

1 NGC 13-03

2 STATE OF NEVADA

3 BEFORE THE NEVADA GAMING COMMISSION

4 STATE GAMING CONTROL BOARD,)
 5 Complainant,)
 6 vs.)
 7 MANDALAY CORP., dba)
 8 MANDALAY BAY RESORT & CASINO,)
 9 Respondent.)

COMPLAINT

10 The State of Nevada, on relation of its STATE GAMING CONTROL BOARD ("BOARD"),
 11 Complainant herein, by and through its counsel, CATHERINE CORTEZ MASTO, Attorney
 12 General, and EDWARD L. MAGAW, Deputy Attorney General, hereby files this Complaint for
 13 disciplinary action against MANDALAY CORP., dba MANDALAY BAY RESORT & CASINO
 14 ("MANDALAY BAY"), Respondent herein, pursuant to Nevada Revised Statute
 15 ("NRS") 463.310(2) and alleges as follows:

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

21 2. Respondent, MANDALAY BAY, located at 3950 South Las Vegas Boulevard, Las
 22 Vegas, Nevada, holds a nonrestricted gaming license, and, as such, is charged with the
 23 responsibility of complying with all of the provisions of the Nevada Gaming Control Act and the
 24 Regulations of the Commission.

25 3. The House of Blues Foundation Room is a restaurant and ultra lounge located on the
 26 top level of MANDALAY BAY. MANDALAY BAY is the landlord who leases the premises to
 27 the tenant and operator, House of Blues Las Vegas Restaurant Corp. ("House of Blues"), a
 28 subsidiary of a publicly traded company.

Attorney General's Office
 Gaming Division
 555 E. Washington Ave., Ste. 3900
 Las Vegas, Nevada 89101

RELEVANT LAW

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

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

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

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

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

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

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

7. This continuing obligation is repeated in 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

1 end that licenses shall not be held by unqualified or disqualified
2 persons or unsuitable persons or persons whose operations are
conducted in an unsuitable manner.

3 Nev. Gaming Comm'n Reg. 5.040.

4 8. Nevada Gaming Commission Regulation 5.010 provides as follows:

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

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

11 Nev. Gaming Comm'n Reg. 5.010.

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

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

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

21

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

25 Nev. Gaming Comm'n Reg. 5.011(1) and (10).

26 10. Nevada Gaming Commission Regulation 5.030 provides as follows:

27 **Violation of any provision of the Nevada Gaming**
28 **Control Act or of these regulations by a licensee**, his agent or
employee **shall be deemed** contrary to the public health, safety,

1 morals, good order and general welfare of the inhabitants of the
2 State of Nevada and **grounds for suspension or revocation of a**
3 **license**. Acceptance of a state gaming license or renewal thereof
4 by a licensee constitutes an agreement on the part of the licensee
5 to be bound by all of the regulations of the commission as the
6 same now are or may hereafter be amended or promulgated. **It is**
7 **the responsibility of the licensee to keep himself informed of**
8 **the content of all such regulations, and ignorance thereof will**
9 **not excuse violations.**

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

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

12 1. The Board shall make appropriate investigations:

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

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

19

20 2. If, after any investigation the Board is satisfied that

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

27 (b) A person or entity which is licensed, registered, found
28 suitable or found preliminarily suitable pursuant to this chapter or
chapter 464 of NRS or which previously obtained approval for any
act or transaction for which Commission approval was required or
permitted under the provisions of this chapter or chapter 464 of
NRS should be fined,

→the Board shall initiate a hearing before the Commission
by filing a complaint with the Commission in accordance with NRS
463.312 and transmit therewith a summary of evidence in its
possession bearing on the matter and the transcript of testimony at
any investigative hearing conducted by or on behalf of the Board.

29 NRS 463.310(1)(a) and (b), and (2).

30 12. In response to a Complaint brought by the Board, NRS 463.310(4) provides in relevant
31 part that the Commission may:

32 (a) Limit, condition, suspend or revoke the license of any
33 licensed gaming establishment or the individual license of any
34 licensee without affecting the license of the establishment;

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(d) Fine each person or entity, or both, which is licensed, registered or found suitable . . . pursuant to this chapter or chapter 464 of NRS . . .

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(2) . . . 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.

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

13. In the State of Nevada, it is unlawful for any person to sell or distribute illegal drugs, controlled substances, or imitation controlled substances. See NRS 453.146; see also NRS 453.321(1)(a) and (2); see also NRS 453.331(1) and (5); see also Nevada Administrative Code ("NAC") 453.510(1), (4) and (8); see also NAC 453.520(1) and (2)(a).

14. In the State of Nevada, it is unlawful for any person to engage in prostitution or solicitation therefor, except in a licensed house of prostitution. NRS 201.354.

BACKGROUND

15. On or about February 7, 2006, April 9, 2009, and April 9, 2012, the BOARD sent out industry letters to all nonrestricted gaming licensees concerning inappropriate and/or illegal activities occurring in nightclubs, ultra lounges, and other similar venues located on the premises of licensed gaming establishments. In addition, in the spring of 2011 and 2012, the BOARD offered training to gaming licensees relating to the policing of nightclubs, ultra lounges, and other similar venues located on their premises.

16. The aforementioned letters and training addressed the rise in the volume and frequency of inappropriate and/or illegal activities occurring in nightclubs, ultra lounges, and other similar venues located on the premises of licensed gaming establishments and how such activities constituted situations that could bring discredit to the State and act as a detriment to the development of the gaming industry.

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1 17. The letters and training emphasized that nonrestricted licensees are responsible for
2 policing nightclubs, ultra lounges, and other similar venues located on their premises,
3 regardless of whether those venues are owned and/or operated by the nonrestricted licensee.
4 The BOARD further informed licensees that it would hold nonrestricted licensees ultimately
5 responsible for any inappropriate and/or illegal activities occurring on their premises
6 associated with such nightclubs, ultra lounges, and other similar venues. In addition, the
7 BOARD also advised nonrestricted licensees that persistent problems of such nature would
8 be considered an unsuitable method of operation and would likely result in disciplinary action
9 being brought against the licensee.

10 18. The inappropriate and/or illegal activities addressed in the aforementioned letters and
11 training included, but were not limited to, the distribution of illegal drugs, the illegal distribution
12 of controlled substances, and the solicitation of prostitution.

13 19. Representatives of MANDALAY BAY and The House of Blues attended at least one of
14 the aforementioned training sessions.

15 20. The House of Blues Foundation Room is a restaurant and ultra lounge operated by the
16 House of Blues located on the 43rd floor of MANDALAY BAY. It presents an intimate
17 environment, and has the appearance of a traditional upscale lounge.

18 21. Because the House of Blues Foundation Room is located on the premises of
19 MANDALAY BAY, MANDALAY BAY is ultimately responsible for the activities related to the
20 operation of the House of Blues Foundation Room, including, but not limited to, the activity of
21 employees, patrons, guests, members, and agents of the House of Blues Foundation Room
22 that occur on the premises of MANDALAY BAY, both inside and outside the House of Blues
23 Foundation Room.

24 22. The violations comprising this Complaint are the result of a joint undercover
25 investigation conducted by the BOARD and the Las Vegas Metropolitan Police Department
26 ("LVMPD").

27 23. All substances described in this Complaint that were purported to be cocaine were
28 tested by undercover ("U/C") officers and determined to be cocaine. All other substances

1 were delivered to a LVMPD laboratory for testing and were subsequently determined to be the
2 substances they were purported to be.

3 **COUNT ONE**
4 **VIOLATION OF NEVADA GAMING COMMISSION**
5 **REGULATIONS 5.011, 5.011(1), AND 5.011(10)**

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

8 25. On June 8, 2012, a U/C officer purchased 2.8 grams of cocaine from an individual,
9 later determined to be a House of Blues Foundation Room Host ("H#1"), at a secluded
10 location on the main level of MANDALAY BAY. After the aforementioned purchase had been
11 completed, H#1 informed the U/C officer that H#1 worked as a host for the House of Blues
12 Foundation Room assigned primarily to the main floor of MANDALAY BAY to promote and
13 generate business for the House of Blues Foundation Room. H#1 further informed the U/C
14 officer that H#1 has sold illegal narcotics to House of Blues Foundation Room patrons and
15 that H#1 would take care of the U/C officer should the U/C officer wish to visit the venue.
16 When asked by the U/C officer if the U/C officer could use cocaine within the House of Blues
17 Foundation Room, H#1 indicated that the U/C officer could if the U/C officer was careful when
18 doing so.

19 26. On or about the evening of July 6, 2012, a U/C officer contacted H#1 and made
20 arrangements for a table within the House of Blues Foundation Room. Later that night, the
21 U/C officer, along with a group of other U/C officers, went to the House of Blues Foundation
22 Room.

23 27. During the time period that the group of U/C officers was present in the House of
24 Blues Foundation Room on the evening spanning from July 6, 2012, into July 7, 2012, the
25 following unlawful and/or inappropriate activities occurred and/or were observed:

26 a. After a request from a U/C officer, H#1 sold a U/C officer approximately 2.7 grams
27 of cocaine in exchange for an agreed-upon amount of cash. The sale occurred at a secluded
28 location on the main level of MANDALAY BAY.

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1 b. Upon the U/C officer's further request, H#1 also sold the U/C officer 1.8 grams of
2 what H#1 purported to be MDMA (ecstasy pills) in exchange for an agreed-upon amount of
3 cash. The sale occurred at a secluded location on the main level of MANDALAY BAY.

4 c. Another House of Blues Foundation Room Host ("H#2") informed one or more of the
5 U/C officers that H#2 could provide the U/C officer(s) with drugs on the next visit of the U/C
6 officer(s) to the House of Blues Foundation Room.

7 d. A House of Blues Foundation Room Bottle Runner/Server ("BR#1") informed one or
8 more of the U/C officers that BR#1 could provide the U/C officer(s) with drugs on the next visit
9 by the U/C officer(s) to the House of Blues Foundation Room.

10 28. The above described actions of H#1, H#2, and BR#1, each of whom was either an
11 employee of the House of Blues Foundation Room, or an employee of a third party retained
12 by the House of Blues and therefore an agent of the House of Blues Foundation Room, are
13 inimical to the public health, safety, morals, good order and general welfare of the people of
14 the State of Nevada, and/or reflect or tend to reflect discredit upon the State of Nevada,
15 and/or the gaming industry.

16 29. As a nonrestricted gaming licensee, MANDALAY BAY is ultimately responsible for the
17 foregoing activities that occurred on MANDALAY BAY's premises.

18 30. MANDALAY BAY's failure to prevent such activities from occurring on its premises
19 constitutes conduct which reflects or tends to reflect on the repute of the State of Nevada and
20 acts as a detriment to, or the development of, the gaming industry.

21 31. MANDALAY BAY's failure to act, as set out above, is a violation of NGC Regulations
22 5.010, 5.011, 5.011(1), and 5.011(10), and thus constitutes an unsuitable method of
23 operation, and, as such, provides grounds for disciplinary action by the BOARD. See Nev.
24 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

25 **COUNT TWO**
26 **VIOLATION OF NEVADA GAMING COMMISSION**
27 **REGULATIONS 5.011, 5.011(1), AND 5.011(10)**

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

1 33. On or about July 27, 2012, a U/C officer contacted H#1 to reserve a table at the House
2 of Blues Foundation Room. Later that evening, the U/C officer went to the House of Blues
3 Foundation Room with a group of U/C officers and was seated at the table H#1 had reserved
4 for the U/C officer.

5 34. During the time period that the group of U/C officers was present in the House of
6 Blues Foundation Room on the evening spanning from July 27, 2012, into July 28, 2012, the
7 following unlawful and/or inappropriate activities occurred and/or were observed:

8 a. H#1 sold a U/C officer approximately 2.5 grams of cocaine in exchange for an
9 agreed-upon amount of cash. The sale took place in a secluded location on the main level of
10 MANDALAY BAY.

11 b. Upon the request of a U/C officer, another House of Blues Foundation Room Host
12 ("H#3") agreed to contact a non-employee ("NE#1") and arrange to provide the U/C officer
13 with illegal narcotics and prostitutes. At various times during the evening H#3 provided the
14 U/C officer with updates as to the status of NE#1's arrival at the House of Blues Foundation
15 Room.

16 c. Later in the evening, the U/C officer who had requested the illegal narcotics and
17 prostitutes from H#3 was approached by NE#1 within the House of Blues Foundation Room.
18 NE#1 was accompanied by two adult prostitutes ("P#1" and "P#2"). The U/C officer told NE#1
19 that the U/C officer would need an "8-ball" (street term for 1/8 of an ounce) of cocaine. The
20 U/C officer then paid NE#1 the agreed-upon amount of cash to purchase the cocaine. Later
21 that evening H#3 approached the U/C officer within the House of Blues Foundation Room and
22 handed the U/C officer a plastic baggy containing approximately 2.5 grams of cocaine, which
23 was the cocaine the U/C officer had purchased from NE#1.

24 d. At some point in the evening, both P#1 and P#2 offered and/or agreed to engage in
25 sexual intercourse with at least one of the U/C officers present in the House of Blues
26 Foundation Room that evening in exchange for money.

27 e. H#3 introduced one or more U/C officer(s) to two additional adult prostitutes ("P#3"
28 and "P#4"). At some point in the evening, both P#3 and P#4 offered and/or agreed to engage

1 in sexual intercourse with at least one of the U/C officers present in the House of Blues
2 Foundation Room that evening in exchange for money.

3 f. U/C officers spoke with a House of Blues Foundation Room Security Officer
4 ("SO#1") and asked if SO#1 could provide the U/C officers with marijuana. SO#1 responded
5 by informing the U/C officers that he would be right back. Shortly thereafter, SO#1 returned
6 accompanied by another House of Blues Foundation Room Security Officer ("SO#2"). SO#2
7 informed the U/C officer that SO#2 could provide the U/C officers with marijuana and Lortab (a
8 prescription pain medication) but could not do so until after the House of Blues Foundation
9 Room closed for the night.

10 g. A U/C officer asked SO#1 if SO#1 could provide the U/C officer with a private room
11 in which the U/C officer could engage in sexual intercourse with another U/C officer. In
12 response, SO#1 escorted two U/C officers to a private room and left the U/C officers alone
13 therein. The U/C officers remained in the private room alone for approximately ten minutes in
14 order to give the appearance that the U/C officers had engaged in sexual intercourse.

15 h. H#2 informed a U/C officer that H#2 could provide illegal drugs for the U/C officer
16 but that he needed notice ahead of time in order to obtain the illegal drugs. H#2 explained
17 that H#2 had to contact a certain House of Blues Foundation Room Bar Back ("BB#1"), who
18 was H#2's source for the illegal drugs.

19 i. U/C officers engaged in a conversation with BR#1 regarding the acquisition of illegal
20 drugs. During the conversation BR#1 informed the U/C officers that BR#1 could provide the
21 U/C officers with Lortab and other prescription painkillers if the U/C officers went with BR#1 to
22 a friend's house after BR#1 got off work.

23 35. The above described actions of H#1, H#2, H#3, SO#1, SO#2, and BR#1, each of
24 whom was either an employee of the House of Blues Foundation Room, or an employee of a
25 third party retained by the House of Blues and therefore an agent of the House of Blues
26 Foundation Room, and those of NE#1, P#1, P#2, P#3, and P#4 are inimical to the public
27 health, safety, morals, good order and general welfare of the people of the State of Nevada,
28 and/or reflect or tend to reflect discredit upon the State of Nevada, and/or the gaming industry.

1 36. As a nonrestricted gaming licensee, MANDALAY BAY is ultimately responsible for the
2 foregoing activities that occurred on MANDALAY BAY's premises.

3 37. MANDALAY BAY's failure to prevent such activities from occurring on its premises
4 constitutes conduct which reflects or tends to reflect on the repute of the State of Nevada and
5 acts as a detriment to, or the development of, the gaming industry.

6 38. MANDALAY BAY's failure to act, as set out above, is a violation of NGC Regulations
7 5.010, 5.011, 5.011(1), and 5.011(10), and thus constitutes an unsuitable method of
8 operation, and, as such, provides grounds for disciplinary action by the BOARD. See Nev.
9 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

10 **COUNT THREE**
11 **VIOLATION OF NEVADA GAMING COMMISSION**
12 **REGULATIONS 5.011, 5.011(1) AND 5.011(10)**

13 39. Complainant BOARD realleges and incorporates by reference as though set forth in
14 full herein paragraphs 1 through 38 above.

15 40. On or about August 8, 2012, a U/C officer contacted H#2 and asked if H#2 could set
16 the U/C officer up with BB#1 or somebody else who could obtain illegal narcotics for the U/C
17 officer's upcoming visit to the House of Blues Foundation Room. H#2 asked the U/C officer
18 what the U/C officer needed so H#2 could tell BB#1. The U/C officer informed H#2 that \$100
19 worth of cocaine would be fine.

20 41. On or about August 10, 2012, a U/C officer once again contacted H#2 to see if H#2
21 had told BB#1 that the U/C officer would be reaching out to BB#1 for the illegal drugs. H#2
22 responded in the affirmative and provided the U/C officer with BB#1's contact information.

23 42. On or about August 13, 2012, the U/C officer contacted BB#1 to discuss obtaining
24 illegal narcotics. BB#1 and the U/C officer made arrangements to meet on the premises of
25 MANDALAY BAY on August 17, 2012. After several discussions between BB#1 and the U/C
26 officer over several days as to the types of illegal drugs BB#1 could obtain, it was agreed that
27 the U/C officer would purchase five Mollies (MDMA in its purest form) from BB#1.

28 43. On or about August 17, 2012, BB#1 met up with the U/C officer at the agreed-upon
location on the premises of MANDALAY BAY. The U/C officer provided BB#1 with cash in the

1 amount of the agreed-upon price for the Mollies. BB#1 then handed the U/C officer a
2 container that contained five pills that BB#1 purported to be Mollies. After completing the
3 transaction, BB#1 informed the U/C officer that a House of Blues Foundation Room Cocktail
4 Server, with whom BB#1 works, also sells Mollies. BB#1 then introduced the U/C officer to a
5 House of Blues Foundation Room Bar Runner/Server Assistant ("BR#2") that had
6 accompanied BB#1 to the location of the sale. BR#2 informed the U/C officer that BR#2
7 would be working at the House of Blues Foundation Room that night and would be taking care
8 of the U/C officer's party.

9 44. The above described actions of H#2, BB#1, and BR#2, each of whom was either an
10 employee of the House of Blues Foundation Room, or an employee of a third party retained
11 by House of Blues and therefore an agent of the House of Blues Foundation Room, are
12 inimical to the public health, safety, morals, good order and general welfare of the people of
13 the State of Nevada, and/or reflect or tend to reflect discredit upon the State of Nevada,
14 and/or the gaming industry.

15 45. As a nonrestricted gaming licensee, MANDALAY BAY is ultimately responsible for the
16 foregoing activities that occurred on MANDALAY BAY's premises.

17 46. MANDALAY BAY's failure to prevent such activities from occurring on its premises
18 constitutes conduct which reflects or tends to reflect on the repute of the State of Nevada and
19 acts as a detriment to, or the development of, the gaming industry.

20 47. MANDALAY BAY's failure to act, as set out above, is a violation of NGC Regulations
21 5.010, 5.011, 5.011(1), and 5.011(10), and thus constitutes an unsuitable method of
22 operation, and, as such, provides grounds for disciplinary action by the BOARD. See Nev.
23 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

24 **COUNT FOUR**
25 **VIOLATION OF NEVADA GAMING COMMISSION**
26 **REGULATIONS 5.011, 5.011(1), AND 5.011(10)**

27 48. Complainant BOARD realleges and incorporates by reference as though set forth in
28 full herein paragraphs 1 through 47 above.

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1 49. On or about August 8, 2012, a U/C officer contacted H#3 to set up a table reservation
2 at the House of Blues Foundation Room for August 17, 2012. During the conversation, the
3 U/C officer asked if H#3 would be able to take care of the U/C officer in regards to obtaining
4 illegal narcotics. H#3 informed the U/C officer that H#3 would not be available that weekend
5 but that H#3 would inform NE#1 of the U/C officer's upcoming visit and have NE#1 take care
6 of the U/C officer on that night.

7 50. On or about August 13, 2012, NE#1 contacted the U/C officer and asked if the U/C
8 officer still planned on coming to the House of Blues Foundation Room on August 17, 2012.
9 The U/C officer responded in the affirmative and informed NE#1 that the U/C officer would be
10 at the same table as before. The U/C officer further informed NE#1 that the U/C officer would
11 not need any prostitutes but would need cocaine. NE#1 told the U/C officer that NE#1 would
12 take care of the U/C officer.

13 51. On or about the evening of August 17, 2012, a group of U/C officers arrived at the
14 House of Blues Foundation Room and were escorted to the table that H#3 had reserved for
15 them.

16 52. During the time period that the group of U/C officers was present in the House of
17 Blues Foundation Room on the evening spanning from August 17, 2012, into August 18,
18 2012, the following unlawful and/or inappropriate activities occurred and/or were observed:

19 a. After a request from a U/C officer, H#1 sold the U/C officer approximately 2.5
20 grams of cocaine in exchange for an agreed-upon amount of cash. The sale occurred at a
21 secluded location on the main level of MANDALAY BAY.

22 b. NE#1 approached the U/C officer with whom NE#1 had been put in contact by
23 H#3. After a brief discussion regarding the purchase of cocaine, NE#1 informed the U/C
24 officer that NE#1 would require the money for the cocaine up front and that NE#1 would return
25 to the House of Blues Foundation Room once NE#1 had obtained the cocaine from NE#1's
26 supplier. The U/C officer paid NE#1 the agreed-upon price for the cocaine. Later in that
27 evening NE#1 returned to the U/C officer's table and handed the U/C officer a plastic baggy
28 containing approximately 2.6 grams of cocaine.

1 c. U/C officers asked SO#1 if SO#1 could provide illegal drugs to the U/C officers.
2 SO#1 informed the U/C officers that SO#2 was SO#1's source of drugs. Later that evening,
3 SO#2 informed the U/C officers that SO#2 had no illegal drugs to sell the U/C officers due to
4 the fact that the U/C officers had failed to give SO#2 advance notice so that SO#2 could
5 obtain the drugs from SO#2's supplier.

6 d. The U/C officer who had purchased the five Mollies from BB#1 earlier that day
7 informed BR#2 that the U/C officer was out of the Mollies. The U/C officer then asked BR#2 if
8 BR#2 could provide the U/C officer with any illegal narcotics. In response, BR#2 informed the
9 U/C officer that BR#2 would keep a look-out and inform the U/C officer if BR#2 came across
10 any. BR#2 further informed the U/C officer that if the U/C officer ever returned to the House of
11 Blues Foundation Room, BR#2 would be better prepared and would be able to provide the
12 U/C officer with whatever the U/C officer wanted.

13 53. The above described actions of H#1, H#3, SO#1, SO#2, and BR#2, each of whom
14 was either an employee of the House of Blues Foundation Room, or an employee of a third
15 party retained by the House of Blues and therefore an agent of the House of Blues Foundation
16 Room, and those of NE#1 are inimical to the public health, safety, morals, good order and
17 general welfare of the people of the State of Nevada, and/or reflect or tend to reflect discredit
18 upon the State of Nevada, and/or the gaming industry.

19 54. As a nonrestricted gaming licensee, MANDALAY BAY is ultimately responsible for the
20 foregoing activities that occurred on MANDALAY BAY's premises.

21 55. MANDALAY BAY's failure to prevent such activities from occurring on its premises
22 constitutes conduct which reflects or tends to reflect on the repute of the State of Nevada and
23 acts as a detriment to, or the development of, the gaming industry.

24 56. MANDALAY BAY's failure to act, as set out above, is a violation of NGC Regulations
25 5.010, 5.011, 5.011(1), and 5.011(10), and thus constitutes an unsuitable method of
26 operation, and, as such, provides grounds for disciplinary action by the BOARD. See Nev.
27 Gaming Comm'n Regs. 5.010(2), 5.011 and 5.030.

28

1 **COUNT FIVE**
2 **VIOLATION OF NEVADA GAMING COMMISSION**
3 **REGULATIONS 5.011, 5.011(1), AND 5.011(10)**

4 57. Complainant BOARD realleges and incorporates by reference as though set forth in
5 full herein paragraphs 1 through 56 above.

6 58. At all times relevant to this Complaint, the House of Blues Foundation Room was a
7 restaurant and ultra lounge located on the premises of MANDALAY BAY. As such,
8 MANDALAY BAY had an affirmative obligation as a nonrestricted gaming licensee to minimize
9 and prevent inappropriate and/or illegal activities, such as the ones described in this
10 Complaint, from occurring, both inside and outside the House of Blues Foundation Room.

11 59. Based on the incidents described throughout the Complaint, MANDALAY BAY had, at
12 all times relevant to the Complaint, failed to exercise the necessary level of oversight of the
13 House of Blues Foundation Room and its employees and/or agents required to minimize or
14 prevent such incidents from occurring on its premises. At least ten employees and/or agents
15 of the House of Blues Foundation Room, and at least five non-employees, one of whom met
16 the U/C officers involved herein through a meeting arranged by an employee and/or agent of
17 the House of Blues Foundation Room, either provided drugs, provided prostitutes, committed
18 acts that constituted illegal prostitution, offered to provide drugs, offered to provide prostitutes,
19 provided private areas in which to have sexual intercourse, and/or assisted in providing such
20 items/accommodations to/for U/C officers during three visits made by the U/C officers to the
21 House of Blues Foundation Room over a two-month period. A number of these individuals did
22 so on multiple occasions. As for the drug transactions described in this Complaint, despite the
23 fact that most were conducted by employees of the House of Blues Foundation Room, or by
24 employees of a third party retained by the House of Blues, the majority of those transactions
25 occurred in public (albeit secluded) areas on the main level of MANDALAY BAY, not in areas
26 that had been leased to, or otherwise placed under the control of, a third party.

27 60. MANDALAY BAY's failure to prevent the activities described in this Complaint from
28 occurring on its premises constitutes conduct which reflects or tends to reflect on the repute of
the State of Nevada and acts as a detriment to, or the development of, the gaming industry.

1 61. MANDALAY BAY's failure to act, as set out above, is a violation of NGC Regulations
2 5.010, 5.011, and 5.011(1) and (10), and thus constitutes an unsuitable method of operation,
3 and, as such, provides grounds for disciplinary action by the BOARD. See Nev. Gaming
4 Comm'n Regs. 5.010(2), 5.011 and 5.030.

5 **PRAYER FOR RELIEF**

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

- 9 1. That the Nevada Gaming Commission serve a copy of this Complaint on MANDALAY
10 BAY pursuant to NRS 463.312(2);
- 11 2. That the Nevada Gaming Commission fine MANDALAY BAY a monetary sum
12 pursuant to the parameters defined at NRS 463.310(4) for each separate violation of the
13 provisions of the Nevada Gaming Control Act or the Regulations of the Nevada Gaming
14 Commission;
- 15 3. That the Nevada Gaming Commission take action against MANDALAY BAY's license
16 or licenses pursuant to the parameters defined at NRS 463.310(4); and

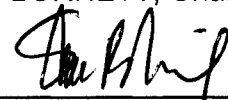
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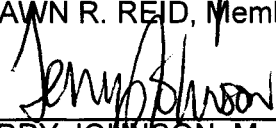
1 4. For such other and further relief as the Nevada Gaming Commission may deem just
2 and proper.

3 DATED this 3rd day of March, 2014.

4 STATE GAMING CONTROL BOARD


5 
6 _____
A.G. BURNETT, Chairman

7 
8 _____
SHAWN R. REID, Member

9 
10 _____
TERRY JOHNSON, Member

11 Submitted by:

12 CATHERINE CORTEZ MASTO
13 Attorney General

14 By: 
15 _____
EDWARD L. MAGAW
16 Deputy Attorney General
Gaming Division
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