

1 NGC 09-12

2
3
4 **STATE OF NEVADA**
5 **BEFORE THE NEVADA GAMING COMMISSION**

6 STATE GAMING CONTROL BOARD,

7 Complainant,

8 v.

9 PAUL J. NEMETH,

10 Respondent.

COMPLAINT

11
12 The State of Nevada, on relation of its State Gaming Control Board (BOARD),
13 Complainant herein, by and through its counsel, CATHERINE CORTEZ MASTO, Attorney
14 General, and MICHAEL P. SOMPS, Senior Deputy Attorney General, hereby files this
15 Complaint for disciplinary action against Respondent pursuant to Nevada Revised Statute
16 (NRS) 463.310(2) and alleges as follows:

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

21 2. Respondent, PAUL J. NEMETH (NEMETH), holds a restricted license as the sole
22 proprietor of the Grand Slam Market. Further, NEMETH is the sole officer, director and
23 shareholder of Stillwater Convenience Stores, Inc., dba Fallon AM/PM, which holds a
24 restricted gaming license.

25 **RELEVANT LAW**

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

- 27 (a) The gaming industry is vitally important to the economy
28 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

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

1 and the manufacture, sale and distribution of gaming devices and
2 associated equipment are conducted honestly and competitively,
3 that establishments which hold restricted and nonrestricted
4 licenses where gaming is conducted and where gambling devices
5 are operated do not unduly impact the quality of life enjoyed by
6 residents of the surrounding neighborhoods, that the rights of the
7 creditors of licensees are protected and that gaming is free from
8 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.

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

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

13 5. The BOARD is authorized to observe the conduct of licensees in order to ensure
14 that the gaming operations are not being conducted in an unsuitable manner. See NRS
15 463.1405(1).

16 6. This continuing obligation is repeated in Nevada Gaming Commission Regulation
17 5.040, which provides as follows:

18 A gaming license is a revocable privilege, and no holder
19 thereof shall be deemed to have acquired any vested rights therein
20 or thereunder. The burden of proving his qualifications to hold any
21 license rests at all times on the licensee. The board is charged by
22 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.

23 Nev. Gaming Comm'n Reg. 5.040.

24 7. Nevada Gaming Commission Regulation 5.010(2) further provides that
25 "[r]esponsibility for the employment and maintenance of suitable methods of operation rests
26 with the licensee, and willful or persistent use or toleration of methods of operation deemed
27 unsuitable will constitute grounds for license revocation or other disciplinary action."
28

1 8. NRS 463.160(1) provides the following:

2 1. Except as otherwise provided in subsection 4 and NRS
3 463.172, it is unlawful for any person, either as owner, lessee or
4 employee, whether for hire or not, either solely or in conjunction
5 with others:

6 (a) To deal, operate, carry on, conduct, maintain or expose
7 for play in the State of Nevada any gambling game, gaming
8 device, inter-casino linked system, mobile gaming system, slot
9 machine, race book or sports pool;

10 (b) To provide or maintain any information service;

11 (c) To operate a gaming salon; or

12 (d) To receive, directly or indirectly, any compensation or
13 reward or any percentage or share of the money or property
14 played, for keeping, running or carrying on any gambling game,
15 slot machine, gaming device, mobile gaming system, race book or
16 sports pool, without having first procured, and thereafter
17 maintaining in effect, all federal, state, county and municipal
18 gaming licenses as required by statute, regulation or ordinance or
19 by the governing board of any unincorporated town.

20 NRS 463.160(1).

21 9. NRS 463.161 provides:

22 A license to operate 15 or fewer slot machines at an
23 establishment in which the operation of slot machines is incidental
24 to the primary business conducted at the establishment may only
25 be granted to the operator of the primary business or to a licensed
26 operator of a slot machine route.

27 NRS 463.161.

28 10. Nevada Gaming Commission Regulation 3.020(4) states as follows:

Every licensee shall furnish to the board complete
information pertaining to any change of ownership of the premises
or of any change of any interest in the premises wherein or
whereon the licensed gaming is operated at least 30 days before
the date of such change; or, if the licensee is not a party to the
transaction effecting such change of ownership, immediately upon
acquiring knowledge of such change of ownership or any
contemplated change of ownership.

Nev. Gaming Comm'n Reg. 3.020(4).

11. Nevada Gaming Commission Regulations 4.040(2) provide as follows:

.....

2. It is grounds for denial of an application or disciplinary
action for any person to make any untrue statement of material fact

1 in any application, notice, statement or report filed with the board
2 or commission in compliance with the provisions of law and
3 regulations referred to in paragraph 1, or willfully to omit to state in
4 any such application, notice, statement or report any material fact
5 which is required to be stated therein or omit to state a material
6 fact necessary to make the facts stated in view of the
7 circumstances under which they were stated, not misleading.

8
9 Nev. Gaming Comm'n Reg. 4.040(2) and (3).

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

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

22
23 8. Failure to comply with or make provision for compliance
24 with all federal, state and local laws and regulations pertaining to
25 the operations of a licensed establishment

26
27 Nev. Gaming Comm'n Regs. 5.011(8).

28 13. Nevada Gaming Commission Regulation 5.050 provides:

Every licensee shall report to the board quarterly the full name and address of every person, including lending agencies, who has any right to share in the profits of such licensed games, whether as an owner, assignee, landlord or otherwise, or to whom any interest or share in the profits of any licensed game has been pledged or hypothecated as security for a debt or deposited as a security for the performance of any act or to secure the performance of a contract of sale. Such report shall be submitted concurrently with application for renewal of license.

Nev. Gaming Comm'n Reg. 5.050.

14. 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

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

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

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

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

19 (2) Except as otherwise provided in subparagraph (1) of
20 this paragraph, not more than \$100,000 for each separate violation
21 of the provisions of this chapter or chapter 464 or 465 of NRS or of
22 the regulations of the Commission which is the subject of an initial
23 complaint and not more than \$250,000 for each separate violation
24 of the provisions of this chapter or chapter 464 or 465 of NRS or of
25 the regulations of the Commission which is the subject of any
26 subsequent complaint.

27 NRS 463.310(4)(d)(2).

28 **BACKGROUND**

16. On August 22, 1996, NEMETH, was licensed as the sole proprietor at the Grand Slam Market located at 101 Freeport Circle, Fallon, Nevada.

17. On or about March 24, 1998, NEMETH entered into a "participation agreement" with Stillwater Gaming, LLC, a licensed slot route operator, whereby Stillwater Gaming, LLC obtained the right to operate slot machines at the Grand Slam Market. While NEMETH remained the licensee at the Grand Slam Market, Stillwater Gaming, LLC was entitled to receive a percentage of "net win" from the slot machines located at the Grand Slam Market.

1 18. In approximately March of 1999, the ownership of the real property on which the
2 Grand Slam Market sits was transferred from NEMETH to the Nemeth Family Trust with
3 NEMETH and Rita A. Nemeth as Trustees.

4 19. As recently as August 6, 2009, NEMETH represented himself as the 100% owner
5 of the Grand Slam Market.

6 20. For a period of time prior to March 8, 2007 and prior to NEMETH's approval on
7 August 22, 1996 for a restricted gaming license, the owner and operator of the Grand Slam
8 Market was Stillwater Convenience Stores, Inc., with NEMETH as the sole officer, director
9 and shareholder. Since approximately March 8, 2007, the current operator of the Grand Slam
10 Market has been C & D Interests, Inc., which entered into a lease agreement with NEMETH to
11 operate the Grand Slam Market.

12 21. The officers, directors and shareholders of C & D Interests, Inc. are Cheryl and
13 Dennis McCormick.

14 22. During the periods of time Stillwater Convenience Stores, Inc. and C & D Interests,
15 Inc. operated the Grand Slam Market, NEMETH placed and operated the gaming devices at
16 the Grand Slam Market.

17 23. NEMETH has never been licensed as an operator of a slot machine route.

18 **COUNT ONE**
19 **VIOLATION OF NEV. GAMING COMM'N REGS. 5.050 AND 5.011(8)**

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

22 25. On or about March 24, 1998, NEMETH entered into a "participation agreement"
23 with Stillwater Gaming, LLC.

24 26. Stillwater Gaming, LLC had the right to receive from NEMETH a percentage of
25 "net win" from the slot machines operated at the Grand Slam Market.

26 27. NEMETH has not reported to the BOARD quarterly the full name and address of
27 Stillwater Gaming, LLC in violation of Nev. Gaming Comm'n Reg. 5.050.

28

1 28. NEMETH's failure to comply with Nev. Gaming Comm'n Reg. 5.050 constitutes a
2 failure to comply with or make provision for compliance with all federal, state and local laws
3 and regulations pertaining to the operations of a licensed establishment in violation of Nev.
4 Gaming Comm'n Reg. 5.011(8).

5 29. NEMETH's failure to comply with Nev. Gaming Comm'n Regs. 5.050 and 5.011(8)
6 is an unsuitable method of operation and is grounds for disciplinary action. See Nev. Gaming
7 Comm'n Regs. 5.010(2) and 5.030.

8 **COUNT TWO**
9 **VIOLATION OF NEV. GAMING COMM'N REGS. 3.020(4) and 5.011(8)**

10 30. Complainant BOARD realleges and incorporates by reference as though set forth
11 in full herein paragraphs 1 through 29 above.

12 31. In March of 1999, the ownership of the real property on which the Grand Slam
13 Market sits, premises whereon licensed gaming was operated, was transferred from NEMETH
14 to the Nemeth Family Trust with NEMETH and Rita A. Nemeth as Trustees.

15 32. NEMETH failed to notify the BOARD that ownership of the premises upon which
16 the Grand Slam Market is located changed in violation of Nev. Gaming Comm'n Reg.
17 3.020(4).

18 33. NEMETH's failure to comply with Nev. Gaming Comm'n Reg. 3.020(4) constitutes
19 a failure to comply with or make provision for compliance with all federal, state and local laws
20 and regulations pertaining to the operations of a licensed establishment in violation of Nev.
21 Gaming Comm'n Reg. 5.011(8).

22 34. NEMETH's failure to comply with Nev. Gaming Comm'n Regs. 3.020(4) and
23 5.011(8) is an unsuitable method of operation and is grounds for disciplinary action. See Nev.
24 Gaming Comm'n Regs. 5.010(2) and 5.030.

25 **COUNT THREE**
26 **VIOLATION OF NEV. GAMING COMM'N REGS. 4.040(2) AND NEV. GAMING COMM'N**
27 **REG. 5.011(8).**

28 35. Complainant BOARD realleges and incorporates by reference as though set forth
in full herein paragraphs 1 through 34 above.

1 36. NEMETH, when he applied for a restricted gaming license at the Grand Slam
2 Market, made an untrue statement, or omitted material facts necessary to make the facts
3 stated not misleading, in that he represented in his application that he was the owner and
4 operator of the Grand Slam Market as a sole proprietorship when, in fact, it was Stillwater
5 Convenience Stores, Inc., which constitutes a violation of Nev. Gaming Comm'n Reg.
6 4.040(2).

7 37. Given the preceding, NEMETH failed to comply with or make provision for
8 compliance with all federal, state and local laws and regulations pertaining to the operations
9 of a licensed establishment in violation of Nev. Gaming Comm'n Reg. 5.011(8).

10 38. NEMETH's failure to comply with Nev. Gaming Comm'n Regs. 4.040(2) and (3),
11 and Nev. Gaming Comm'n Reg. 5.011(8), is an unsuitable method of operation and is
12 grounds for disciplinary action. See Nev. Gaming Comm'n Regs. 5.010(2) and 5.030.

13 **COUNT FOUR**
14 **VIOLATION OF NRS 463.161 AND NEV. GAMING COMM'N REGS. 5.011(8).**

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

17 40. From on or about August 22, 1996 until on or about March 8, 2007, the owner and
18 operator of the Grand Slam Market was Stillwater Convenience Stores, Inc.

19 41. From on or about March 8, 2007 until the present, the operator of the Grand Slam
20 Market has been C & D Interests, Inc. and/or Cheryl and Dennis McCormick.

21 42. From on or about August 22, 1996 until the present, NEMETH has not been the
22 operator of the Grand Slam Market and is not licensed as a slot route operator.

23 43. From on or about August 22, 1996 until the present, NEMETH has exposed slot
24 machines for play at the Grand Slam Market in violation of NRS 463.161.

25 44. NEMETH, failed to comply with NRS 463.161, which constitutes a failure to comply
26 with or make provision for compliance with all federal, state and local laws and regulations
27 pertaining to the operations of a licensed establishment in violation of Nev. Gaming Comm'n
28 Reg. 5.011(8).

1 45. NEMETH's failure to comply with NRS 463.161 and Nev. Gaming Comm'n Reg.
2 5.011(8) is an unsuitable method of operation and is grounds for disciplinary action. See Nev.
3 Gaming Comm'n Regs. 5.010(2) and 5.030.

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

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

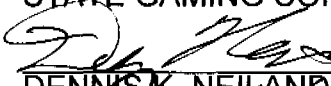
10 2. That the Nevada Gaming Commission fine Respondent a monetary sum pursuant
11 to the parameters defined at NRS 463.310(4) for each separate violation of the provisions of
12 the Nevada Gaming Control Act or the Regulations of the Nevada Gaming Commission;

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

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

17 DATED this 15th day of April, 2010.

18 STATE GAMING CONTROL BOARD

19 
20 DENNIS K. NEILANDER, Chairman

21 
22 RANDALL E. SAYRE, Member

23 
24 MARK A. LIPPARELLI, Member

25 Submitted by:

26 CATHERINE CORTEZ MASTO
27 Attorney General

28 By: 
MICHAEL P. SOMPS
Senior Deputy Attorney General
Gaming Division
(775) 850-4152