other and further relief as the Nevada Gaming Commission may deem just  
2 and proper.

3 DATED this 22nd day of October, 2009.

4 STATE GAMING CONTROL BOARD

5 

6 DENNIS K. NEILANDER, Chairman

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8 RANDALL E. SAYRE, Member

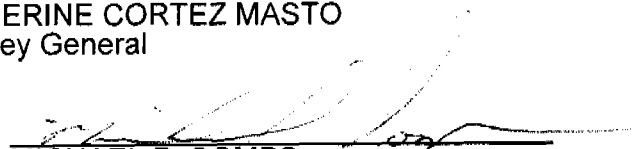
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10 MARK A. LIPPARELLI, Member

11 Submitted by:

12 CATHERINE CORTEZ MASTO  
13 Attorney General

14 By:

  
15 MICHAEL P. SOMPS  
16 Senior Deputy Attorney General  
17 Gaming Division  
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