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STATE OF NEVADA

5

BEFORE THE NEVADA GAMING COMMISSION

6

NEVADA GAMING CONTROL BOARD,

7

Complainant,

8

vs.

COMPLAINT

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LEID'S INCORPORATED, dba P & L
LAUNDERLAND; LEID'S
INCORPORATED, dba WASHTUBS COIN-
LAUNDRY; KEVIN MICHAEL LEID; and
JANET ARLEEN WELLS,

12

Respondents.

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The State of Nevada, on relation of its NEVADA GAMING CONTROL BOARD (BOARD), Complainant herein, by and through its counsel, AARON D. FORD, Attorney General, and EDWARD L. MAGAW, Senior Deputy Attorney General, hereby files this Complaint before the Nevada Gaming Commission (Commission or NGC) for disciplinary action against LEID'S INCORPORATED, dba P & L LAUNDERLAND, LEID'S INCORPORATED, dba WASHTUBS COIN-LAUNDRY, KEVIN MICHAEL LEID, and JANET ARLEEN WELLS (collectively RESPONDENTS), Respondents herein, pursuant to Nevada Revised Statute (NRS) 463.310(2).

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JURISDICTION

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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 the NRS (Nevada Gaming Control Act) and the Regulations of the Commission.

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2. Respondent LEID'S INCORPORATED, a Nevada corporation, at all times relevant to this Complaint, held the two restricted gaming licenses issued by the

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1 Commission described in paragraphs 3 and 4 of this Complaint, respectively, and, as such,
2 was charged with the responsibility of complying with all provisions of the Nevada Gaming
3 Control Act (Act) and the regulations adopted thereunder.

4 3. Respondent LEID'S INCORPORATED, dba P & L LAUNDERLAND
5 (LAUNDERLAND), located at 134 West Winnie Lane, Carson City, Nevada 89703-2101, at
6 all times relevant to this Complaint, held a restricted gaming license issued by the
7 Commission and, as such, was charged with the responsibility of complying with all
8 provisions of the Act and the regulations adopted thereunder.

9 4. Respondent LEID'S INCORPORATED, dba WASHTUBS COIN-LAUNDRY
10 (WASHTUBS), located at 3173 US Highway 50 East, Carson City, Nevada 89701-2800, at
11 all times relevant to this Complaint, held a restricted gaming license issued by the
12 Commission and, as such, was charged with the responsibility of complying with all
13 provisions of the Act and the regulations adopted thereunder.

14 5. Respondent KEVIN MICHAEL LEID (KEVIN LEID), at all times relevant to
15 this Complaint, was licensed by the Commission as an owner, officer, and director of
16 Respondent LEID'S INCORPORATED and, as such, was charged with the responsibility
17 of complying with all provisions of the Act and the regulations adopted thereunder.

18 6. Respondent JANET ARLEEN WELLS (JANET WELLS), at all times relevant
19 to this Complaint, was licensed by the Commission as an owner, officer, and director of
20 Respondent LEID'S INCORPORATED and, as such, was charged with the responsibility
21 of complying with all provisions of the Act and the regulations adopted thereunder.

22 LEGAL AUTHORITY

23 7. The Nevada Legislature set forth the importance of the gaming industry to
24 the State of Nevada and its responsibility to the State's inhabitants in NRS 463.0129. The
25 Legislature specifically set out that the continued growth and success of gaming is
26 dependent on public confidence and trust and that such public confidence and trust "can
27 only be maintained by strict regulation of all persons, locations, practices, associations and
28 activities related to the operation of licensed gaming establishments..." NRS 463.0129.

1 8. To ensure proper oversight and control over the gaming industry, the Nevada
2 Legislature has granted the Commission "full and absolute power and authority to . . .
3 limit, condition, restrict, revoke or suspend any license . . . or fine any person licensed . . .
4 for any cause deemed reasonable by the Commission." NRS 463.1405(4).

5 9. The BOARD is statutorily charged with determining whether a violation of
6 the Gaming Control Act has occurred. NRS 463.310(1). If the BOARD determines a
7 violation has occurred, and is satisfied that discipline is warranted, it shall initiate
8 disciplinary action by filing a complaint with the Commission. NRS 463.310(2).

9 10. The BOARD is authorized to observe the conduct of licensees in order to
10 ensure that gaming operations are not being operated in an unsuitable manner or by an
11 unqualified or unsuitable person. NRS 463.1405(1) and Nev. Gaming Comm'n Reg. 5.040.

12 11. A person approved by the Commission has an ongoing obligation to meet the
13 standards required to obtain such approval including, without limitation, to be a person of
14 good character, honesty, and integrity and to refrain from activities and associations which
15 may impact the interests of Nevada, the regulation of gaming, or the reputation of gaming
16 in Nevada. NRS 463.170.

17 12. Nevada Gaming Commission Regulation 5.030 provides as follows:

18 Violation of any provision of the Nevada Gaming Control
19 Act or of these regulations by a licensee, the licensee's agent or
20 employee shall be deemed contrary to the public health, safety,
21 morals, good order and general welfare of the inhabitants of the
22 State of Nevada and grounds for suspension or revocation of a
23 license. Acceptance of a state gaming license or renewal thereof
24 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 informed of the
content of all such regulations, and ignorance thereof will not
excuse violations.

25 Nev. Gaming Comm'n Reg. 5.030.

26 13. The disposition of any security issued by a corporation, other than a publicly
27 traded corporation, that holds a state gaming license, must be approved in advance by the
28 . . .

1 Commission. NRS 463.510(1). Any disposition of such security prior to obtaining
2 Commission approval is deemed void by operation of law. NRS 463.510(1).

3 14. Nevada Gaming Commission Regulation 8.050 provides as follows:

4 Except as and to the extent provided in these regulations
5 pertaining to emergency situations, no money or other thing of
6 value constituting any part of the consideration for the transfer
7 or acquisition of any interest in a licensed gaming operation, in
8 a licensee or in a holding company shall be paid over, received or
9 used until complete compliance has been had with all
10 prerequisites set forth in the law and these regulations for the
11 consummation of such transaction; but such funds may be placed
12 in escrow pending completion of the transaction. Any loan,
13 pledge or other transaction between the parties or with other
14 parties may be deemed an attempt to evade the requirements of
15 this regulation and, as such, in violation of this regulation.

11 Nev. Gaming Comm'n Reg. 8.050.

12 15. Nevada Gaming Commission Regulation 9.020 provides in relevant part as
13 follows:

14 1. In the event of the death or judicially established
15 disability of a licensee or a stockholder of a corporate licensee,
16 the spouse, next of kin, personal representative or guardian of
17 such deceased or disabled person or the person in charge of the
18 licensed establishment, or, in the case of a corporate licensee, a
19 managing officer of such corporation, shall notify the Board
20 immediately of the fact of such death or disability.

18 Nev. Gaming Comm'n Reg. 9.020(1).

19 **COUNT ONE**
20 **FAILURE TO TIMELY NOTIFY THE BOARD OF**
21 **THE DEATH OF A SHAREHOLDER**

21 16. The BOARD realleges and incorporates the above paragraphs by reference as
22 though set forth in full herein.

23 17. Pursuant to NGC Regulation 9.020(1), the BOARD must be notified
24 immediately of the death of a shareholder of a corporation that holds a Nevada gaming
25 license.

26 18. On October 30, 2020, David Meril Leid (David Leid), a licensed shareholder of
27 Respondent LEID'S INCORPORATED, died.

28 ...

1 19. The RESPONDENTS did not notify the BOARD of David Leid's death until
2 around October 28, 2021, nearly one year after it occurred.

3 20. A nearly one-year delay in providing notification of the death of a shareholder
4 does not qualify as immediate as required in NGC Regulation 9.020(1).

5 21. RESPONDENTS' failure to immediately notify the BOARD of David Leid's
6 death constitutes a violation of NRS 463.170 and/or NGC Regulations 5.010, 5.011, and/or
7 9.020(1). Such violation(s) constitute(s) an unsuitable method of operation, and, as such,
8 provide(s) grounds for disciplinary action. *See* NRS 463.170(8); Nev. Gaming Comm'n Regs.
9 5.010(2), 5.011(1), and 5.030.

10 **COUNT TWO**
11 **CONSIDERATION PAID RELATING TO DISPOSITION OF INTEREST IN**
12 **CORPORATE LICENSEE PRIOR TO COMMISSION GRANTING APPROVAL**

13 22. The BOARD realleges and incorporates the above paragraphs by reference as
14 though set forth in full herein.

15 23. Pursuant to NGC Regulation 8.050, no consideration for the transfer or
16 acquisition of any interest in a licensed gaming operation or in a licensee shall be paid over,
17 received, or used until compliance with all applicable requirements set forth in the Act and
18 regulations adopted thereunder for the consummation of the transaction have been
19 complied with.

20 24. Pursuant to NRS 463.510(1), the disposition of any security issued by a
21 corporation, other than a publicly traded corporation, that holds a state gaming license,
22 must be approved in advance by the Commission. NRS 463.510(1). Any disposition of such
23 security prior to obtaining Commission approval is deemed void by operation of law. NRS
24 463.510(1).

25 25. On or about July 2, 2021, Respondent LEID'S INCORPORATED entered into
26 a Common Stock Repurchase Agreement (1st Repurchase Agreement) with Respondent
27 JANET WELLS in which it agreed to repurchase two of its shares then held by Respondent
28 JANET WELLS in exchange for the satisfaction of Respondent JANET WELLS' debt to
Respondent LEID'S CORPORATION.

1 33. Pursuant to NGC Regulation 8.050, no consideration for the transfer or
2 acquisition of any interest in a licensed gaming operation or in a licensee shall be paid over,
3 received, or used until compliance with all applicable requirements set forth in the Act and
4 regulations adopted thereunder for the consummation of the transaction have been
5 complied with.

6 34. Pursuant to NRS 463.510(1), the disposition of any security issued by a
7 corporation, other than a publicly traded corporation, that holds a state gaming license,
8 must be approved in advance by the Commission. NRS 463.510(1). Any disposition of such
9 security prior to obtaining Commission approval is deemed void by operation of law. NRS
10 463.510(1).

11 35. On or about October 20, 2021, Respondent LEID'S INCORPORATED entered
12 into the 2nd Repurchase Agreement with Respondent JANET WELLS in which, among
13 other things, Respondent LEID'S INCORPORATED agreed to repurchase the remaining
14 28 shares held by Respondent JANET WELLS and the 60 additional shares she was
15 anticipated to receive as a distribution from David Leid's estate.

16 36. Under the 2nd Repurchase Agreement, Respondent LEID'S INCORPORATED
17 agreed to repurchase the 88 shares described in paragraph 40 above via monthly
18 installments over the term of 359 months. The agreed upon payments included interest at
19 the rate of two percent per annum on the unpaid balance. This payment obligation was
20 evidenced by a promissory note executed by Respondent LEID'S INCORPORATED and
21 secured by the shares being repurchased. Respondent JANET WELLS received the first
22 monthly payment under the 2nd Repurchase Agreement on or about November 1, 2021.

23 37. An application requesting Commission approval for the disposition of
24 Respondent JANET WELLS' shares in Respondent LEID'S INCORPORATED was received
25 by the BOARD on November 21, 2021, approximately 20 days after Respondent JANET
26 WELLS had begun receiving monthly payments for the disposition of the applicable shares
27 under the 2nd Repurchase Agreement.

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1 38. The submission of the application described in paragraph 42 above establishes
2 that one or more of the RESPONDENTS knew that the disposition of Respondent JANET
3 WELLS' shares in Respondent LEID'S INCORPORATED required prior Commission
4 approval.

5 39. Respondent JANET WELLS continued to receive the \$5,529.51 monthly
6 payments as consideration for the disposition of her shares in Respondent LEID'S
7 INCORPORATED pursuant to the 2nd Repurchase Agreement while the application for the
8 disposition of the applicable shares was pending.

9 40. On January 6, 2023, BOARD staff notified RESPONDENTS via email of the
10 requirement that any payments made by Respondent LEID'S INCORPORATED under the
11 2nd Repurchase Agreement was required to be placed in escrow pursuant to NGC
12 Regulation 8.050 until such time as the disposition of the applicable shares was approved
13 by the Commission.

14 41. On January 10, 2023, legal counsel for the RESPONDENTS responded via
15 email to the BOARD 's notification described in paragraph 45 above, with the following
16 statement:

17 We realize that this is an issue, and that it would have to be
18 unwound if Gaming denies approval. We hope that it does not
19 come to that, obviously. Much of the value was for the
 laundromat/dry-cleaning operations. We hope that this is
 understanding from Gaming, under the circumstances.

20 42. Despite being notified by BOARD staff of the need for an escrow account,
21 Respondent LEID'S INCORPORATED made at least one subsequent payment directly to
22 Respondent JANET WELLS pursuant to the 2nd Repurchase Agreement. In addition,
23 RESPONDENTS did not transfer any of the previously made payments into an escrow
24 account.

25 43. At the February 23, 2023 Commission meeting, during the discussion on the
26 application for approval of the disposition of Respondent JANET WELLS' shares in
27 Respondent LEID'S INCORPORATED, legal counsel for the RESPONDENTS informed the
28 Commissioners that the payments to Respondent JANET WELLS were continued to keep

1 “peace in the valley” and that Respondents KEVIN LEID and LEID’S INCORPORATED
2 understood there was a risk, since the payments were subject to Commission approval.
3 (Nev. Gaming Comm’n, Tr. p. 65, Feb. 23, 2023.) He further stated that the decision not to
4 transfer the proceeds to an escrow account after being notified of the requirement by the
5 BOARD was approached from the perspective that the money would be returned to
6 Respondent LEID’S INCORPORATED if the application authorizing the disposition was
7 ultimately denied. (Nev. Gaming Comm’n, Tr. pp. 68-69, Feb. 23, 2023.) This dialog shows
8 that once the RESPONDENTS were notified by the BOARD of the unlawful transfer of
9 proceeds, they made a conscious decision not to take measures to come into compliance, but
10 rather elected to remain in violation of the statutes and regulations and take a wait-and-
11 see approach.

12 44. At its February 23, 2023 meeting, the Commission ultimately approved the
13 application for the disposition of Respondent JANET WELLS’ shares in Respondent
14 LEID’S INCORPORATED on a three-to-one vote. (Nev. Gaming Comm’n, Tr. p. 72, Feb.
15 23, 2023.)

16 45. In total, from November 1, 2021, through, and including, February 1, 2023, it
17 is estimated that Respondent JANET WELLS received \$88,472.16 in monetary
18 consideration for the disposition of her shares in Respondent LEID’S INCORPORATED
19 pursuant to the 2nd Repurchase Agreement.

20 46. Respondent JANET WELLS’ failure to obtain Commission approval prior to
21 receiving consideration for the disposition of the shares she held in Respondent LEID’S
22 INCORPORATED constitutes a violation of NRS 463.510(1) and/or NGC Regulations
23 5.010, 5.011, and/or 8.050. Such violation(s) constitute(s) an unsuitable method of
24 operation, and, as such, provide(s) grounds for disciplinary action. *See* NRS 463.170(8);
25 Nev. Gaming Comm’n Regs. 5.010(2), 5.011(1), and 5.030.

26 **PRAYER FOR RELIEF**

27 WHEREFORE, based upon the allegations contained herein, which constitute
28 reasonable cause for disciplinary action against RESPONDENTS, pursuant to

1 NRS 463.310 and/or NGC Regulations 5.010, 5.011, and/or 5.030, the BOARD prays for
2 relief as follows:

3 1. That the Commission serve a copy of this Complaint on RESPONDENTS
4 pursuant to NRS 463.312(2);

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

8 3. That the Commission take action against RESPONDENTS' licenses pursuant
9 to the parameters defined in NRS 463.310(4); and

10 4. For such other and further relief as the Commission may deem just and
11 proper.

12 DATED this 29 day of August, 2023.

13 NEVADA GAMING CONTROL BOARD

14 
15 _____
16 KIRK D. HENDRICK, Chairman

17 
18 _____
19 DR. BRITTANIE WATKINS, Member

20 
21 _____
22 HON. GEORGE ASSAD (RET.), Member

23 Submitted by:

24 AARON D. FORD
25 Attorney General

26 By: 

27 _____
28 EDWARD L. MAGAW
Senior Deputy Attorney General
Gaming Division
(702) 486-3082