Pennsylvania Gaming Control Board

WRITTEN COMMENT TO BE INCLUDED IN THE EVIDENTIARY RECORD OF THE PUBLIC INPUT HEARINGS

I request that the following comments be made part of the public input hearing record and considered by the Pennsylvania Gaming Control Board prior to awarding licenses for slots operators:

Name: Keith Miller

Address:

Telephoı

Organization, if any

Employer:

COMMENTS: (Please use reverse side if more space is required)

Attached Millennium Gaming/Management Background Information is to help PGCB in their investigation as to the suitability of Millennium to be a PA Casino Operator in Gettysburg or Owner @ the Meadows.

Comments: Page 2 (continued)

I, Keith Miller verify that the information contained in this written comment is true and correct to the best of my knowledge and belief.

4/7/2006

Millennium Management/Gaming

Background Information

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Millennium Management/Gaming Background Information

This paper was prepared from publicly available information to assist the Pennsylvania Gaming Control Board (PGCB) in their background check of Millennium Management/Gaming, and its principals William Wortman and William Paulos (Millennium). It is not for publication. Millennium is applying to own the Meadows racetrack and casino in Washington Pennsylvania and to operate Chance Enterprises' casino in Adams County Pennsylvania. The PGCB has the task of performing background investigations as to the fitness as well as the superiority of Millennium to perform either of these tasks.

The information gathered herein was collected to address the issues raised in the PGCB regulations as described below. This information raises a series of questions, which should be answered. By asking the questions, this paper does not mean to impugn or malign the character or integrity of Millennium, its owners, employees, affiliates, associates or business partners. The purpose of raising these issues is to identify areas of investigation for the PGCB.

Executive Summary

The history of Millennium and its principals raises questions as to their suitability for owning or operating a casino in Pennsylvania. The main questions deal with their past performance in managing and operating large scale casinos. Their track record with respect to planning, forecasting, developing and delivering deserves careful study. Several of their projects have not ended successfully. This lack of success may have limited their access to affordable capital to enter the Pennsylvania market. In addition the investments of Millennium and its Principles have been made in association with organizations and individuals which are not of the highest character.

Per the regulations listed in the appendix Pennsylvania's applicants need to show that they are more than acceptable. Some licensing agencies, such as Nevada, that have wide scale gambling availability, focus their background checks on illegal activities. Pennsylvania which will limit the number of licensees has indicated that it wants to go beyond criminal background checks to ensure that the selected licensees have the greatest probability of success in generating revenue. Much of the below information therefore tries to describe the business dealings of Millennium and its partners. The descriptions of Millennium's partners and associates are shaded in gray.

- In 1994, William Wortman was the Chairman of the Board CEO and President of the Palace Casino in Mississippi which due to undercapitalization, construction budget overruns, and delays, fell into bankruptcy resulting in a shareholder lawsuit.
- In January 1995, William Paulos joined Primadonna Casinos as President to help them grow their business including opening new casinos such as NEW YORK-NEW YORK and expanding into new markets. After about 18 months Paulos and Primadonna separated. During this time Primadonna badly missed two quarters of financial projections, and failed in an attempt to enter the Mississippi Gulf Coast casino market. NEW YORK-NEW YORK was not completed on time or on budget. During Paulos tenure the company's stock price dropped by about one third.
- From 1996-2003 Millennium was retained to manage the licensing, promotion, construction opening, and operation of the Greektown casino in Detroit. During this period Millennium and its partners worked for and with owners whose business practices were questioned. The opening of the Casino was neither on budget nor on time. During their management of the facility, Millennium incurred the largest fine administered by the Michigan Gaming Control Board for questionable and illegal businesses practices. After these failures, Millennium's management contract with Greektown was terminated, and their participation was reduced to the role of consultant.
- During 2001 William Wortman with his long time partner Renate Schiff attempted to open a casino in Mexico which raised questions about potential for money laundering of drug money.

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Millennium Management/Gaming Background Information

- In late 2001 Paulos was looking for ways to return to Las Vegas. In November they began negotiation for a contract to manage what became the Rampart Casino. Millennium has attempted to share the income from this with its owner who thru 2003 was not licensable. At the same time Millennium looked to opening its own locals casino the Cannery. For years William Wortman had owned and or managed two locals casinos with longtime partner Renate Schiff the Nevada Palace and Renata's in Henderson. It is believed that Millennium is in the process of absorbing The Nevada Palace. The Nevada Palace may be below the level of class 3 license envisioned by the Pennsylvania enabling legislation. The Rampart which they operate for JW Marriott is considered a more luxurious resort.
- In these efforts to buy or build casinos Millennium was not been able to obtain low cost attractive financing.
- William Wortman's longtime associate and business partner Renate Schiff, has had significant legal problems due to her ownership and lease of the property known as the Crazy Horse Too topless club in Las Vegas. Ms. Schiff has been linked to a RICO case as well as violence against the patrons, as well as significant criminal charges and convictions of the lessee the Crazy Horse Too. Although, the author has not been able to find any resolution as to the complaints against Schiff, nor has he been able to find that William Wortman, a long time partner with Schiff, has any involvement in these matters, the seriousness of Schiff's problems and the long term relationship of these two would suggest that this area should be investigated.
- Millennium has had to rely upon high cost financing for its projects. In 2005, as they looked for further expansion, they turned to Oaktree Capital Management, a so-called "vulture capitalist", whose objective is high quick returns from distressed borrowers with minimum risk. Millennium's inability to attract more favorable financing raises questions as to the risks of their ventures and business practices.
- In trying to enter the Pennsylvania gambling market, Millennium has tendered an offer for the Meadows racetrack. Major casino operators passed on the Meadows opportunity, and MEC shareholders rewarded that company's stock value by almost 100% of the after tax gain on the transaction. This raises questions as to Millennium's market and business acumen when approaching new markets outside of Las Vegas.

This paper is based on a review of the press as well as public filing where available. Millennium as a private company is not subject to public scrutiny, and the principals, William Paulos and William Wortman, prefer to work without such public oversight. Some of the information contained herein may not be accurate as the author has not had the opportunity to independently verify the published reports contained herein. According to the principals Millennium prefers to operate as a private company, with little real public record. As explained by the principals they had worked for public companies and prefer now to work in private. As Paulos and Wortman stated in an interview:

> "I got very tired of the public company business," said Paulos, who left Primadonna in 1996 to form Millennium Management with William Wortman. Wortman, former chief financial officer and vice president of administration for non-gaming departments at Caesars Palace, shares that view, he said. "Always dealing with Wall Street ... got a little old for us, being entrepreneurial kind of guys." [1]

This desire to avoid public scrutiny may have been influenced by the problems of Wortman at the Palace Casino in Mississippi, and Paulos' experiences as President of Primadonna.

Wortman before Millennium: the Palace Casino in Biloxi Mississippi.

Wortman's desire for privacy from the SEC may stem from having been accused of securities fraud while he oversaw the construction and bankruptcy of the Palace Casino in Biloxi, Mississippi.

Wortman was a certified public accountant with more than 12 years of experience providing audit and consulting services to clients such as Harrah's Entertainment Inc., MGM Grand Inc., Caesars Palace and Station Casinos. [2] He was the former chief financial officer and vice president of administration for non-gaming departments at Caesars Palace.[3]

In 1992, Maritime Resorts International began to develop the Palace Casino in Biloxi Mississippi. In May 1993, in order to raise capital for the casino, Maritime turned to John G. Kinnard & Co. to sell convertible preferred stock through a Private Placement Memorandum (PPM) to wealthy individuals. The stock was sold at $6 a share, with a promise that the Palace Casino would go public before the casino opened and that the preferred stock would be converted and registered so that it would be tradable. Qualified investors were defined as individual earning more than $200,000 annually or possessing a net worth in excess of $1,000,000. The PPM explained the risks and investors had to sign a waiver prior to purchasing the preferred stock indicating they understood and accepted that risk. [4]

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[1] Cannery dreamin': Casino targets locals market," *The Casino Net*, http://thecasinonet.com/read_article.php?site=Casinos&section=News&id=7375

[2] Becky Yerak, "Millennium Staffed with Casino Veterans," *The Detroit News*, 5/3/2000 http://72.14.203.104/search?q=cache:tOWwbzE0MNgJ:www.detnews.com/2000/metro/0005/03/a09-48130.htm+%22guy+hillyer%22+casino&hl=en&gl=us&ct=clnk&cd=12

[3] Yeomans, Michael, "Las Vegas partners put $225M on table for Meadows," *Pittsburgh Tribune Review*, 11/10/2005, http://pittsburghlive.com/x/tribune-review/trib/regional/s_393048.html
Liz Benston, "Cannery dreamin': Casino targets locals market," *Las Vegas Sun*, 11/11/2002, http://www.lasvegassun.com/sunbin/stories/text/2002/nov/11/514234407.html

[4] Allyn v. Wortman, 725 So. 2d 94 (Miss. 1998) ,**IN THE SUPREME COURT OF MISSISSIPPI, NO. 96-CA-00646-SCT,** Rehearing Denied, Oct. 22, 1998 http://www.mslawyer.com/mssc/cases/980409/9600646.html

Sometime after the solicitation of the PPM, William C. Wortman became President, CEO, and Chairman of the Board of the Palace Casino. His prime mission was to get the casino launched on time and on budget.

After the issuance of the private stock, the company filed a registration statement and issued a 10-K on December 3, 1993. Both contained significant warnings that the venture was not proceeding as planned and that the Company was in trouble.

The warnings were well founded: construction was delayed, and costs exceeded budgets. In May 1994, the contractors for the project submitted bills which substantially exceeded the estimate they had given the company and its financial advisors in January and February 1994. Unpaid, the contractors placed liens on the Casino, and Maritime defaulted under its Indenture relating to the $37 million increasing rate notes that were issued in February 1994. This prevented the company from utilizing approximately $6.7 million of funds obtained in the note offering. Unable to meet its obligations, the company filed for Chapter 11 bankruptcy protection and began to explore potential sale.

The Palace was unprofitable from the day it opened in April 15, 1994. Performance was hurt when the under funded casino was unable to complete the Biloxi project's hotel and on site parking. Adverse publicity regarding the cost overrun and subsequent employee cut backs also impacted operations. In addition, the number of gaming devices in the Biloxi market had approximately doubled since the Palace opened. The company suffered a $10 million operating loss. Ultimately the casino failed and in December 1994 it filed for Bankruptcy protection. That same month, William C. Wortman resigned as President and CEO responsible for day to day operations, but he agreed to stay on as Chairman of the Board. Thomas A. Lettero resigned as Vice President and Chief Financial Officer. Richard J. Lawrence was appointed as President and CEO.[5]

After filing for bankruptcy and Wortman departure the Palace Casino was reportedly able to operate at about breakeven producing $2 million per month in gambling revenue.[6] Jeff Dahl took over as President at the Palace Casino for a brief time. Dahl said operating the casino in bankruptcy was a learning experience, and that he did not stay in the position long[7]

On September 26, 1995, Wortman, Schiff, and other managers of the Palace Casino along with John G. Kinnard were made defendants in Alan v. Wortman 725 So.2d 94 (Miss 1998) in the Circuit Court of Hinds County Mississippi for alleged violations of the securities laws. Renate Schiff, a co-owner in the Nevada Palace with Wortman and a longtime associate of his, was named as a defendant in this securities fraud case for her

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[5] "Palace Casinos Makes Announcement," Business Wire, 12/1/1994 http://72.14.203.104/search?q=cache:Afygc1FAcrUJ:www.findarticles.com/p/articles/mi_m0EIN/is_1994_Dec_1/ai_15933558+%22Maritime+Group%22+Wortman&hl=en&gl=us&ct=clnk&cd=3

[6] "Bankruptcy News for September 23, 1995: Casino Resource Corporation to Purchase Palace Casino" Internet Bankruptcy Library, http://bankrupt.com/TCR_Public/960923.MBX

[7] "Coast Proves To Be Land of Opportunity for New Casino President", Gambling Magazine, *http://gamblingmagazine.com/articles/40/40-174.htm*

role in the Palace Casino. Investors alleged that John G. Kinnard & Company and the other defendants including Wortman and Schiff had made material misrepresentations in a Private Placement Memorandum (PPM), upon which they relied when purchasing Palace Casino stock. Furthermore, the Investors sought to recover from the Palace defendants for the destruction of the company as an ongoing business. [8]

In February 1996, Kinnard offered to settle with the class action plaintiffs paying $500,000 against their claims for $16 million. The settlement required court approval to release Kinnard of all future claims. In an article in the Tribune, the suit alleged that Kinnard had provided incomplete and inaccurate sales information to sell preferred shares in the Palace Casino in Biloxi when it sold about $11 million in Convertible Preferred Stock priced at $6 per share in the Palace Casino. The shareholders had been promised that the preferred convertible stock they had bought would be registered and tradable by the time the casino opened. Although the casino's stock rose to $10 after the casino opened it quickly fell to 50 cents during which time the preferred stock remained unconverted, unregistered and thus unsalable. The suit alleged that Kinnard took about a million dollars in placement fees 9% for selling the preferred stock.[9]

It is unclear if this settlement offer was accepted.

In 1998, the courts ruled in favor of the defendants-- arguing that the shares were bought from a third party and not from the defendants, that the defendants had been informed of the risks, and that "the investors were merely seeking a scapegoat for their poor investment."[10]

On September 23, 1995, Casino Resource Corporation signed a purchase agreement to buy the Palace Casino out of Bankruptcy for $11.5 million in cash and $2.75 million in notes from Maritime Group, Ltd., the Debtor-in-Possession, as well as Roy Anderson Corporation, the major creditor. As Casino Resources Corporation CEO Jack Pilger explained, "The Palace was victimized by major cost overruns from its inception; with the seller, Maritime Group, Ltd., spending some $50 million on the casino and land improvements. With inadequate working capital, the property was never able to establish itself here on the Gulf Coast. With appropriate working capital, **experienced management**,[emphasis added] adequate parking, hotel rooms, an attractive entrance, a reduced purchase price, and with it being basically an all equity transaction, I feel confident the new Palace Casino will be in a position to garner enough market share to give us an excellent return on equity."[11]

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[8] Allyn v. Wortman, 725 So. 2d 94 (Miss. 1998) ,**IN THE SUPREME COURT OF MISSISSIPPI, NO. 96-CA-00646-SCT,** Rehearing Denied, Oct. 22, 1998 http://www.mslawyer.com/mssc/cases/980409/9600646.html

[9] Kinnard to Pay $500,000 in suit over Casino," Minneapolis *Star Tribune*, 2/24/1996,

[10] Allyn v. Wortman, 725 So. 2d 94 (Miss. 1998) ,**IN THE SUPREME COURT OF MISSISSIPPI, NO. 96-CA-00646-SCT,** Rehearing Denied, Oct. 22, 1998 http://www.mslawyer.com/mssc/cases/980409/9600646.html

[11] "Bankruptcy News for September 23, 1995: Casino Resource Corporation to Purchase Palace Casino" Internet Bankruptcy Library, http://bankrupt.com/TCR_Public/960923.MBX , same press release can be found at http://www.secinfo.com/dREmd.95.htm

In November 1995, the Mississippi Gaming Commission approved the purchase of the Palace Casino Inc. from Maritime Group Ltd. but the price had been reduced to $12 million, and Casino Resources was still working to arrange financing.[12] Finally in February 1996, the deal fell thru because of reported unacceptable financing terms.[13]

In 1996, the Gaming Commission warned Palace Casino that it faced possible closure due to a lack of land-based development and delays in building a mooring system to protect the gambling barges against hurricanes. That same year, the agency ordered the removal of Palace's Chief Executive Officer as a condition for extending its license. The casino was purchased out of bankruptcy by Missouri trucking executives in 1997. Renamed the New Palace, the Casino performed to the satisfaction of the Gaming Commission.[14]

A January 1, 2006 Colorado Casinos Application List describes the Palace Casino, Maritime Group and Wortman status as NON RENEWAL.[15]

Maritime Group, Ltd. DBA: Palace Casino 124 Lameuse St. Biloxi, MS 39530 Status: NON RENEWAL	William C. Wortman Jack R. Crawford Richard J. Lawrence

After a three year investigation by the FBI and IRS in December 1999, a federal grand jury in Mississippi indicted Timothy J. McDonald of conspiracy, money laundering, tax evasion and wire fraud. U.S. Attorney Brad Pigott said, "This is a case about an allegation of lies to get a Mississippi casino license, lies about funding and construction of a Mississippi casino and lies about concealing who truly controlled the operation ... and who got the profits from a casino operation," The grand jury did not blame the casino's failure on McDonald's actions, but they did point to lax management on the part of the management team. The author has not been able to determine if Wortman was definitively leading the management team during the time of McDonald's fraud.

McDonald and an unnamed person were accused of fraudulently convincing investors to put up more than $15 million to develop the Palace Casino. The investors were told the money would only be used for the casino, but the indictment claims some of it was used on projects outside the state and some was misappropriated. McDonald was accused of

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[12] "U.S. BANKRUPTCY COURT OKAYS CASINO RESOURCE CORPORATION'S PURCHASE OF PALACE CASINO, BILOXI, MISSISSIPPI, " *Internet Bankruptcy Library*, 11/22/2005, http://bankrupt.com/TCR_Public/951122.MBX

[13] "Casino Bid Withdrawn," New York Times, 2/2/1996 http://query.nytimes.com/gst/fullpage.html?res=9402EEDC1739F931A35751C0A960958260

[14] "Grand Jury Indicts Former Businessman," Associated Press, Dec 09, 1999, http://www.playermagazine.com/ManageArticle.asp?C=460&A=74

[15] Colorado Casinos Application List January 1, 2006, http://www.revenue.state.co.us/Gaming/documents/Applist.pdf page 32

inflating costs for work done on casino barges. Of the $285,915 paid for barge refurbishment, $150,000 went to a consulting company controlled by McDonald called Halmac. Later, an unindicted co-conspirator wrote a $1.25 million check on the casino's parent company to Halmac.[16]

Questions: What were Wortman's positions before the Palace Casino? When was Wortman hired by the Palace Casino? What were his specific responsibilities with respect to its construction and operation? When did he become aware of financial problems and what actions did he take to correct them? What actions did he take to inform investors and debtors of the problems? What was the role of Renate Schiff at the Palace Casino and who hired her? Who were the board members of the Palace Casino, what did they think of Wortman's management and why did they accept his resignation? Why did Wortman resign? Why were there problems with purchasing, and what role did Wortman take to control these problems? What did the PPM's and filings say with respect to business risks, and how were these prepared? Why was the company surprised between January and May with respect to billings? What did Wortman do between 1995 and the formation of Millennium in the summer of 1996?

Paulos before Millennium, Primadonna

Paulos spent 14 years at Circus Circus enterprises now part of MGM Mirage during the 80's and 90's. As a senior executive Paulos oversaw design and construction of such well-known casinos as the Excalibur and Luxor. When the Excalibur was completed it was the largest casino in the world with 4000 rooms. According to one report it was completed on time and on budget. Paulos left Circus in 1994 during a time of management turmoil to become Vice Chairman of Crown Casino Ltd.'s overseeing the development and opening of their first casino in Melbourne, Australia. [17]

In January 1994, William Paulos left Circus Circus. The company was undergoing management secession issues for its then 69 year old CEO and cofounder William G. Bennett. On February 25, the Wall Street Journal announced that Bennett would step aside and the 57 year old Clyde T. Turner, who was then the President, would add the CEO title while also retaining the title President. Turner had joined Circus Circus the year before after 14 years as a financial executive with rival Mirage Resorts. In stepping down Bennett said, "I feel like I've got a real good team in place, and I'm not going to step completely out." Bennett claimed he wanted to spend more time with hs wife, and enjoy his hobbies of boating and sailing. Chronic back and feet pain was also a minor contributor to his decision to step down. In commenting on the move, Turner said, "I'll be asking Mr. Bennett for a lot of guidance, and he's still Chairman. The succession plan at Circus Circus had been in the air since 1991 when Bennett announced and then

[16] "Grand Jury Indicts Former Businessman," Associated Press, Dec 09, 1999, http://www.playermagazine.com/ManageArticle.asp?C=460&A=74

[17] Becky Yerak, "Millennium Staffed with Casino Veterans," *The Detroit News*, 5/3/2000 http://72.14.203.104/search?q=cache:tOWwbzE0MNgJ:www.detnews.com/2000/metro/0005/03/a09-48130.htm+%22guy+hillyer%22+casino&hl=en&gl=us&ct=clnk&cd=12

rescinded a retirement plan. After this his designated successor Rick Banis along with Mel Larson, the top marketing executive, James Muir Chief Operating Officer, and most recently Glenn Schaeffer another Bennett heir apparent and who was replaced by Turner as President and COO departed. The most recent departure came in January 1994, when William Paulos the veteran operating officer who oversaw the opening of the Luxor announced his departure to become COO for Crown Casino Ltd., in Australia. All of this raised concerns on Wall Street as to Circus Circus ability to manage its aggressive growth plan in the face of increasing competition. These concerns were justified by the concurrent announcement of the prior year results. Net income in 1993 (FY 1994) was $1.34 a share which was down from $1.37 a share a year earlier. These results were negatively impacted by a 12 cent a share charge for pre-opening expenses on the new Luxor Casino and Resort [18]

Circus Circus's stock had been performing poorly throughout this period, and when Paulos who was then the Senior Vice President and General Manager of its Luxor Las Vegas hotel, departed unexpectedly in January 1994, Circus-Circus's stock slid 6%.[19]

Questions: Why did Paulos leave Circus Circus? Was the Luxor delivered on time and on budget? If Paulos was so good, why was he not considered in the succession plan?

Paulos was at Crown Casino Ltd, Australia, for no more than a year. Crown with a monopoly on casino gambling turned into a huge venture. Crown opened a temporary facility in 1994. Three years later and two years after Paulos left it opened a permanent facility with 350 table games and 2,500 gaming machines. Generating AUD$750 million in revenues from its gaming operations, the complex is a true World of Entertainment, with 17 bars, 35 restaurants, 40 retail outlets, 14 screen cinema complex.[20]

Question: What happened? Given the expansion, why did Paulos stay such a short time?

During 1994, Primadonna's stock price had fluctuated between $33 and $20 and over the course of the year it fell 16% to 23.75 at the end of the year. William Paulos was added as President in January 1996 to help Primadonna reverse this decline. From January 1995 until February 1996 Paulos worked as President and COO Primadonna. During that time that company lost about a third of its market value.

On January 10, 1995, Primadonna Resorts Inc. announced that William Paulos was joining the casino company as President. Gary E. Primm was to continue as CEO and

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[18] Pauline Yoshihashi, "Who's News Circus Circus Chief Leaves top Post Remains Chairman," *Wall Street Journal*, 2/25/1994 http://72.14.203.104/search?q=cache:7rkhBimsG1IJ:www.isip.msstate.edu/publications/courses/ece_8463/projects/1998_spring/data/lm_training/wsj94_026.text+%22william+paulos%22+bankruptcy&hl=en&gl=us&ct=clnk&cd=14

[19] "Company News; Circus Circus Stock Off after Executive Resignation." *New York Times*, 1/21/1994, http://query.nytimes.com/gst/fullpage.html?res=9D03E1D71530F932A15752C0A962958260

[20] Andrew MacDonald, "Bright Ideas Significant Trends in Australian Gaming," *Urbino.net*, http://www.urbino.net/bright.cfm?specificBright=Significant%20trends%20in%20Australian%20Gaming

Chairman of the board. In announcing Paulos move Primm stated, "Bill has an outstanding reputation for developing innovative and trend-setting gaming projects. He brings a tremendous amount of operating experience and integrity that will deepen our senior management ranks and position Primadonna to become one of the premiere gaming companies in the world." Paulos said: "I welcome the opportunity of joining what I believe is one of the great growth companies in the casino industry. Primadonna Resorts has already built one of the most exciting casino- resorts in the world at Stateline and is in the process of building another in Las Vegas with MGM Grand, Inc. called NEW YORK-NEW YORK. I look forward to helping the Company develop even more spectacular projects." The announcement went on to explain that although revenues had reached an all time high earnings were disappointing due to the cost of expansion and the fact that Primadonna had not reduced staffing levels in the traditionally slow fourth quarter.

Primadonna Resorts, Inc. owned and operated three casino-resorts along Interstate 15 on the California Nevada state line: Buffalo Bill's Resort and Casino, Primadonna Resort and Casino and Whiskey Pete's Hotel and In addition to a wide range of gaming, entertainment and recreation at Stateline, Buffalo Bill's features "Desperado," the world's tallest and fastest roller coaster. Through a 50/50 joint venture Primadonna had taken on the development of a 2,000 room casino in Las Vegas NEW YORK-NEW YORK with MGM Grand, Inc.[21]

On March 14, Primadonna announced the replacement of Chief Financial Officer James VanWoerkom with Craig F. Sullivan. Prior to joining Primadonna, Sullivan was the corporate treasurer of Aztar since 1990, directing the company's financing, cash management, and corporate investments. In announcing the addition of Sullivan, Paulos said "Craig brings to Primadonna Resorts a solid understanding and knowledge of corporate finance and management. He is recognized throughout the industry as someone who possesses keen insight into financial structuring and knows how to successfully take a company to the next phase of growth. We will look to Craig to add his many talents to our growing management team." Sullivan was to report to both Paulos and Primm. In the same announcement Primadonna announced the addition of Michael P. Shaunnessy as vice president-finance and chief accounting officer. Prior to joining Primadonna, Shaunnessy had served as vice president of finance for the Tropicana Hotel on the Strip in Las Vegas since 1990.[22]

On March 30, Primadonna and MGM broke ground on their NEW YORK-NEW YORK $350 million 50/50 hotel & casino in Las Vegas. The 2,119 room casino was expected to open in late 1996. The theme was a recreation of New York City with a 150 foot tall Statue of Liberty, a Coney Island/Cyclone styled roller coaster which would take patrons

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[21] "Primadonna Resorts Says Fourth-Quarter Earnings to be Below Estimates; Former Circus Circus Executive Bill Paulos Named President." PR Newswire, 1/10/1995. http://www.highbeam.com/library/doc3.asp?DOCID=1G1:16017447&ctrlInfo=Round19%3AMode19a%3ATYF%3AContinue

[22] "*Primadonna Resorts Inc. Appoints Craig F. Nelson as Chief Financial Officer and Treasurer,*" *PR Newswire*, 3/14/1995

around the resort. The resort would include replications of the New York Public Library, and the Brooklyn Bridge. The hotel was to be made of high rises replicating the New York skyline with the tallest one being a 535 foot 48 story replica of the Empire State Building. This would be the tallest building in Las Vegas. Restaurants themes were selected to replicate the unique offerings of NYC. With its location and size NEW YORK-NEW YORK was intended to be a significant draw. It was also a monumental project.[23]

On April 27, 1995, Primadonna announced its first quarter results. Revenue was up 39% and EBITDA was up 13% compared to the same quarter the year before. Much of this was driven by the success of the opening of their new stateline resort Buffalo Bill. Although sales and EBITDA were up operating income was off 13% due to the heavy depreciation costs of Buffalo Bill. Net income had dropped to 17 cents a share from 23 cents a share the year before. Noting that they continued to turn away 1000 potential guests a weekend at Buffalo Bill, Primm stated, "Buffalo Bill's has clearly been a tremendous hit, and we will begin to generate significantly higher revenues and operating cash flow when our 650-room addition is completed in June, for our busiest season."

Commenting on the results Paulos added, Following the resignation of Michael Villamor, Bill Paulos, the company's new president, will also assume the additional title of chief operating officer. According to Paulos, "While there have been some declines in revenues at the Whiskey Pete's and Primadonna properties due to the excitement of Buffalo Bill's, we are continuing to transform our three-resort complex from a weekend impulse stop into a major destination resort." Paulos went on to point out that he one of his top priorities was to recruit the best operating, financial and marketing management in the to Primadonna, and he pointed to the recent additions of Sullivan and Shaunnessy as well as Dan Shumny, vice president of marketing, from Lady Luck. "Our new management team is prepared to meet the exciting challenges of 1995 and beyond."[24]

On July 20, 1995, Primadonna announced Q2 results. Sales, EBITDA, and Operating Income were up 44%, 34% and 16% compared to the same period the year before. Net Income was almost down a penny a share compared to a year earlier at $0.25 per share compared to $0.26. In commenting on the results Primm stated, "We are very encouraged by the record-setting operating cash flow and Buffalo Bill's contribution to it. The 629-room addition that came on board fully in June should be very beneficial to Buffalo Bill's from here on out. We continue to run at full capacity on weekends." Paulos who was now President and Chief Operating Officer added, "The revenues and operating performance at the Whiskey Pete's and Primadonna properties have made substantial progress in returning to previous levels and our new marketing program, designed to attract more midweek customers, is about to kick in. Earlier this week, we completed a five-year $250 million revolving credit facility agented by First Interstate Bank Nevada and co-agented by Bank of America. This credit facility gives us the flexibility we need to continue to grow and capitalize on new opportunities."[25]

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[23] "Las Vegas brings the 'Big Apple' to Town," *PR Newswire*, 3/30/1995
[24] "Primadonna Reports First Quarter Results,: *PR Newswire*, 4/27/2995
[25] "Primadonna Reports Second Quarter Results," *PR Newswire*, 7/20/1995

On July 21, 1995, Paulos announced that he expected second half net income (before pre opening costs) to be 30% higher than the same period the year before. Paulos went on to state the full year 1995 earnings were expected to be $0.98 to $1.05.[26] First half EPS was $0.42, so Paulos was predicting almost a 50% increase in EPS in the second half to about 60 cents a share.

The financing which Primadonna announced was completed on July 19, was apparently not complete. On September 19, 2005, Primadonna and MGM announced that they had completed a $225 million financing arrangements for construction financing of the NEW YORK-NEW YORK casino. "The $225 million construction/revolving loan was provided by a group of lenders. Bank of America acted as agent for the transaction and First Interstate Bank of Nevada acted as co-agent. Additional lease financing for furniture fixtures and equipment is contemplated. NEW YORK-NEW YORK is jointly owned on an equal basis by MGM Grand, Inc. and Primadonna Resorts, Inc. Each of the owners has agreed to make certain limited guarantees in connection with the loan. NEW YORK-NEW YORK is expected to open in late 1996."[27]

By December 31, 1995, Primadonna would have outstanding debts of $144 million to support the expansion program. They paid LIBOR plus 1-2% or Prime plus 0-1% based on a sliding scale based upon company performance for this debt. In 1995 the effective interest rate paid was 7.5%.[28]

Ten days later Paulos announced that the third quarter would be a disappointment as would the rest of the year. On September 29, 1995, he announced, that Q3 earnings would be $0.18-0.19, and that the full year would be only $0.78 to $0.83 which was less than 1994's $0.84. Paulos explained, "The current quarter's performance is largely attributed to continuing weak market conditions in Southern Nevada. These conditions are expected to continue at least through the end of the year."[29]

A month later they provided a full report. Revenues were up only 17% compared to the prior year, EBITDA was up 6%, and although operating income was up 27% Earnings per share had fallen from $0.22 to $0.19. The Lower net income was attributed primarily to an increase in depreciation, amortization, and interest expense. The Company announced that it embarked on a long-term marketing program designed to increase the awareness of its facilities in its principal feeder markets of Southern California. Chairman of the Board and CEO Gary Primm explained, "Though we had anticipated a stronger quarter and a more robust bottom line, we are pleased with the progress we have made in increasing and diversifying our assets year to year and our gain in market share in a relatively flat market. With an aggressive marketing program now in place and a number of property enhancements on the horizon, we are enthusiastic about the potential represented in the Company's expansion at Stateline." Paulos added that Buffalo Bill's,

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[26] "Primadonna Projects Significant Growth for the Second Half of the Year." *PR Newswire*, 7/21/1995
[27] "NEW YORK-NEW YORK Completes Construction Financing," *PR Newswire*, 9/19/2005
[28] Primadonna 10Q 3rd Quarter September 1996, page 11, http://www.secinfo.com/drfvh.9v.htm
[29] "Primadonna Reports Expected Third Quarter Earnings," *PR Newswire*, 9/29/1995

which was operational for only a portion of the third quarter in 1994 was a strong contributor to revenues and EBITDA during the most recent quarter. "Our newest property has been well received, and operating cash flow remains strong. Because we have dramatically increased our capacity since early 1994, we now need to supplement our traditional intercept strategy. Our marketing efforts are intended to stimulate mid-week demand through positioning Stateline as a destination location." [30]

On November 30th, MGM and Primadonna added two more members to the board of directors of the NEW YORK-NEW YORK casino then being built: Kenneth Rosevear and Robert Armstrong. Rosevear was the senior vice president of development for MGM Inc. Prior to MGM he had worked at Caesars World Gaming Development Corp., where he served as president for the prior two years. Armstrong, an outside director of Primadonna. He was with the law firm McDonald, Carano, Wilson, McCune, Sergin, Frankovich and Hicks, and had over 20 years of legal expertise in gaming law. Rosevear and Armstrong joined the existing board of directors for NEW YORK-NEW YORK, Resorts Inc., which included Chairman Gary E. Primm, CEO, Primadonna Resorts; CFO Alex Yemenidjian, president, COO and CFO, MGM Grand Inc.; William (Bill) J. Paulos, president, Primadonna Resorts; and J. Terrence Lanni, chairman and CEO, MGM Grand.[31]

On February 1, 1996, Primadonna announced a reorganization in which Paulos was replaced as COO of the Stateline properties by Christopher R. Gibase. Gibase, who joined the company in 1994, had been serving as Vice President and General Manager of Buffalo Bill's Resort since 1995. He had 18 years experience in the casino industry having served as Vice President of Operations for casinos in New Jersey, Iowa, Illinois and Mississippi. In making the announcement Primadonna said that the position of COO had been temporarily filled by Paulos, since May, 1995. At the same time it was announced that Brian L. Baggett was appointed Senior Vice President of Design and Construction. Baggett had more than twenty-five years of experience in managing the design and construction of more than $3 billion in commercial, institutional and industrial building projects throughout the world. Prior to joining Primadonna he was regional project director of Asia and Australia for the Hilton Hotels Corporation. In making the moves, Chairman and CEO Primm, said, "We're very fortunate to have someone like Chris in our organization. And Brian is a terrific acquisition for our company. We have publicly stated that our intention is to create a first class management team for the future. With Chris and Brian's appointments, we have taken steps to do just that."[32]

Less than a week later on February 7th, Primadonna announced its 1995 results. 4th Quarter sales, were up 4% but EBITDA, Operating Income, and EPS were down 4%, 2%, 5%, and a penny to $0.15. Although revenue, EBITDA, and Operating Income for the year had risen 24%, 12%, and 6%, EPS had fallen a dime to $0.76. This compared unfavorably to the $0.78-0.83 that Paulos had predicted after the third quarter, and was

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[30] "Primadonna Resorts Announces Third Quarter Results," *PR Newswire,* 10/30/1995.

[31] "A new city is growing in the desert; NEW YORK-NEW YORK HOTEL & CASINO expands board with additional appointments," *Business Wire,* 11/30/1995

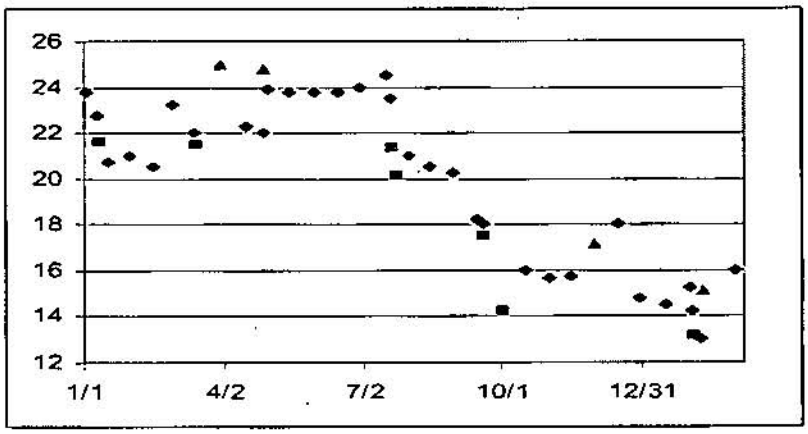
[32] "Primadonna Resorts Appoints New Officers," *PR Newswire,* 2/1/1996

his second quarterly miss in a row. In announcing the results there was no statement from Paulos. Primm stated, "Nineteen ninety-five has certainly been a challenging year for us. We are working hard to absorb the substantially increased capacity at Stateline which we've brought on stream over the last couple of years. With the company's focus on marketing and expansion programs in 1996, we are dedicated to improving our operating performance and to positioning Primadonna for long-term growth."
Primm then turned to the 1996 outlook. He described the additions at Stateline of a new 18 hole golf course slated to open in late 1996, the anticipated spring 1996 ground breaking and mid 1997 opening of a new shopping center and upgrades all designed to "transform Stateline into a true destination location." Primm also pointed to the diversification of Primadonna away from Stateline with the anticipated 1996 opening of its MGM joint venture NEW YORK-NEW YORK, and alluded to looking at other plans[33]

By February 1996, Paulos role at Primadonna had been reduced. Between his arrival at the beginning of 1995, and Feb 8 1997, Primadonna's stock price had fallen by about a third.

Jan 10, 1995 Paulos Announced as President Stock declines a dollar to 21.625
Mar 14, Primadonna announces replacement of CFO, price declines 50 cents
March 30, Primadonna announces Ground Breaking on New York New York stock up $3
April 27, Primadonna announces 1st Qtr Results, stock up $2.75
July 20, Primadonna announces financing and 2nd Qtr Results, stock drops $2.25
July 21, Paulos provides optimistic second half forecast, stock drops 1.125
Sept 19, Primadonna announces financing closed for second time, stock drops 50 cents
Sept 29, Primadonna warns on 3rd Qtr results, stock drops $3.
Nov 30, Primadonna adds to New York New York Board, stock up $1
Feb 1, 1996, Primadonna announces reorganization, Paulos replaces as COO price drops $1, to $14.25 as market worries about yet to be announced 1995 results.
Feb 7, Primadonna announces 1995 results price up $2.165 to 15.125

Primadonna Stock Price 1995-1996



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[33] "Primadonna Resorts Announces Fourth Quarter and Full Year Results," PR Newswire, 2/7/1996
[34] New York Times

Primadonna's stock price would rally in the third quarter after Paulos was gone, before declining again.

Fiscal Year Ending December 31, 1995		
First Quarter	$25.00	$19.50
Second Quarter	25.75	20.88
Third Quarter	24.25	15.25
Fourth Quarter	17.38	14.25
Fiscal Year Ending December 31, 1996		
First Quarter	$17.75	$12.25
Second Quarter	25.00	15.25
Third Quarter	23.75	17.00
Fourth Quarter	19.50	15.63 [35]

In July 1996, Primadonna continued its efforts to diversify beyond Stateline. It signed a letter of intent in Biloxi Mississippi to buy the Broadwater Resort, Broadwater Resort East, Broadwater Marina and the 18-hole Broadwater Sun Course for $41.5 million and to lease the Presidents Casinos for $15 million. The properties had been on the market for nine months when Primadonna bought them, and were struggling. Paulos indicated that Primm had begun visiting the Broadwater property to plan the $250 million to $300 million project. Paulos said "We'll work hand in hand with them to increase the market. We would have no intention of coming to Biloxi unless we thought the market could be greatly expanded." Paulos said the resort could succeed even though it's not near Casino Row. "We have a marketable difference. We can be a true resort. If anybody thinks it's a bad location, they don't do things like we do." Wall Street analyst James J. Murren, who closely watched the Mississippi Coast casino market, said it was a good thing the prior owners sold the properties since "they were going to go bankrupt at that property if they didn't do something. They really squandered their advantage on the Gulf Coast." Murren predicted Primadonna would make big changes. "It's a big plus for the local area because they're going to do what the President should have done years ago. Forget about having a barge. They're going to slap in a large facility, renovate the rooms, fix up the golf course, put a bridge over (U.S. 90) and add parking." The deal was expected to close in October if certain conditions were met. The property is was located next to historic Beauvoir where, Jefferson Davis's lived after the Civil War.[36]

On October 22, 1996, President and CEO, Gary Primm announced that Primadonna was withdrawing from the acquisition of the Broadwater properties. Primm explained, "after the successful completion of a thorough and exhaustive period of due diligence, and

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[35] Primadonna 10k 1996 page 17, http://www.secinfo.com/drfvh.8b.htm

[36] "Primadonna Announces Acquistion in Biloxi," PR Newswire 7/22/1996John Porretto, "Primadonna Resorts of Nevada Plans to Buy Biloxi Miss., Casino and Resort," *Originated from the Sun Herald Biloxi MS, Knight Ridder Tribune*, 7/23/1996
John Porretto, "Primadonna Resorts plans Casinos in New York, Nevada" *Knight Ridder Tribune*, 7/23/1996

despite an extremely positive association with Mississippi gaming regulators, the City of Biloxi and Mississippi state officials, Primadonna Resorts has decided not to enter into a definitive agreement to purchase the Broadwater Resort site in Biloxi or President Casinos' leasehold interest at the Broadwater Marina."[37]

On January 1997, Primadonna announced its disappointing 1996 results. The NEW YORK-NEW YORK opening did not go per plan, and was delayed until Jan 3, 1997 creating a pre opening cost of $15.8 million $7.8 million of which was charged to Primadonna. Without NEW YORK-NEW YORK, revenues had climbed only 1.3% to $242.8 million. Fourth quarter earnings were further depressed by $3.4 million in non-recurring charges having to do with its suspended development efforts in Biloxi, MS, development efforts in Baltimore, MD, a portion of its investment in Southwest Casino & Hotel Corp., and certain severance costs incurred in connection with the resignation of its former president Bill Paulos. Without these charges EPS was $0.81, but with them it had fallen to $0.55 compared to 1995's disappointing performance of $0.76 per share.[38]

The 3rd Qtr September 1996 10Q states that the company incurred "$400,000 for costs associated with the resignation of the Company's former President. The 10k states the company incurred "an incremental $450,000 related to the departure of the former President." [39]

Primadonna, in picking the themes for its NEW YORK-NEW YORK casino was more than willing to trade on the goodwill and capital of others, in particular the New York Stock Exchange. Although this venerable organization has had its share of scandals, with the help of the Securities and Exchange Commission, it is respected around the globe as one of the most open and fair stock exchanges. The organization has raised more investment capital and provides liquidity to one of the largest capital investment markets in the world. The New York Stock Exchange sued the NEW YORK-NEW YORK casino because its faux NYSE was labeled "The New York $lot Exchange." A federal judge dismissed the suit. (10/11/99)[40]

Primadonna did not long survive. On November 10, 1998, MGM announced that it would acquire Primadonna in a stock deal worth $276 million. MGM would also assume $325 million in Primadonna debt.[41]

Questions: When did Paulos know that the numbers were not being met at Stateline? In July 1995, why did he announce an expected 30% increase in earnings? When did he inform the lenders for NEW YORK-NEW YORK that this forecast would not be achieved? Why did Paulos announce that the financing for NEW YORK-NEW YORK was completed in July, when it was not completed until September? What was Paulos'

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[37] "Primadonna Resorts Announces Withdrawal from Biloxi Project," *PR Newswire*, 10/22/1996.
[38] "Primadonna Resorts Reports Fourth Quarter and Full Year Results," PR Newswire, 1/30/1997
[39] Primadonna Reorts Inc. 1996 10k page 26, http://www.secinfo.com/drfvh.8b.htm
[40] "Looking Askance at Five Years of Highs and Lows," *Investment News*, 1/20/2003
[41] "MGM Grand in $276 Million Deal for Primadonna," New York Times, 11/10/1998.

role in Biloxi? Why did the deal in Biloxi fall apart? Whose idea was it to parody the New York Stock Exchange? Why was Paulos removed from the COO position? Why did Paulos receive a severance package if he resigned?

Greektown

The first Millennium project was the Greektown Casino where they helped orchestrate its successful proposal to the city of Detroit.[42] In November of 1996, they were hired by Bernard Bouschor, chairman of the Sault Ste Marie Tribe of Chippewa Indians (the Sault), to help structure, open and manage the casino. Bouschor teamed with Ted Gatzaros and Dimitrios Papas (the Greeks or the pair) to build this casino. The Millennium partners may have met Bouschor and the Greeks in Mississippi, where Bouschor and the Greeks also worked on a failed Mississippi riverboat casino.

Working with Paulos and Wortman was Guy Hillyer. Hillyer had been a member of the Nevada State Gaming Control Board from 1975 to 1987. He then joined Arthur Andersen's audit division, where he worked with Harrah's, MGM Grand and Caesars Palace. The executives marketed themselves as having experience designing casino layouts, determining game mixes, developing marketing and advertising plans and establishing casino controls and procedures.[43]

The Greeks lacked financing and needed Bouschor for money as well as for political influence. Bouschor needed the Greeks for their political connections in Detroit. The team's objective was to open the first off reservation tribal casino in America.

The Greeks Part I

In the 1990's, the Greeks had a vision for Detroit casinos. Mayor Coleman Young had proposed Detroit casinos in the 1970's, but nothing came of this. Gatzaros and Papas saw a casino as the key draw to an entertainment empire tied into downtown Detroit developments they owned. They owned half the Atheneum hotel in Greektown, a nearby International Center office and meeting center, and various restaurants such as Fishbone's Rhythm Kitchen Cafe and Pegasus, along with other scattered properties.

The pair built this little empire while they lavishly courted political favor. In the 80's, Gatzaros and his wife gave $10,000 to Coleman Young and $20,000 to the Democratic National Committee, plus cash to then-Senator Don Riegle and to Massachusetts Gov. Michael Dukakis when he ran for president.

Such contributions brought good returns for the Greeks. Many of their developments were funded by loans from City of Detroit employee pension funds. In the 1980s a city pension fund provided a $22.5 million mortgage for a marina and condominium project in St. Clair Shores. Two city pension funds ensured that Gatzaros and Papas got

[42] Yerak "Millennium staffed with Casino Veterans"
[43] Yerak "Millennium staffed with Casino Veterans"

mortgages on the Marquette Building and the 601 W. Fort St. building. The city also helped with tax breaks and by renting space in their International Center for government business as well as political party functions.[44]

In 1994, the Atwater Group and the Greektown Group, led by Ted Gatzeros, Jim Papas, and Bernard Bouschor, worked to gather signatures to put casino gambling on the ballot for the people of Detroit. On August 2, 1994 the initiative passed, removing one roadblock to Detroit casinos. The other was Michigan law which prohibited casinos. A loophole around this prohibition was tribal gambling.

Concurrent with its ballot initiative, the Greektown group was working to obtain permission to open a tribal casino in Detroit. On August 18, 1994, the U.S. Secretary of the Interior, who has jurisdiction over Indian gaming, reached a preliminary determination permitting the Sault Ste. Marie Tribe to establish the first ever off-reservation Native American gambling in Detroit's Greektown area. He wrote to Michigan's Governor Engler to obtain his concurrence, as is required by the Federal Indian Gaming Regulatory Act. The Sault Ste. Marie Tribe was Northern Michigan's largest single employer, and they had operated five successful Kewadin Casino properties for 10 years. Governor Engler issued an Executive Order establishing a Blue Ribbon Commission to assess the issue of expansion of gaming in the state.

After several weeks of negotiations, on April 10, 1995, the Administration of Detroit Mayor Dennis Archer completed an agreement with the Sault Ste. Marie Tribe to establish, under the provisions of the federal Indian Gaming law, a casino in Detroit's Greektown District, to be managed by 400 Monroe Associates led by Ted Gatzaros and Jim Papas. The Detroit City Council promptly ratified the agreement four days later.

That same month Governor Engler's Blue Ribbon Commission recommended casino expansion in Detroit, approval of the off-reservation Detroit casino, and the passage of legislation enabling additional commercial casino development in Detroit. On June 27, 1995, despite Detroit voter support and the recommendations of the U.S. Secretary of the Interior and his own Blue Ribbon Commission Governor Engler declared his opposition to the creation of Detroit casinos.

In the face of this opposition and with the support of Mayor Archer, the Greektown and Atwater groups decided to take the issue to Michigan's voters. They collected enough signatures to put it on the November 1996 ballot and they went to work to raise the $5 to $7 million to campaign for its passage. Proposition "E, authorized no more than three (3) casino gaming licenses, and provided that in the event more than three applicants meet the criteria, licenses should first be issued to applicants "which submitted any casino gaming proposal for voter approval prior to January 1, 1995." By including this provision Atwater and Greektown ensured, if the proposition passed, their applications would receive preferential treatment. Despite a lack of financial support from the

[44] John Gallagher, "Cash and Politics in a Long Term Strategy Pay off for the Greektown Group," *The Metro Times*, 11/26/1997. http://www.metrotimes.com/news/stories/news/18/09/casino.html

gambling industry and Detroit community including local minority African American riverboat casino owner Bon Barden, Greektown and Atwater persevered and, on November 5, 1996 the initiative passed.

Faced with the prospect of competing in Detroit with deep pocketed Las Vegas operators MGM and Mandalay, the tribe hired Millennium Management in November 1996 to help get the casino approved and up and running. Millennium was formed that year by experienced Las Vegas casino managers Bill Paulos and Bill Wortman. The Tribe hoped that they could benefit from the principals' past experience at Mandalay and Caesar's Palace.[45] The cost to the Sault Ste. Marie tribe was later reported at $5 million per year.[46]

In 1997, Gatzaros contributed $25,000 to the re-election campaign of City Councilman Gil Hill. This was a significant contribution considering the typical City Council candidate spent less than $100,000 per campaign. Hill's role as Councilman and council President-Elect placed him in a critical role to support the Greektown proposal vs. competing proposals.

The Greeks did not simply dole out cash; they also hired government officials, which could have signaled that when such officials tired of public life there were lucrative jobs waiting for them in the Greek's businesses. Chris Jackson, the former top aide to City Councilman Gil Hill at City Council, was made vice president for government relations for the Greektown Casino partnership. Marvin Beatty, a former city Fire Department official, a member of the Board of Zoning Appeals for the City of Detroit, and a member of the board of the Wayne County Economic Development Corp was brought in as an investor in Greektown as was Arthur Blackwell II, the former chairman of the Wayne County Board of Commissioners. These individuals had no gambling company management experience.[47]

On June 18, 1997, the Detroit City Council set up a Competitive Selection Process for the three licenses which provided for the preference for Atwater and Greektown. Mayor Archer went on to defend this preference language against lawsuits from many corners. A field of seven applicants was eventually reduced to three. Detroit Entertainment LLC, (a combination of the Atwater Casino Group and Paulos' old employer Circus Circus Michigan, Inc), made a superior proposal MGM Grand Detroit was also one of the top three by virtue of its superior proposal. Greektown was put in the top three was due to the preference it had earned. In awarding licenses to Atwater and Greektown, Mayor

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[45] "Michigan Tribe Running Greektown Casino," *Daily Gambling News* May 2002. http://72.14.203.104/search?q=cache:SPyyFoM07kcJ:www.gamma-seven.com/news/may2002/all/casino/5-29-2002.shtml+Beatty+Greektown+Millennium&hl=en&gl=us&ct=clnk&cd=2

[46] "Who is looking out for you," *Sault Tribe Times*, 2004, http://www.saulttribetimes.com/modules.php?name=News&file=article&sid=18&mode=&order=0&thold=0

[47] John Gallagher, "Cash and Politics in a Long Term Strategy Pay off for the Greektown Group," *The Metro Times*, 11/26/1997. http://www.metrotimes.com/news/stories/news/18/09/casino.html

Archer said that he believed their intimate and personal knowledge of Detroit would give them an advantage in rapidly getting the casinos into operation.[48]

In April 1998, the Detroit City Council approved the casino Development Agreements of the three licensees. Millennium worked hard to gain support presenting the Greektown plan to the Casino Business Round table. In June all three licensees proposed temporary casinos which were to open in 12-15 months to be followed by larger and better appointed permanent locations later. In August the selection of the three casino companies was passed by Detroit's voters.

Greektown began construction of its originally budgeted $115 million dollar temporary casino at the end of January 1999. The facility was to employ 1,500 workers and offer 2,200 slots and 94 table games. In March 1999, Millennium added longtime associate Michael V. Mecca as COO of Greektown. From 1981-1994, Mecca had worked at Caesars where he became familiar with Wortman. In 1994 he moved to Melbourne, Australia to open Crown Casinos Galleria with Paulos. Before being recruited to Greektown, he was working on opening Mandalay Bay for Circus Circus.[49]

While Millennium was in charge, costs began to spiral, and the completion date began to look less certain. Greektown was in a race with MGM and Detroit Entertainment which would be renamed MotorCity to open first so as to build customer loyalty. Greektown was losing the race. By April costs had grown on Greektown's temporary casino to $150 million while the completion dates slipped.[50] The casino was expanded to 2,400 slots and the gambling floor from 62,400 to 73,500 sq ft. Opening day was pushed back to October 1, 1999.

Throughout 1999, Greektown faced legal challenges from defeated license applicants who argued that it was constitutionally illegal for Greektown to receive special consideration in its application. In June, Don Barden asked for an injunction to be issued to stop Greektown's construction so that the license could be rebid on strictly commercial grounds. This request was denied in July, but in August Barden filed an appeal. In October, another suit was added when the Lac Vieux Band of Lake Superior Chippewa sued for an injunction to halt the construction of Greektown and Detroit Entertainment's MotorCity casinos because of the preferences they had been given.

While Greektown's opening date was pushed back, MGM opened at the end of July, with a one day attendance of 24,000. In its first full quarter of operation Q4 1999, MGM earned a $33.4 million profit on $100.9 million in revenue. In December, Detroit Entertainment opened its MotorCity casino.. MGM would be consistently profitable.

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[48] Mayor Dennis Archer, City of Detroit Casino Development Project Selection of Three Finalists. November 20, 1997

[49] Michael V. Meccas appointed COO at Detroit's Greektown Casino. Hotel OnLine, March 26, 1999, http://www.hotel-online.com/News/PressReleases1999_1st/Mar99_Mecca.html

[50] "Original Budget Rises to $150 million to keep pace with other players," Gambling Magazine, http://gamblingmagazine.com/articles/14/14-136.htm

Although Greektown claimed it was almost ready to open by November, its application was held up due to irregularities in the applicants' business practices. Gaming board investigators had found problems with business loans of Papas and Gatzaros which would most likely disqualify them from obtaining a license. On December 21, 1999, the Michigan Gaming Control Board closed its public meeting and went into a closed session to review confidential documents filed by Greektown. On January 11, 2000, the Detroit News reported that four Greektown investors were negotiating to sell their stake in the casino due to possible deficiencies in their license application.

The Greeks Part 2

Papas' and Gatzaros' history of freewheeling development supported by what appeared to be political backroom deals had caught up with them. Their old political friend Detroit City Council President Gil Hill declared the treatment of the Greeks was "shameful" and that council members were "seething", about a process stacked against locals and in favor of out of town Las Vegas operators.

Despite Hill's complaints, Papas' and Gatzaros' historical problems were of their own making, and were longstanding. Millennium's willingness to work with the Greeks whose history was known raises questions.

The two developers had a long list of questionable business dealings. In 1994, the pair was criticized for contributing more than $100,000 to the ballot campaign for a Detroit casino at the same time they owed the city back taxes. They claimed that they worked out a payment plan with the city to pay those taxes. In November of that year, the mortgage holder of the Pegasus Restaurant threatened to seize the restaurant unless Papas and Gatzaros paid that loan. In 1995 they defaulted on their mortgage at Trappers Alley, which became the location for the Greektown casino. At that time they owed $225,000 in delinquent property taxes and penalties on Trappers Alley and $8,864 in unpaid property taxes on a warehouse in Detroit. The Trapper Alley property was also the source of a lawsuit with an insurance company over $18,000 worth of unpaid liability insurance premiums which was settled in August 1995. In 1998 there was an outstanding state tax lien for $2,213 in unpaid sales taxes. Papas had faced at least two allegations of sexual harassment by employees which were both settled out of court, according to Wayne County Circuit Court records. More recently two women who had been fired for alleged insurance fraud from the Athenaeum had countersued for wrongful termination claiming that they were fired because they could tell the gaming board about Papas' unwanted behavior.[51]

Gambling News reported that the pair were in over the heads, and were shuffling money between marginal investments to pay current bills. Much of the debt was from government agencies, that some suspected was obtained by political favors. Records indicated that the pair was in debt for $100 million; $60 million of which was owned city

[51] "Casino Partners May Fold," Gambling Magazine, Dec 10, 1999, http://www.gamblingmagazine.com/ManageArticle.asp?C=420&A=113

agencies and employee pension funds. The city-employee pension funds and city agencies were counting on the developers to use money made from the casino to repay the loans. $40 million of the loans were with private lenders, like the First Federal Savings Bank and Trust of Pontiac. Having defaulted on loans to four private lenders, Gatzaros was given a chance to erase some of these debts when First Federal Savings went into bankruptcy.

With the help of their lawyer, a former Resolution Trust Corp employee, and a Birmingham businessman, the Greeks bought back two of their defaulted loans from the Resolution Trust Corp. The Resolution Trust had been set up by the U.S. Government to payoff the depositors of failed banks at 100% and recover as much as they could from assets of failed banks like First Federal Savings. For pennies on the dollar the Greeks were able to buy back a $1.8 million loan used for one of their Detroit office buildings and a $2.4 million loan that had been used for Trappers Alley Market Place in Greektown Detroit. In addition to these dubious actions, investigators were probing into a $4.8 million loan from the Department of Housing and Urban Development that had gone into the Atheneum Hotel. The loan was contingent on the Greeks having $4.4 million on hand or already invested in the hotel. When the Greeks drew down the HUD money, they had only $1.3 million in available money and this was simply checks drawn from one Gatzaros/Papas business to another.[52]

Two years later in 2001, Detroit Papers noticed that Gatzaros and Papas who had always been big contributors to Gil Hill, provided no money for his 2001 Mayoral run.[53]

Unqualified for a license, potential buyers began to visit the yet to be opened Greektown casino. In January the owner of the new Las Vegas Venetian resort came to Detroit for a visit rumored to be connected to a possible purchase of Greektown. In February Park Place Entertainment and Harrah's Entertainment began to take an interest in buying Gatzaros and Papas 40% stake in Greektown. At the beginning of March Mayor Archer began to exert pressure on the MGCB for his Greek friends to get the Greektown Casio opened. His stated desire was to get it up and operating by the end of April. Mayor Archer said he understood the Michigan Gaming Control Board's needed to properly investigate the Greektown investors but emphasized the City's need for the Greektown project's tax revenues.

At the end of March the Michigan Gaming Control Board adopted an Order for Adjournment of the Greektown Casino Pre-Conference Hearing on its Casino Operators License Application. An effort to sell the casino to MGM had been rejected by the MGCB, because state law did not allow one company to own two casinos. The Board rescheduled the Pre-Conference Hearing for the beginning of May. The additional time

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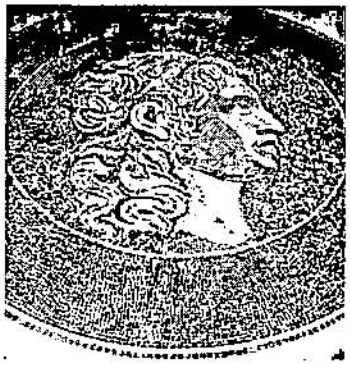
[52] "Greektown Investors Shuffling Money," *Casino Magazine*, 12/17/1999. http://casinomagazine.com/ManageArticle.asp?C=280&A=140

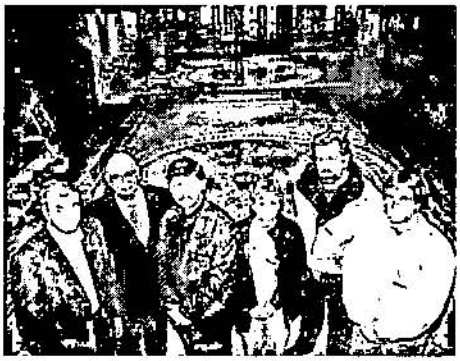
[53] "Detroit Mayor, Hills Palls Missing," Detroit Free Press, 11/2/2001

was granted for investors to finalize a buyout of Gatzaros and Papas by six pension funds.[54]

Although Millennium and Greektown liked to pretend that construction was almost complete and moving along smoothly some suppliers did not agree. In February Conti Electric of Sterling Heights which had a $9 million contract for electrical work filed a lien for $3.5 million in unpaid work. A month later Conti's CEO Paul Duhaime said that he still had not been paid and that the cost was now rising with the contractual escalation formula. Conti was not the only contractor having difficulty with Greektown. An Indiana construction firm filed a lien in late 1999 claiming it had not been paid more than $300,000 in work. That lien was not paid until the end of February 2000. In early 2000 some equipment suppliers claimed they were not being paid on time. However, they did not file liens and were eventually paid. [55]

Late payments and liens were most likely linked to undercapitalization and poor planning on the part of the owners and Millennium. This problem was magnified by growing costs. As the team saw what MotorCity and MGM had built they were working to upgrade their facility so that it would not appear to be a poor relative. In keeping with its Greek and Mediterranean theme, the grand entrance was fitted with a giant marble mosaic of the face of a Greek Philosopher. The mosaic is one of the largest hand-made mosaic floors ever installed in the U.S. Giant three-by-three foot sections produced in France were shipped over and pieced together and set into place over a four week period by a crew of six Tile, Marble and Terrazzo Local 32 workers. Upon completion they declared that it would last forever. [56]





At the end of April six months behind schedule, Greektown reported that it was 99 percent complete and could be ready to open in 10 weeks (July) if it had a license.

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[54] "Greektown Casino Now Eyes August," *Gambling Magazine*, http://gamblingmagazine.com/articles/27/27-445.htm

[55] Tina Liam, "Board Looks at Big Greektown Bill," *Detroit Free Press*, 3/28/2000, http://72.14.203.104/search?q=cache:z5yNq_SarIoJ:www.freep.com/news/casinos/cas28_20000328.htm+Gatzaros+Detroit+Tax+liens&hl=en&gl=us&ct=clnk&cd=4

[56] Marty Mulcahy, "Rare, beautiful and durable - Greektown mosaic has it all," *The Building Tradesman*, 3/31/2000, http://www.detroitbuildingtrades.org/newspapr/march312000.html#anchor283946

On May 3, 2000, Greektown submitted a plan to the MGCB whereby Millennium Management, would buy Papas and Gatzaros shares for $250 million. The funds were to come from several pension funds. Millennium's team of Wortman and Paulos was joined by Guy Hillyer a member of the Nevada State Gaming Control Board from 1975-87 and former Arthur Anderson auditor for Harrah's MGM Grand and Caesars Palace.[57] The next day Mayor Archer said he had reviewed the proposal from Millennium and had found it acceptable. But by the end of May Millennium had failed to close on the deal. On June 2, Nelson Westrin of the Michigan Gaming Control Board said, "We don't have completed applications to acquire the interests. Documents have been filed, but they're incomplete. The agreement is in such flux. It's complex, but time is of the essence." On June 8, Mayor Archer chimed in with his frustration saying unless the Greektown Casino Group submits a buyout deal that he can approve; he would consider rebidding the third Detroit casino license. But Millennium's deal fell apart A deal to sell part of the Gatzaros and Papas' 40 percent stake to four pension funds for up to $200 million deteriorated this week and investors are running out of time. Three deadlines have already been missed, and the State is not expected to grant another extension.

The next day June 9, 2000, The Sault Ste. Marie Tribe of Chippewa Indians and the Greeks under their corporate identity Monroe Partners reached an agreement which they hoped would enable the Greektown Casino to open by late summer 2000. Under the agreement, the Tribe would pay Ted and Maria Gatzaros and Jim and Viola Pappas $265 million over 10 years for their 40%. The tribe would then own 90% of Greektown. The deal provided Papas and Gatzaros a 22 month option to repurchase their 40% share if they could obtain a license during that time. If the option expired, the Tribe committed to sell 10 percent of the entire casino to local investors. 5% would go to the existing minority investors and 5% to other Detroit residents. It was anticipated that the 10% stake would be worth $40-50 million.

In August as it moved toward its opening, after observing the performance of the other casinos, Greektown changed its design to target local high rollers. It increased by 20% table games to 104, and increased the high roller area called Pantheon from 27 to 32 tables. This gave Greektown a much higher mix of high end games than its competitors. That same month the three Detroit casino companies requested $7.4 million dollars in property tax reductions claiming that their facilities were temporary and therefore did not warrant their assessments. The Detroit casinos would continually lobby for lower taxes.

On September 5th the Michigan Gaming Control Board voted 4-1 to issue Greektown a Certificate of Suitability to operate a casino. The opening was set for November 10, 2000 almost a year behind the competition. The negative vote came from Michigan Gaming Control Board member Paula Blanchard. Blanchard voted against the casino fearing its owners who were already late in opening would be stretched financially, and because there were "serious conflicts and divisions in the tribe that need to be resolved." The prior month in public testimony the MGCB, five tribal members accused the tribe of

[57] Becky Yerak, "Millennium staffed with Casino Veterans" *The Detroit News*, May 3, 2000

fraud in a June election, extortion against a tribal member's business and other questionable dealings, some dating back years.[58]

In October Bill Marriott, Chairman and CEO of Marriott International stated that the Detroit casinos should not build hotels as they were not drawing any out-of-town visitors to what was a struggling hotel market. Marriott said that neither MGM nor MotorCity were sending many customers to Marriott's two downtown hotels. A spokesman for the mayor argued against this saying more tourists will be drawn to Detroit when the permanent casinos and hotels are built on the riverfront, as tourists will prefer staying in a casino hotel rather than a downtown hotel that caters to business.

On October 14, it was reported that Greektown may be further delayed by Michigan Gaming Control Board investigations into renewed allegations of improper business practices. Two associates of the Sault Ste. Marie Tribe of Chippewa Indians, who then owned 90% of the casino, claimed that tribal leaders had forced them to make illegal payments and then forced them out of their businesses.[59]

Bernard Bouschor and the Sault Ste. Marie Tribe of Chippewa Indians.

In 1998, news surfaced that Bernard Bouschor Chairman of the Sault Ste. Marie Tribe of Chippewa Indians, had tried to extort casino ownership from three separate but smaller Michigan tribes in 1996. In writing, Bouschor had demanded 10% of the profits for 17 years. Bouschor allegedly claimed he controlled enough votes in the Michigan Legislature to permanently block the tribes from opening their casinos. Frank Ettawageshik chairman of the Little Traverse Bay Bands of Odawa Indians filed a civil court case claiming that Bouschor had said he would ensure that the tribes got their casinos if they agreed to turn over 10 percent of their casino profits to the Sault. In a Nov. 2, 1996, letter to Ettawageshik, Bouschor offered to loan the Little Traverse Bay Bands $100,000 a month and use his tribe's influence to help the band get a casino license. In exchange, he wanted interest on the money loaned and a share of future profits. If his terms were met, Bouschor wrote, the Sault Tribe would "use its best efforts to assist in securing the Michigan legislature's.... ratification or approval of the band's....gaming license." According to court filings, Curtis Hertel, the former Speaker of the Michigan's House told Ettawageshik the legislature would not approve the casinos until "Bernard Bouschor is happy." When the three tribes refused to payoff Bouschor

[58] Tina Liam, "Greektown investors get green light, Gaming board says group is qualified; 1 more vote to come" *Detroit Free Press*, 9/6/2000 http://72.14.203.104/search?q=cache:C98ajNKMkZUJ:www.freep.com/news/casinos/cas6_20000906.htm+Beatty+Greektown+Millennium&hl=en&gl=us&ct=clnk&cd=1

[59] Tina Lam, "New Greektown delay possible Tribal casino owners are investigated again," *Detroit Free Press*, 10/14/2000. http://72.14.203.104/search?q=cache:FCWknpQvepsJ:www.freep.com/news/casinos/cas14_20001014.htm+Bouschor+extort&hl=en&gl=us&ct=clnk&cd=2

the Sault Ste Marie proceeded to successfully lobby, with Hertel's support against them.[60] [61]

Bouschor's problems did not begin or end here as there were a long list of complaints against him..

At the end of 2001 the Detroit News ran a series of articles detailing some of the questionable business practices of Bernard Bouschor and the Sault Ste. Marie Tribe. Although Millennium is not the Sault Ste. Marie tribe they along with Papas and Gatzaros benefited from the actions of the Bouschor. Like the Greek's problems most claims against Bouschor were old, and should have been known by Millennium. Some of these actions may or may not have been taken with the foreknowledge and/or recommendation of Millennium. Although it is possible they were ignorant of these issues, this in itself shows poor business judgment in failing to perform complete due diligence. To the extent they were knowledgeable and simply turned a blind eye toward these issues it reflects poorly on their character. All of these issues threatened the licensing as well as operation of the business, and to have simply lived under this cloud does not reflect well on the Millennium partners.

One article called "Chippewas, Greeks have long history of secret ventures," detailed how Papas and Gatzaros had engaged in a long string of dealings with Bouchor to enrich themselves. The article started with "Many Sault Ste. Marie Chippewas still have no idea how Detroit businessmen Ted Gatzaros and Dimitrios Papas parlayed political connections, mortgaged properties and $24,500 into $265 million of the tribe's money."

The surprising part was the price. If the MGCB formally rejected the Greeks' gaming license application, then state law would compel the Greeks to sell their shares for no more than their original investment. With the prospect of getting nothing for years of work the Greeks refused to submit their application to a vote. By allowing them to avoid a formal rejection, Bouschor allowed them to structure a sale at a much higher price, which Bouschor agreed to pay.

Bouschor and the Greeks had a long history.

Their business dealings went back to 1987 when they began trying to establish the Detroit casino. News of this did not leak to the tribe until 1992. These efforts died, as noted above, in 1995 when Michigan's Governor Engler refused to consider Detroit casinos. The Greeks and Bouschor then tried to obtain a Greenville Mississippi River casino license in 1996 as the Sunstar Resort Casino. The Tribe put up a million dollars to buy a barge, but the deal fell apart when Sunstar failed to turn in necessary documents. The

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[60] "Soo Leader Accused of Extortion," Gambling News Magazine http://www.gamblingmagazine.com/articles/14/14-415.htm

[61] Melvin Claxton and Mark Puls, "Tribes buy clout with Casino Cash Congress Turns Blind Eye to Power Abuses". *The Detroit News*, December 30, 2001, http://www.detnews.com/specialreports/2001/chippewa/1230lead/1230lead.htm

barge was sold at an $800,000 loss in 2000. The Greeks and Bouschor returned their interest to a Detroit casino, dividing the ownership 50% Sault and 40% Papas and Gatzaros even though the Tribe provided almost all of the funds. This original division of the equity was done in secret and not approved by the tribe.

Even though the Greeks had delayed the opening of the casino for months costing the Tribe millions, and even though the Greeks had almost no negotiating room, the Tribe agreed to meet their price. "It is ludicrous, absolutely ludicrous," said tribal member Thomas Bruning of Rogers City. "This absolutely came out of my pocket. There was no referendum on this money. Members had no say." Bouschor insisted that the tribe got the best deal possible and had to buyout the Greeks to open the facility, but that the details of the negotiations were proprietary and could not be revealed. Not even, he said, to the people he represents. [62]

The waste of such large amounts of money on the Greeks contrasted with miserliness on the reservation. In another article "Government's $75 million sustains tribe services," the Detroit News explained how Federal dollars and not casino dollars were supporting tribal services. The article contrasted how Saginaw Chippewa Tribe members got $52,000 each from that tribe's casinos, while members of the Sault Ste. Marie whose casinos and businesses earned $175 million got nothing. In fairness with 29,000 members the tribes businesses generated a reported $6,000 per person. But this was not the reason the Sault's received nothing. The reason was Tribal leaders had decided to plow the proceeds into building a diversified tribal economy. The tribe had bought five health clinics, two hockey-rink recreation centers, a state-of-the-art elementary school, and Tribe members received $1,000 college scholarships.

But this was still very little. The cause of this was that most of the money went to service debt and pay ill defined operating costs. Only $30 million of the $175 million went to the tribe. In fact as the article detailed most of the Tribes budget was provided by $75 million in mostly Federal aid. Needless to say the inability of the tribe to benefit from all of the revenue raised serious questions.[63]

In another pair of articles the Detroit News explained that tribe money was not getting to the tribe because "Sault Chippewa riches abused by Tribe Board," and "Tribe CEO rules with an Iron Grip." These articles detailed how "the tribe's leaders have trampled the tribal rights of members, stifled dissent and made questionable decisions that cost millions. They have profited financially, and used their positions to hide their actions." As the paper recounted Chairman Bouschor was ruling with an iron hand. "Bouschor and close associates routinely conceal information from tribal members and even the board about multimillion-dollar deals — especially those that go bad." Tribal leaders had cemented their hold on power years ago by passing restrictive laws prohibiting 2/3 of the

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[62] By Melvin Claxton and Mark Puls "Chippewas, Greeks have long history of secret ventures," *The Detroit News*

[63] Melvin Claxton and Mark Puls, "Government's $75M sustains tribe services Tribal businesses contribute only $30 million for programs," *The Detroit News*

29,000 members of the tribe from running for office. A petition with twice the required number of signatures to force a profit sharing plan had been ignored by the tribe's board since 1997. Legal complaints and calls for investigations against the directors were blocked because the board hired and fired the police chief, judges and top administrative officials. Many of these positions were populated by board members.[64]

The Sault Ste Marie tribe received recognition in 1976. In 1978 a part time bookkeeper by the name of Bernard Bouschor got himself elected to the position of Chairman of the Board. Bouschor's powers as the head of a tribal government far exceed that of most elected officials. With no independent court, police, auditors or justice department within the tribe to answer to, he has amassed incredible economic and political clout. Civil rights and legal recourses taken for granted by many Americans are often nonexistent on reservations, where tribal leaders control everything. Robert Lambert a tribal member said, "I would call Bernard a dictator, because everything that happens is on Bernard's orders. Everything goes through him." Lambert tried to run against Bouschor but was prevented from doing so by tribal rules Bouschor himself helped enact. "Our tribal leadership does not benefit the members, they are there to benefit themselves."

In 2001, Bouschor paid himself a salary of $100,000 a year as tribal chairman and CEO. According to reports he received another $167,000 as the tribe's chief operating officer for casino operations, but as would be found at later this was about 20% of what he was paying himself. In 2000 he gave himself a 33-percent raise as chairman making it retroactive which provided him more than $165,000 in back pay. The level of this pay combined with his omniscient powers are galling to the majority of its members who still qualify for some kind of federal assistance despite the riches which flow from the tribes casinos. Most tribal members still depend on Medicare for their primary health coverage and two-thirds of the tribe's health services budget is federally funded. The tribe's most needy — its elders — receive only a $100-a-month stipend from a federal land trust payment. Although the tribe created 2,900 jobs in the Upper Peninsula at casinos for its members these jobs are entry-level or minimum-wage positions that offer little room for advancement.

As the articles described, the tribe might have been willing to suffer the failure to benefit from the casinos and ungrudgingly grant Bouschor his pay if they had a clue what was happening to all the money. But, Bouschor used his sweeping powers to negotiate deals on his own, tightly manage all tribal information and commit the tribe to multimillion-dollar projects without the approval of the board. He also punished political enemies and used appointments to key tribal positions as a tool to reward supporters and silence critics.

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[64] Mark Puls and Melvin Claxton "Sault Chippewa riches abused by tribe board Casino wealth eludes members," *The Detroit News*, 11/11/2001
http://detnews.com/specialreports/2001/chippewa/soolead/soolead.htm;
Melvin Claxton and Mark Puls, "Tribe CEO rules with iron grip," *The Detroit News*

With his sweeping powers few have been willing to challenge him. In 1997 Bouschor wasted $50,000 of the tribe's money working on a secret deal to build a $31 million casino in Gaylord. The deal fell through. When board member Aaron Payment protested this abuse of power, the board did not sanction Bouschor or try to curtail his abuses. Payment was appointed deputy executive director by Bouschor and stopped commenting on the abuse until 2003.

To maintain control Bouschor silenced his critiques and controlled all information flow. John Hatch the outside media communications director was hired to work with Bouschor and oversees the tribe's newspaper to ensure only one view point was published. To maintain secrecy and deflect critics, Bouschor directed in a Nov. 4, 1998 memo, to all department heads, that no one – not even board members – were to be given information without his knowledge.

When tribe member Elliott Grondin of St. Ignace sent a letter to each member of the tribal board in 1999, asking to review the accounts of the Kewadin Casino in St. Ignace and for a list of the tribe's assets and debts, he was denied that information. Instead he was given a copy of the tribe's annual report, which provides little insight into the tribes financial accounting. While saying the tribe's financial books were open to any tribe member, Bouschor personally denied access to the information according to Grondin, claiming the request was unreasonable.

By controlling information Bouschor limited his opposition. But the real impediment to any opposition and what kept Bouschor in control was a 1984 election ordinance, which Bouschor and the board passed. It effectively blocked more than two-thirds of the tribe's 29,000-members from running for office. Membership had ballooned since the tribe was recognized and the board encouraged this membership since it provides them political power in Washington. Anyone who can trace their ancestry to early tribal members qualifies for membership. But the 1984 election ordinance, required all political candidates be at least 1/4 blood Indian. When passed, Bouschor and eight other board members met the requirement, but four members did not. They were grandfathered so that they could stay on the board, but anyone else like them could not get onto the board. In addition the ordinance required that office seekers had to live for a year in the Upper Peninsula district in which they run. Because fewer than 10,000 tribal members live within the tribe's five voting district, two thirds of the tribe can not hold office.

Bouschor used these rules to silence opposition. When Robert Lambert tried to run against Bouschor in 1996, his name was removed from the ballot because he lived in Wyandotte which though on the Upper Peninsula was not in one of the tribes Districts. To ensure Lambert would not move and run, Bouschor began harassing his father, Willard Lambert Jr., requesting that he prove his lineage to the tribe because the office couldn't find his paperwork. Twisting the rules, Bouschor had Beverly Louis expelled and impeached from the board in 1993 because as she claimed she "asked Bernard about his salary on several occasions. He got angry and said his salary wasn't my concern. What I discovered was that the more I questioned him about his salary and other matters,

the more I got excluded from board functions." In November 1993, after a 112 hour hearing Bouschor had her removed from the board.[65]

One reason that the Greeks and Millennium wanted to work with Bouschor was for the political clout he had in Michigan. According to one 2001 report no tribe $367,000 in political donations in the prior five years. Nearly 95% went to Democrats, and Bouschor was on a list of key donors kept by Clinton White House Deputy Chief-of-Staff Harold Ickes. During the five years the money went to politicians in seven states only one of which Michigan was home to the Saulte Ste Marie. To buy influence though Bouschor had to go outside Michigan to get to the Bureau of Indian Affairs, and congressional support to establish off reservation casinos. Just before Clinton left office the over the objections of the BIA staff Clinton appointee Anderson granted the Nimpuc Indians of Massachusetts, which Bouschor had supported at a cost of $14,000 a month, tribal recognition which was a key step which would allow them to set up a casino. Bouschor's 1996 contribution of $265,000 to Clinton's reelection finally paid off. The Bush administration overturned this when it took office. [66]

As criticism directed at Bouschor grew, he launched a media campaign to defend his action. At meetings with tribe members, from which the media was barred, Bouschor tried limiting tribe members to three questions in total which had to be written and screened in advance. When tribe member Patty Chambers tried to get her question answered Bouschor tried to have police eject her from the meeting. They backed down when angry tribe members said the tribal police would have to eject all of them. A stunned Chambers commented that "My civil rights were violated." As meetings proved ineffective, Bouschor used $30,000 in tribal money to run ad campaigns to defend his actions further angering tribe members.[67]

By 2004, Bouschor faced significant opposition. Tribal leaders were further angered that Bouschor was considering putting a casino in Romulus which would compete with the Greektown casino. Detroit officials were also angry. Aaron Payment campaigned with the support of Detroit as well as Greektown to block the Romulus casino venture. In the 2004 race Bouschor's supporters launched their fourth unsuccessful attempt to kick Payment off the tribal board.

Support for Payment was high as critics of Bouschor pointed to the hundreds of millions of debt he had incurred on behalf of the tribe as well as his penchant for rewarding relatives, cronies, whites and blacks in high paying jobs while tribal casino workers

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[65] Mark Puls and Melvin Claxton "Sault Chippewa riches abused by tribe board Casino wealth eludes members," *The Detroit News*. 11/11/2001 http://detnews.com/specialreports/2001/chippewa/soolead/soolead.htm;
Melvin Claxton and Mark Puls, "Tribe CEO rules with iron grip," *The Detroit News*

[66] Melvin Claxton and Mark Puls, "Tribes buy clout with Casino Cash Congress Turns Blind Eye to Power Abuses," *The Detroit News*, December 30, 2001, http://www.detnews.com/specialreports/2001/chippewa/1230lead/1230lead.htm

[67] Melvin Claxton and Mark Puls, "Sault Chippewa tribal leadership stifles dissent Tribe's board curbs critics, closes forums, defends record in ads." *The Detroit News* 12/12/2001

received minimum wage. Little money was flowing from Greektown to the tribe as much of it was going to pay off Papas and Gatzaros the $265 million that Bouschor agreed to pay for their 40% stake. Most infuriating though was information that Bouschor was paying himself $850,000 as chief executive officer of the casinos, a salary that had been secret until 2004.[68]

On June 24, 2004 Payment won and Bouschor was voted from office. But, Bouschor was not done with his abuse of power. The next day Bouschor gave $2.66 million of tribe's money to seven high ranking tribal employees and supporters. The tribe sued Bouschor and the seven members to recoup the funds.[69]

Replacing Bouschor as Chairman was Aaron Payment. Payment claims he was wrongfully dismissed from the tribal government after Bouschor instigated a protracted period designed to personally humiliate and embarrass him in 2003. When Payment was placed in a physicians care for a week, Bouschor declared that he had resigned. By claiming he resigned, Bouschor was able to deny Payment $300,000 in severance pay. Payment sued Bouschor for the funds, but a 2005 court ruling said that Bouschor as then Chairman was immune from such suit under the doctrine of tribal "sovereign immunity." Payment was told he would have to sue the tribe for the severance pay.[70]

Payment also assumed Bouschor's role as chairman of the board of Greektown. As announced on January 15, 2005 he and Marvin Beatty of Greektown casino management would now oversee day to day operations of the facility.[71]

Return to Greektown

Some of the above information concerning Bouschor may have been available to the Michigan Gaming Control Board in November 2000. But with the opening of the Greektown casino having been delayed for months, and with Mayor Archer lobbying to get the casino in operation, the Board approved the license. On November 10, 2000, the Greektown casino opened. There were 2,416 slots 103 table games and 2,400 employees. Costs had ballooned to $190 million, and it was 14 months late in opening.

Perhaps Paulos took some pride upon the opening of Greektown. "'There's no question that MGM Grand and MotorCity are going to get hurt,' said Bill Paulos, co-CEO of

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[68] TINA LAM, "Tribe's political rift has statewide impact," *Detroit Free Press*, 6/1/2004 http://72.14.203.104/search?q=cache:RBiZPNQdjvkJ:www.freep.com/news/casinos/tribe1_20040601.htm+Bouschor+Greektown&hl=en&gl=us&ct=clnk&cd=4

[69] "Sault Tribe will seek re-payment of $2.6 Million from Seven Former Employees," Sault Tribal Press Release, 8/26/2005. http://www.saulttribe.com/News/Latest/Sault-Tribe-Will-Seek-Re-Payment-of-2.6-Million-from-Six-Former-employees.html

[70] Scott Brandt, "Court Rejects Payment's Claim Against Bouschor," *Sovereign Evening News*, 10/14/2005, http://www.sooeveningnews.com/articles/2005/10/14/news/news80.txt

[71] "Bouschor replaced as Greektown CEO," Casino City Times Gaming News, 1/19/2005, http://casinocitytimes.com/news/article.cfm?contentID=147857

Millennium Management Group L.L.C., the Las Vegas-based company that will operate Greektown Casino. He thinks the pendulum will initially swing in favor of Greektown Casino, with customers interested in seeing the new casino. But customer loyalty may win out in the end. 'Most of them are going to go back to the other places,' Paulos said. 'One of the hardest things we have to overcome is that MGM has been with this marketplace for nearly two years,' Paulos said."[72]

As noted before by the comment from Marriott, these hotels appealed primarily to locals. In 2002, The Detroit casinos were locals casinos. In March 2002, Bill Paulos shared the below Q&A with Jeff Simpson on his vision of how to compete in tough locals markets by offering services tailored to local customers. Simpson was primarily interested in talking about Millennium's new efforts in Las Vegas, but he also asked him about Detroit.

> **Question:** The Las Vegas locals market has a number of respected, tough operators, including Station Casinos and Coast Resorts, the company that runs your neighbor,
>
> **Question:** Are you going to do some of the traditional locals casino promotions, like offering check-cashing contests?
>
> **Answer:** Absolutely we'll offer paycheck cashing.
>
> **Question:** Do you offer paycheck cashing at the Greektown casino your company manages in Detroit?
>
> **Answer:** I'd love to, but we're not allowed to.
>
> **Question:** As you know, the Midwestern sensibility would be offended by casino check cashing promotions. People would say: 'Look at those greedy casinos, luring workers to cash paychecks so that they'll lose the money gambling.' Do they have a point?
>
> **Answer:** Paycheck cashing is a service to the customer. You know, our job is to provide an entertaining experience for the people who come in here. It's not to take all of their money. We see the folks who come in here a couple of times every week, and believe me, we're not out to bust anyone. [73]

Check Cashing is banned under Pennsylvania law.

A July 1999 baseline study of Michigan and Detroit problem gamblers classified 4.9% of the states residents and 6.4% of Detroit's adults were problem gamblers. About a year later and a year after MGM had opened in August 2000; the city of Detroit began to notice the negative impacts of gambling addiction. Attendance at Gamblers Anonymous

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[72] Al Slavin, "Slices of Gambling Pie Get Smaller in Detroit," *Crain's Detroit Business*, 11/20/2000.
[73] Jeff Simpson, "Nevadan at Work: Bill Paulos, Principal Millennium Management," *Las Vegas Reivew-Journal*, 3/31/2002

meetings rose 27% from the first quarter of 1999 before the casinos opened to the first quarter of 2000, going from an attendance of 675 to 857. According to Rich a former gambler and intergroup chairman for the statewide group, "The people we're seeing are almost exclusively casino gamblers, where 10 years ago we were mostly horse players and sports bettors." Social services groups like the Adult Well Being Services and Jewish Family Services were all seeing a rise in problems. Calls to the help line which had been open since March 1999 were holding steady. Shiela Clay, executive director of the Neighborhood Services Organization in Detroit which ran the help line was not surprised that there had not been an increase as Detroiters had lots of gambling choices beyond the casinos. Most people calling the line were white male, employed and Detroit residents. 9% of the callers were under 21. In reaction to the increased problems the Michigan Gaming Control Board began the process to allow self selecting gamblers to be banned for life from the casinos. The casino operators which had allowed temporary bans said they would comply with the new law, just as the complied, albeit perhaps unhappily with the no check cashing rule. Millennium partner Guy Hillyer claimed, "One problem gambler in our customer base is one too many"[74]

One problem that faced all of Detroit's casinos was hiring and training personnel. Because of past criminal activity of job applicants Detroit casinos had to reject a high proportion of them. In 1999 Greektown opened a training school, and in November 1999 it graduated 400 dealers after a 12 week course. But due to delays in opening it is unclear how much this helped. Such employment problems, no doubt contributed to gambling irregularities. Soon after Greektown opened on January 18, Brent Ell Morris, cheated Greektown Casino four times out of an estimated $86,000 by "past posting" bets at the craps tables. "Past posting" is placing bets after the dice have come to rest and the outcome of the throw is known. Although obvious on camera, inexperienced table operators allowed this to occur. As Morris had a significant record of past cheating he was sentenced to 7-25 years in prison.

On March 23, 2001, Greektown announced that Mike Mecca, who had been the COO from 1999 and Millennium's top Detroit based executive, was leaving to return to Las Vegas to manage a new Station Casino. Commenting on Mecca's departure Bill Paulos said, "Mike Mecca has been a tremendous leader. His skills and efforts led to a very successful opening and first quarter of operations. Since our first month in business, revenues are up 25 percent, and more and more people are discovering why Greektown Casino is the best place to play in the market." [75]

Mecca went to manage Stations $280 million Green Valley Ranch, which would open in December 2001. After a year in January 2003, this hotel and casino would go on to win AAA's Four Diamond Award putting it on a par with the Venetian, Mandalay Bay, and

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[74] "Problem Gamblers Get Help," *Gaming Magazine*, 8/11/2000, http://gamingmagazine.com/managearticle.asp?c=350&a=120

[75] "Sal Semola is New COO at Greektown Casino, Mike Mecca accepts position with Stations Casino," Press Release Greektown Casino, March 23, 2001. http://www.greektowncasino.com/info/news_detail-85.htm "Semola Scholarship" *Premier*, UNLV, Fall 2005, page 4-5

The Treasure Island, and it was voted "Best Local Hotel" by the Las Vegas Review Journal, Green Valley Ranch offers a world-class hotel, a European-style spa and a casino with many games. Credit for this success was given to Mecca.[76]

Millennium named Salvatore P. Semola as Mecca's successor and Greektown's COO. He was also added him to Millennium's team. Semola had served as Greektown's Vice President of Table Game Operations since March 1999. He had more than two decades of gaming management experience. Commenting on his promotion Paulos said, "Sal Semola is an accomplished gaming industry manager who knows how to run the floor, how to motivate team members and how to achieve superior guest service. We are thrilled to have him on the Millennium team as Greektown Casino's new COO." Semola said, "This is a tremendous opportunity in an excellent property in one of the nation's truly great cities. There is no limit to how successful we can be for our owners, our team members, our guests and the City of Detroit." Semola had been responsible for table games when the casino was robbed the previous year by cheats.

Sal Semola, a 1981 graduate of UNLV School of Hospitality, worked his way through that Uuniversity at the casinos. After graduation he worked up through the ranks at various casinos. By 1990, he had risen to the position of assistant casino manager at the Dunes Hotel & Casino. Semola worked in land-based, riverboat and Native American casinos. He was the general manager of the Casino of the Sun, a Native American casino in Tucson, Ariz. and assistant casino manager at the Reno Hilton in Nevada. He had been involved in opening and operating two different casino projects prior to Greektown, the Silver Eagle Casino Riverboat in Galena, Ill. as director of casino operations and the Station Casino Kansas City, Mo. [77] Despite this outstanding record, The MGCB would not accept Semola for about a year.

Record Fine for Millennium and Greektown

Despite the fact that the Gatzaros and Papas were banned from Detroit gambling, Greektown illegally cut them in on the action. As reported in the Detroit *Free Press*, on February 12, 2002, "The Michigan Gaming Control board issued its stiffest fine ever Tuesday to the Greektown Casino and its management company for business deals the board said were improper.

"The board approved a $425,000 fine against the casino and Millennium Management for failing to have written contracts, failing to use competitive bids and for their dealings with former shareholders Ted Gatzaros, James Papas and their wives. The two couples, through their firm 400 Monroe Associates, own Pegasus and Fishbone's restaurants and

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[76] Jeff Simpson, "Stations Moves Key Personnel," Las Vegas Review-Journal, 3/24/2001, http://www.reviewjournal.com/lvrj_home/2001/Mar-24-Sat-2001/business/15719792.html ; "Green Valley Ranch Wins Four Diamond Award," Casino City Newsletter, January 20-23, 2003 Issue 123 Volume 3 http://newsletter.casinocity.com/Issue123/

[77] "Sal Semola is New COO at Greektown Casino, Mike Mecca accepts position with Stations Casino," Press Release Greektown Casino, March 23, 2001. http://www.greektowncasino.com/info/news_detail-85.htm "Semola Scholarship" *Premier*, UNLV, Fall 2005, page 4-5

the Atheneum hotel, where the casino had been sending gamblers for complimentary rooms and meals until last August. Michael Atkins, attorney for the casino and Millennium Management, said the casino did not knowingly violate any rules and now believes it is in compliance.

"'We're pleased to take our medicine,' Atkins said. Both firms have agreed to pay the fine, he said. The casino will pay $300,000 plus $25,000 in investigative costs, and Millennium will pay $100,000."

The year before Greektown and Millennium were fined, the gaming board notified Greektown Casino officials that 400 Monroe Associates owned by the Greeks had requested an exemption from supplier licensing but had been denied. This meant the group's businesses were not licensed suppliers and the casino could not send gamblers there for complementary services. The board made it clear that Papas and Gatzaros would not be able to win licenses because of past business dealings that cost them their shares in the Greektown Casino. Despite this order, the board found during the summer of 2001, that Greektown against the orders of the Board continued giving complimentary coupons for 400 Monroe businesses. The Board ordered an immediate halt, and the casino complied.

The fine also covered related violations of state gaming rules involving the casino's rewards program for gamblers. Millennium which ran the rewards program had failed to competitively bid contracts for rewards, and had failed to keep written records of the rewards program. The absence of written records is surprising given Wortman's prior experience as a financial officer, and raises questions as to why records were not kept. Whether intentional or not, these actions covered the illegal dealings with 400 Monroe Associates. 400 Monroe Associates had attempted to circumvent the law by conducting its dealings with Greektown through third parties so as to obfuscate the transactions.

"The board said the casino should have had written contracts and competitive bids for the two companies that managed their rewards program. In addition to managing the casino, Millennium Management also ran the rewards program and later, a company related to Millennium, Detroit Hospitality, ran it. In both cases, the casino didn't competitively bid the jobs or have written contracts, the board said."[78]

Given this investigation, Semola's background check and approval by the Michigan Gaming Board Commission was delayed until March 12, 2002, almost a year after he took over the COO position and joined Millennium later on.[79]

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[78] Tina Lam, "Board fines Greektown Casino $425,000, Gaming panel calls business dealings improper" Detroit *Free Press*, 2/13/2002, http://72.14.203.104/search?q=cache:sKPLoJoRxIYJ:www.freep.com/news/casinos/cas13_20020213.htm+Greektown+Casino+Fines&hl=en&gl=us&ct=clnk&cd=3

[79] Michigan Gaming Control Board Meeting Minutes, March 12, 2002.

Greektown Problems Millennium Contract Termination

In April 2001, the Detroit City Council revealed that the plan to move all the casinos to a central position on the riverfront was being scuttled, and that the new plan called for MotorCity and Greektown to remain at their temporary locations and to add 800 hotel rooms and other entertainment amenities along with another 25,000 square feet of gambling space. Despite Detroit voter opposition MGM Grand still intended to move to a permanent location on the East Detroit Riverfront.

MGM continued to lead the three casinos with slots revenue of $320 per day compared to $298 at MotorCity and only $229 at Greektown. In May of 2001, MGM brought in $29.6 million compared to $28.9 million at Motor City and $21.5 million at Greektown.

Greektown's relatively poor performance could be attributed to three causes. First despite Archer's belief that the local knowledge of the Greektown team as well as the track record of Millennium would allow them to quickly become operational they were late to market allowing the other casinos to build loyal customer bases. Second, underfinanced and burdened by heavy debt, they under spent relative to MGM and MotorCity. This really hit them hard in the third area which had been a cause of concern for the MGCB when debating their license. They had under spent on parking. The Greektown casino had only 1,350 parking spots available before 5 p.m. and 1,925 after 5 p.m. MotorCity and MGM had free 3,000 car parking garages.[80] The lack of a parking structure made Greektown a pariah to those who had to work in the area. Local garage owners quickly found that with an increased demand and a willingness of casino patrons to pay far higher rates for hourly storage that they could more than double parking rates. Local workers unable to afford these increases were forced to park outside of the downtown area and take shuttle busses to work. It was also unpopular with patrons who would have to wait half an hour to retrieve their cars.[81]

Without controlling parking, Greektown had little ability to control one of the saddest crimes that occurs at casinos. On August 26, 2001, Detroit's WDIV Channel 4 reported the all too frequent problem of child endangerment at the Millennium managed Greektown casino. When Delores Jones-Wiley, 34, went to the Greektown Casino she had no child-care and apparently did not want to spend her gambling money on a baby sitter so she took her 1-year-old son. As reported by WDIV, "According to Wayne County prosecutors, Jones-Wiley allegedly left her son James Jason Walker all alone in her locked 1991 GMC van that was parked on a street near the casino while she went and gambled. After being spotted by pedestrians, the boy was removed from the van by police and taken to the Detroit police child abuse unit. They later found Jones-Wiley at the slot

[80] Tina Liam, "Greektown investors get green light, Gaming board says group is qualified; 1 more vote to come" *Detroit Free Press*, 9/6/2000 http://72.14.203.104/search?q=cache:C98ajNKMkZUJ:www.freep.com/news/casinos/cas6_20000906.htm+Beatty+Greektown+Millennium&hl=en&gl=us&ct=clnk&cd=1

[81] Becky Drumman, "Detroit's Parking Not World Class," *detropolis*, 11/30/2000 http://www.detropolis.com/content.php?contid=3

machines inside Greektown Casino and charged her with second-degree child abuse. If convicted, she will face up to four years in prison."[82]

After being late in opening, running over budget in construction, and facing various investigations for illegal activity, in its first year of operation Greektown under Millennium's management produced revenues of $256 million, compared to $359 million at MGM and $346 million at MotorCity. Its market share was 27%, and its revenues were only 71% of MGM. In the last quarter of 2001, Greektown produced $82.2 million for a 29.5% market share. In the first quarter of 2002, the last quarter of Millennium's management revenues were almost flat at $82.4 million. The other Detroit casinos grew revenue 6%. Greektown market share had fallen 4% to 28.3%.[83]

On April 1, 2002, Millennium's management contract for the Greektown Casino was terminated, and they signed an eight year consulting contract with the Sault which owned 90% of the casino. From the public commentary it is unclear if they were fired, or if they resigned. The Sault took over day to day operations with Millennium providing consulting services through November 2010.[84]

In September 2002, Greektown was in the press for ejecting 30 video poker machine winners. The patrons were not accused of cheating; they were simply unprofitable for the casino. As Greektown explained "The players' winnings -- combined with cash-back incentives and freebies -- are costing the casino, according to Greektown officials, who said the casino would have to consider broader cost-cutting measures if it didn't bar some gamblers." "It's virtually unprecedented that they'd bar video poker players in a manner like this," said Anthony Curtis, editor of Las Vegas Advisor, a consumer newsletter that tracks casino promotions and gambling trends.[85] It is unclear what role Millennium played in this decision. Greektown's PR department had produced monthly press releases on winners in 2001, but after Millennium departed there were few such press releases in 2002.

During the balance of 2002, with Millennium in a consulting role, Greektown grew revenue by 12% compared to the prior year and its market share recovered to 29.4%.[86]

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[82] "Boy found alone outside casino," ***Channel 4 News WDIV Detroit,*** 8/26/2001 http://www.pactoregon.org/facts-child.html ; http://72.14.203.104/search?q=cache:3mdwqV1bqeIJ:www.casinosno.org/Default.aspx%3FTabId%3D23+Greektown+casino+endangerment&hl=en&gl=us&ct=clnk&cd=4

[83] Michigan Gaming Control Board Annual Reports

[84] Jeff Simpson, "An Uncanny Competitor," *Las Vegas Review- Journal,* 8/03/2002, http://www.lvrj.com/cgi-bin/printable.cgi?/lvrj_home/2002/Aug-03-Sat-2002/business/19257014.html

"Michigan Tribe Running Greektown Casino," *Daily Gambling News,* May 2002, http://72.14.203.104/search?q=cache:SPyyFoM07kcJ:www.gamma-seven.com/news/may2002/all/casino/5-29-2002.shtml+Beatty+Greektown+Millennium&hl=en&gl=us&ct=clnk&cd=2

[85] "Casino Ejects Winning Players," AP, 11/25/2005

[86] Michigan Gaming Control Board Annual Reports

Another area where Millennium and Greektown fell short was in integrating the casino with the neighboring businesses. Prior to opening, in July 1999, Millennium began exploring the idea of allowing Greektown gamblers to cash in their complimentary services outside the casino. On August 16, 1999, Paulos announced that the Greektown Casino planned to include area restaurants and other retailers in a "players' club'" points program to generate increased business from gamblers. The idea called for gamblers playing slot machines or table games in the casino to tote up points toward meals, gifts or other purchases at shops, stores and eateries around Greektown. The Greektown program, then still in the planning stages was unique in that for most such programs, gamblers had to spend their points in the casino where they were earned. Steve Georgiou, a partner in Olympia Shish-Kebab Inc. in Trappers Alley and president of the Greektown Merchants Association, said, "The concept has always been that Greektown will be a support system for the casino."'

Paulos explained, "There has been a lot of anxiety (among Greektown merchants) about the casino, that it's going to overtake everything. But the discussions all along have been that we already have eating establishments here, so use them." Many took a wait and see attitude toward the plan, Tasso Teftsis, the owner of the Astoria Pastry Shop on Monroe Street said, "I'll wait and see. There's a lot said in the beginning, but some things just don't get done."[87]

Greektown's failure to put up a parking lot like the other casinos hurt local businesses. "The parking is a problem," said Douglas Talbot, co-owner of Little Things, a small boutique, "It has definitely impacted our business." Talbot's business was off 50% the weekend the casino opened because of the parking situation. Other businesses saw similar problems as their traditional patrons could not find or refused to pay the increased parking rates brought on by the casinos opening.[88]

Community frustration with Greektown flared again as the casino examined expansion plans. In 2002 Greektown proposed to build a permanent $450 million casino at I 375 and Gratiot Avenue. Two years later, after this plan was abandoned, and Greektown decided to spend only $175 million to expand at its current site. This brought a mixed reaction from its neighbors. To obtain space for a 3,500 car parking garage the casino bought the Parkwycke Towers Apartments which it intended to demolish. Even though the casino promised to pay moving costs, residents were not happy about the forced relocation. The expansion plan included 1,200-1,500 seat theater, 25,000 additional square feet in gambling space, and 25,000 square feet in convention space.

Local businesses were also ambivalent. Although the 20 local restaurants, bakeries and shops received about $6 million a year in new businesses from casino patrons with complimentary tickets, many of the long-time customers had been chased away. One of the reasons was the decline in parking and an increase in panhandlers. Nick Lavdas of

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[87] Robert Ankeny, "Greektown Casino: We'll bring neighbor firms to Table," *Crain's Detroit Business*, 8/16/1999.

[88] Marcus Amick, "New Casino Sparks Holiday Woes," *Michigan Chronicle*, 12/5/2000.

Lavdas Jewelry was optimistic about Greektown's decision to stay. "Another vacant building would not be a good thing for Greektown." Dino Stathis, owner of Athens Gifts & Music, said many merchants were glad it was staying. "No parking means we are packed here, and that's good for the area. I think people realize this is a unique entertainment district. I think we feed on each other." Arthur Kesto, owner of Athens Liquor & Gift Shop disagreed and complained about lost business, parking problem created by Greektown and crime. "Nobody wants to pay $10 to park to buy a bottle of liquor." Complaining about increased homelessness Kesto said "There was a lot of talk, a lot of promises before the casino opened, but it hasn't happened. All the police are in the casino protecting them and we're out here left to our own devices." Rev. Edward Vilkauskas, pastor at Old St. Mary's Catholic Church, complained that it is not uncommon for worshippers to trip over homeless people sleeping on the church' s steps. "During the day, hustling is a big, big problem, which the police were unwilling to address because it did not rank as a major crime." Detroit Deputy Mayor Anthony Adams, tried to downplay the problems saying "Parking, traffic, those are issues tied to urban life. It's not necessarily a bad thing. I don't know how a merchant can think there's too much traffic." Roger Martin, a spokesman for the casino, also downplayed the problems claiming "Wherever there is a live-entertainment district, I don't care what urban setting you are talking about, there are going to be homeless people." [89]

The financial success of the casino remains a question mark when one examines the terms of the refinancing package that was approved in November 2005, to allow for the casinos expansion.

Greektown had submitted a $635 million financing package to expand at its current location. In 2004, Greektown achieved $319 million in gambling revenue compared to $433 million at MGM and $436 million at MotorCity. Greektown spokesperson Roger Martin said that the lower revenues played into the decision to stay put. In addition Greektown consistently achieved high marks from Detroit gamblers. According to Martin casino owners asked themselves "So we have this building everyone thinks is the best casino. We have $275 million invested. Can't we stay here? So our decision is to stay home in Greektown. We believe it is consistent with our original agreement with the city." Martin pointed out this would also help the local businesses which received received less than 2% or $6 million of the gambling revenue in complementary tickets from casino patrons. The greatest constraint on any move though was the $265 million in debt which the Sault had incurred when they bought out the Greeks in 1999. In commenting on the move, Marcell Todd, a Detroit city planner, said Greektown's debt to Papas and Gatzaros limited the choices. As he noted, the Sault "don't have the deep pockets that MGM does or the Ilitches (MotorCity owners) do." MGM and MotorCity both are pursuing permanent facilities. [90] This request was denied.

The approved package included financial triggers. If the Sault were unable to meet these triggers they would be forced to sell. In commenting on these triggers, tribal chairman Aaron Payment said, "It is scary, but I look at it as a challenge that we operate efficiently

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[89] Greta Guest, "Casino to Expand," *Detroit Free Press*, 9/19/2005
[90] Greta Guest, "Greektown Casino will stay put," *Detroit Free Press*, 9/13/2005

at the Greektown level," Under the MGCB approved plan, Greektown was allowed to refinance $185 million in current debt and borrow an additional $200 million to finance its expansion.. The current debt was to payoff the Greeks, Ted Gatzaros and Jim Papas as well as the new minority owner Don Barden, who wanted to sell his casino stake. Papas was to be paid half of the $139.5 million still owed the Greeks immediately, while Gatzaros would be paid over time until December, 1, 2009. Barden who had been interested in buying all of Greektown, but had found it was not for sale, was selling his 3.9% stake to the Sault so as to focus on his other casino properties. After the transactions the Sault would own 97% of the casino. Under the plan the Sault were allowed to take out only $5 million a year from the casino. In commenting on the deal, Benjamin McMakin Jr. deputy director of the gaming board's licensing division said, "They are willing to risk it all in that, if they fail to reach their financial projections or they fail to meet some of their financial obligations, the Sault tribe is willing to put the casino up for sale."[91]

In five years of operation Greektown had employed about 2,100 people a year and they claimed they had paid $729 million to Detroit, Michigan and local businesses.

City gaming taxes:	$134.4
State gaming taxes:	$106.1
State regulatory licensing fees:	$53.1
City municipal fee:	$24.0
City real estate taxes:	$13.0
Michigan single business tax:	$10.5
Michigan sales tax:	$3.3
City municipal parking:	$5.0
State income taxes:	$14.9
City employee income taxes:	$7.3
Total tax payments:	$371.7
Forgiven riverfront debt:	$50.0
Reverse condemnation claims:	$2.5
Development fees:	$34.0
Minority Business Development Fund:	$10.0
Purchase of Gratiot land:	$10.5
Lac Vieux settlement:	$9.4
Total city agreements:	$116.4
Payments to Detroit-based businesses:	$247.7
Charitable contributions:	$2.6
Total direct impact:	$738.8 [92]

The claimed $247.7 million paid to local businesses was primarily payments during the construction phase. In a February 13, 2002 press release, Greektown said it had paid $226 million to Detroit based vendors and suppliers since it began construction and

[91] Greta Guest, "Regulators Approve Greektown Casino Plan," *Detroit Free Press*, 11/16/2005.
[92] Greta Guest, "Casino Opens Valet, Parking Garage to Celebrate its Fifth Anniversary," *Detroit Free Press*, 11/11/2005

through that date. Therefore Vendor Payments from Feb14, 2002 to November 2005 were $21 million, which was an average of about $500,000 a month or $6 million a year. This $6 million a year was equal to the complimentary program with local Greektown merchants.[93]

Based on a rough cash flow analysis Greektown was not a financial success. The prime reason was high costs and a lack of revenue. The competing casinos produced over two billion dollars apiece in the comparable time frame.

		Source
Revenue Nov 2000-Oct 2005	$1,561	MGCB report
Construction	$275	footnote 85
Payroll & Benefits	$500	Based on AGA data
Payments to Detroit and Michigan	$490	Footnote 85
Payments to Suppliers	$30	Footnote 85
Cash for Investors and Debtors	$266	

Questions: What role did Millennium play in negotiating with Detroit and Michigan to obtain a license? What role did the political connections of Bouschor and the Greeks play in obtaining a winning position? Why was Greektown late? Why was it over budget? When did Millennium learn of the problems of the Greeks and Bouschor? What due diligence did they perform in vetting the owners? Given the problems, why did Millennium try to offer $250 million to partner with the Sault? What actions did Millennium take to protect themselves? Why did their offer fall through? Given Wortman's experience as a CPA and CFO, why were there no controls for competitive bidding of contracts? Why did Millennium allow Monroe to receive Complementary tickets? Why didn't Millennium contest the fine, if they believed they had done nothing wrong? Why was there not more parking? How would Millennium describe the success of driving business outside the casino? What has been the turnover in businesses around Greektown? How much was Millennium paid to manage the Greektown operation, and how many employees and in what position did Greektown have these employees? Why was Millennium's management contract with Greektown ended? What was Millennium's role after it was reduced to a consultant? How much was it paid, and how many employees were dedicated to the effort?

Mexico

In 2001 Millennium partner Bill Wortman and his Nevada Palace co-owner Renate Schiff considered building a casino in Mexico. Casino gambling has been and remains illegal in Mexico where the Catholic majority opposes it. The pair proposed building a $100 million casino and golf course in Revnosa Mexico directly across the border from McAllen Texas. Like Mexico Texas have no casinos. With a target market of a million

[93] "Greektown's Economic Impact on Detroit and the State," *Press Release*, Feb, 13, 2002, http://www.greektowncasino.com/info/news_detail-86.htm

locals, many of which earn little working in the maquiladoras, factories along the border, Wortman saw a rich new market. When Vicente Fox was elected in 2000, he said he would consider legalized gambling in tourism areas. Wortman along with his Nevada Palace partner Renate Schiff looked at using their own assets to build a temporary casino which would cost far less than the $100 million needed for a permanent facility which would include a 400-room hotel, and a golf course and spa.

Wortman's idea quickly drew questions.

"University professors who study Mexico question[ed] the wisdom of locating a casino in a country plagued by drug traffickers and organized crime figures who influence politicians at all levels of government. They argue[d] a casino would offer a convenient method for drug bosses to launder pesos, as they attempt to legitimize their sources of income. "The drug money is very powerful in Mexico, now," said Rodolfo de la Garza, vice president of a University of Texas think tank that studies issues affecting the Latino community."

"Thomas Hinojosa, a spokesman for the U.S. Drug Enforcement Administration, echoed de la Garza's comments. He noted that currency exchange houses in the area, known as casas de cambio, are notorious for their loose reporting requirements. 'We had not heard about a casino, but we might take a look at it because Reynosa is a high-traffic area in commerce,'"

Wortman, whose Greektown casino management was then under investigation for illegally funneling funds to Papas and Gatzaros, reportedly downplayed such talk, saying the Mexican government would likely adopt stringent regulations to prevent money laundering through casinos. As will be discussed below Schiff who was also a landlord for several adult entertainment operations had her own problems brewing and would shortly be charged with racketeering.

Wortman and Schiff were partnered in other casinos. Renata's in Henderson opened since 1989, is a real locals casino. Its website advertises, "Cash your payroll check and Win!!"[94]The casino offers Bowling, a sports bar and book, casino and fine dining which consists of their Philly-Style Pizza. The 10,000 sq ft casino boasts 199 slot machines and no table games.[95]

This proposal went no where.[96]

Questions: What was Wortman's relationship with Schiff? What connections was Wortman or Millennium using with respect to this Mexican casino? Who were going to

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[94] http://www.renatas.com/Casino/casino.html
[95] www.renatas.com
[96] Dave Berns and Jeff Simpson, Nevada Palace Owner Agrees to Build Casino in Border Town", *Las Vegas Review-Journal*, 7/06/2001 http://www.reviewjournal.com/lvrj_home/2001/Jul-06-Fri-2001/business/16479573.html

be there local partners? How were they going to control drug money laundering? What became of this idea?

The Rampart Casino

In November 2001, while Millennium was being investigated for improprieties at Greektown, it began to examine the opportunity of helping to rescue the bankrupt Resort at Summerlin. The $276 million resort had been plagued by construction delays and a flawed business plan. In building the Summerlin its Swiss owners decared "we want locals." But the facility was lavishly built with a European motif that did little to appeal to local tastes. The "ultrachick" property which opened in July, 1999 failed to lure enough upscale gamblers and hotel guests to its location 10 miles northwest of the Las Vegas Strip. In November 2000, after piling up $300 million in debts, it filed for bankruptcy. For the next year it consistently generated negative cash flows. With high costs the casino was unable to make money on locals. That month in talking to the press, Bill Paulos explained "We'll be making some dramatic changes in and around the casino." Among the possible changes, Paulos was looking at the additions of a cafe and fast-food restaurants next to the casino, to help it lure greater numbers of local gamblers.[97]

In November 2001, Hotspur Nevada Casinos struck a deal to buy the 461 room luxury resort for $80 million. It then turned around and agreed to lease the Regent Casino at the Summerlin Resort to Millennium[98] The lease deal was unique in that it allowed Hotspur Casinos Nevada to receive $4 million a year in rent which icreased $300,000 a year to $6 million plus 50% of the casino income after management fees, improvements and advertising. Traditionally, a landlord receives only a set fee or rent without sharing in the profit of the gaming unless the state gives him or her special permission. Hotspur is owned through a series of offshore holding companies by the Hilfreich Stiftung Foundation in Zurich Switzerland. Because of the unique arrangement the Nevada Gaming Commission had to clear the Hotspur owners. Thaddas L. Alston, president, secretary, treasurer and director of Hotsprur had a clean background check. Nevada Regulators cleared the deal in November 2001, contingent upon completing a background check of Shiraz Lalji, who is an advisory board member and beneficiary of the Hilfreich Stiftung Foundation.

At the time, Thaddas L. Alston, president, secretary, treasurer and director of Hotspur, claimed the new casino operators Millennium would spend $10 million in improvements, including new restaurants and installing slot machines to cater to the local clientele, which he described as "fairly upscale." Alston said the Hotsprur would finance the

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[97] Jeff Simpson, "Canadian-Based Larco Investments to Buy Bankrupt Las Vegas Hotel-Casino," *Las Vegas Review-Journal*, 11/20/2001

[98] "Nevada Regulators Endorse Green Valley Casino Club," *Casino Magazine*, 11/08/2001, http://casinomagazine.com/managearticle.asp?c=460&a=1569

acquisition with $30 million in equity and $50 million in debt, but that they had the cash to pay off the debt. [99]

Hotspur teamed with Marriott and rename the resort the JW Marriott.[100]

Shiraz Lalji

Shiraz Lalji is reportedly worth about half a billion dollars. He owns Larco Investments in Vancouver Canada with Amin Mansour. In 2003 Vancouver Magazine listed the Laljis as number 10 on their list of power families in Vancouver. "Now and then the company or family name sneaks out of the house and into the business section. They own Park Royal shopping mall, for instance, this year launching a huge expansion due to open next August. In 2002, they sold the Maple Leaf Self Storage property (2.26 Yaletown acres) to developer Peter Wall for $29 million. A year before that, they bought a Las Vegas hotel (since rebranded JW Marriott) for $80 million in bankruptcy court, a steal since that was one-third the cost of constructing the hotel. They are said to own housing and office space, as well as Terminal Forest Products and a strip of retail in Whistler. As philanthropists, they're respected for stealthily spreading the money around."[101]

Two years later in December 2003, Nevada regulators approved the revenue distribution model for the Rampart, conditional upon a review of Lalji, who had still not provided them with the required background informationAs part of the application, Thaddas Alston was endorsed as head of two intermediary companies between the Rampart and the Lalji family's foundation.[102] As is shown below from the transcript of the December 18, 2003 Nevada Gaming Commission Meeting, Lalji, who owned Hilfriech Stiftung a Liechtenstein Foundation, was separated by several corporate entities from Rampart profits.[103]

N03-0437
Re: 27877-01
HILFREICH STIFTUNG
(A Liechtenstein Foundation)
C/O HSBC GUYERZELLER BANK AG
GENFERSTRASSE 8
ZURICH, SWITZERLAND 8027

APPLICATION FOR REGISTRATION AS A HOLDING COMPANY

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[99] Cy Ryan, "Nevada Commission Approves Resort at Summerlin Restructuring," *Las Vegas Sun*. *http://www.rgtonline.com/Article.cfm?ArticleId=46368&CategoryName=Vegas*

[100] "Casino to get its Fourth Name in Three Years," *Casino Magazine*, 3/8/2002.

[101] Steve Burgess, "The Power 50," *Vancouver Magazine*, December 2003, http://www.vanmag.com/0312/power.htm

[102] Brendan Riley, "Top Casino Exec gets Endorsement, Lecture from Nevada Regulators," *Las Vegas Sun*, 12/3/2003, http://www.lasvegassun.com/sunbin/stories/nevada/2003/dec/03/120310085.html

[103] Nevada Gaming Commission Meeting, December 18, 2003, page 3-4. http://gaming.nv.gov/documents/pdf/03dec18_agenda_disp.pdf

Re: 27876-01
SAMOA INVESTMENT ASSETS INC.
(A British Virgin Islands Corporation)
(Hilfreich Stiftung – 100%)
C/O HSBC GUYERZELLER BANK AG
GENFERSTRASSE 8
ZURICH, SWITZERLAND 8027

APPLICATION FOR REGISTRATION AS AN INTERMEDIARY COMPANY

Re: 27875-01
HOTSPUR INVESTMENT HOLDINGS INC.
(A British Virgin Islands Corporation)
(Samoa Investment Assets Inc. – 100%)
C/O HSBC GUYERZELLER BANK AG
GENFERSTRASSE 8
ZURICH, SWITZERLAND 8027

APPLICATION FOR REGISTRATION AS AN INTERMEDIARY COMPANY

Re: 27874-01
HOTSPUR GLOBAL LIMITED
(A British Virgin Islands Corporation)
(Hotspur Investment Holdings Inc. – 100%)
C/O HSBC GUYERZELLER BANK AG
GENFERSTRASSE 8
ZURICH, SWITZERLAND 8027

APPLICATION FOR REGISTRATION AS AN INTERMEDIARY COMPANY

Re: 27873-01
HOTSPUR RESORTS NEVADA, INC.
(Hotspur Global Limited – 100% Common, 100% Preferred)
16202 BEACH DR NE
SEATTLE, WA 98155
THADDAS LEE ALSTON
President/Secretary/Treasurer/Director
APPLICATION FOR REGISTRATON AS AN INTERMEDIARY COMPANY
APPLICATION FOR FINDING OF SUITABILITY AS SOLE OFFICER AND DIRECTOR
Re: 27872-01
HOTSPUR CASINOS NEVADA, INC.
(Hotspur Resorts Nevada, Inc. – 100%)
16202 BEACH DR NE
SEATTLE, WA 98155
THADDAS LEE ALSTON
President/Secretary/Treasurer/Director

APPLICATION FOR LICENSURE TO RECEIVE A PERCENTAGE OF GAMING REVENUE FROM RAMPART RESORT MANAGEMENT, LLC, dba RAMPART CASINO

APPLICATION FOR LICENSURE AS SOLE OFFICER AND DIRECTOR

GCB RECOMMENDS: APPROVAL, CONDITIONED:
(1) THE LICENSE SHALL NOT BE EFFECTIVE UNTIL THE HOTSPUR RESORTS NEVADA, INC., PREFERRED SHARES HELD JOINTLY BY THE RESORT AT SUMMERLIN, LP AND THE RESORT AT SUMMERLIN, INC. ARE REDEEMED AND PROOF OF REDEMPTION

SUBMITTED TO THE INVESTIGATIONS DIVISION FOR REVIEW AND ADMINISTRATIVELY APPROVED BY THE CHAIRMAN OF THE GCB.

(2) THERE BE NO CHANGE IN THE PERSONS IN THE POSITIONS OF BOARD MEMBER OF HILFREICH STIFTUNG (FOUNDATION), MEMBERS OF THE FOUNDATION ADVISORY BOARD, OR OFFICERS OR DIRECTORS OF SAMOA INVESTMENT ASSETS, INC., HOTSPUR INVESTMENT HOLDINGS, INC., HOTSPUR GLOBAL LIMITED, HOTSPUR RESORTS NEVADA, INC., AND FOUNDATION BENEFICIARIES WITHOUT THE PRIOR WRITTEN APPROVAL OF THE GCB CHAIRMAN OR HIS DESIGNEE. HOTSUPR CASINOS NEVADA, INC. SHALL PROVIDE ANY INFORMATION REQUESTED BY THE BOARD CHAIRMAN, OR HIS DESIGNEE, REGARDING ANY CURRENT OR PROPOSED BENEFICIARIES, DIRECTORS, MEMBERS OF THE ADVISORY BOARD AND DIRECTORS OF THE FOUNDATION, IN CONNECTION WITH THIS APPROVAL.

(3) THE LICENSE SHALL NOT BE EFFECTIVE UNTIL SUCH TIME AS SHIRAZ LALJI HAS FILED AN APPLICATION FOR A FINDING OF SUITABILITY AS A MEMBER OF THE ADVISORY BOARD AND BENEFICIARY.

(4) ALL GAMING REVENUES SHARED WITH HOTSPUR CASINOS NEVADA, INC., FROM RAMPART RESORT MANAGEMENT, LLC, BE ESCROWED UNTIL SHIRAZ LALJI IS FOUND SUITABLE IN THE CAPACITY OF ADVISORY BOARD MEMBER AND BENEFICIARY. IN THE EVENT THAT SHIRAZ LALJI IS FOUND UNSUITABLE, ALL ESCROWED GAMING PROCEEDS WILL BE RETURNED TO RAMPART RESORT MANAGEMENT, LLC.

NGC DISPOSITION: APPROVED, CONDITIONED – SAME.

Critical to getting the Summerlin resort and casino to profitability was getting the costs in line and refocusing the property on locals. On November 20th, Knight Ridder reported that "Hundreds of workers at the Regent Las Vegas have lost their jobs in recent days. … The layoffs were a condition of the $80 million purchase by Hotspur parent Larco Investments. "The ones that we'd like to rehire have by and large been notified," Larco Senior Vice President Thad Alston said. The Regent had an estimated 1,400 employees last spring, said Lanis O'Steen, the property's chief restructuring officer. That figure is now closer to 1,200 people, with about 1,000 of them expected to be offered jobs by Hotspur.[104]

In March 2002 Hotspur and Millennium finalized a 10 year deal. 50,000 surveys had been sent to the 173,000 people who live within three miles of the casino asking people what they wanted. More than 11,000 sent in their replies, and based on this Millennium reworked the casino. Spending a vary modest $6 million they renovated the facility removing walls which gave a claustrophobic feel to the facility, raised the sunken table game pit, and reworked the food service areas all to improve access. In April 2002, the casino reopened as the Rampart.[105] During 2002 Semola left Greektown to go back to

[104] Jeff Simpson, "Canadian-Based Larco Investments to Buy Bankrupt Las Vegas Hotel-Casino," *Las Vegas Review-Journal*, 11/20/2001

[105] Jeff Simpson, "Bill Paulos and Partners Put $6 Million into Fixing Casino Problems at the JW Marriott Las Vegas" *Las VegasReview-Journal* March 23, 2002.
Jeff Simpson, "Nevadan at Work: Bill Paulos, Principal Millennium Management," *Las Vegas Reivew-Journal*, 3/31/2002

Las Vegas to help Millennium open the Rampart Casino as Vice President and General Manager.[106]

When opened the Rampart Casino won high marks due to its original design as a higher class locals casino. But since then services have been cut back.

Over the weekend of March 20, 2006, the Plush Lounge at the JW Marriott closed, and the owners threatened to sue the landlord for breach of contract. "'We are very upset and saddened by these events,' said a spokesperson for the organization. 'Plush was a beautiful lounge and one that we all wanted to succeed.' Although the official complaint reads like a movie script it is very real asking for over $30 million in damages and punitive numbers that enter the nine-digit range. It essentially alleges that "front companies and various third-party intermeddlers" conspired to 'drive Plush out of business, stealing and effectively destroying the value of millions of dollars spent by Plush in remodeling and operating the nightclub.' The nightclub asserts that basic promotional support such as a large and visible marquee and in-room advertising were repeatedly promised but never materialized. 'Whenever the Rampart Casino was kind enough to put our events on their marquee we would sell out; it's no question that we could have succeeded in this location,' the spokesperson noted before adding, 'We have been fighting with them on everything for two years now.'"[107]

Cannery Casino

While the team was working on opening the Rampart they were busy building a new casino the Cannery in North Las Vegas. Located 10 miles from the strip and 6 miles from its closest competitor, Millennium focused on the locals market.[108] The target was the 265,000 people who lived within a five mile radius of the casino. The 50,000 square foot $100 million Cannery was meant to exploit John Steinbeck's Cannery Row with a "50s-style retro-industrial theme, with a large, lighted smoke stack serving as the Cannery's beacon." It's design was modest with "about 1,250 slots and 21 table games. Surrounding the center casino will be a range of restaurants, including a 360-seat buffet, a 24-hour cafe, a Mexican restaurant and fast-food outlet, a sports-book deli and Waverly's, a fine-dining offering. More than 1,700 surface parking spots will surround the property, a key locals casino drawing card. Paulos claimed, 'This will be different from some of the bigger places. We won't have a movie theater or bowling alley. We wanted to create a venue where people know they'll have fun.'"

Robert Mendenhall was added to the Cannery team loaning them money and providing construction services. According to one contractor

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[106] "Semola Scholarship" *Premier*, UNLV, Fall 2005, page 4-5

[107] "Plush Lounge Closed, Lawsuit to Come," *Eye on Vegas Breaking News*, http://www.lasvegasfoodservice.com/newsletter.shtml#one
"NORM Lawsuit filed after nightclub closes," Las Vegas Journal-Review, 3/21/2006 http://www.reviewjournal.com/lvrj_home/2006/Mar-21-Tue-2006/news/6471364.html

[108] Liz Benston, "Cannery Opens Doors to the Past," *Las Vegas Sun*, Jan 3, 2003, http://www.lasvegassun.com/sunbin/stories/sun/2003/jan/03/514467785.html

"The Cannery's lead contractor was APCO, a subsidiary of Millennium partner Mendenhall's Las Vegas Paving."[109]

Robert Mendenhall Las Vegas Paving

Las Vegas Paving Corp. agreed to pay an $82,500 penalty and reduce its air emissions to settle alleged Clean Air Act violations at its Lone Mountain and Apex rock crushing and asphalt batch processing plants. The company installed and operated five new diesel engines at its Lone Mountain facility in violation of Clark County's clean air plan. At the Apex site, the company installed and operated a nonmetallic mineral processing and hot mix asphalt facility without complying with federal air pollution rules requiring notification and emissions testing of the new equipment. The settlement requires the company to retrofit one diesel engine wth timing retardation that reduces air pollution, and to obtain proper permits from the Clark County Health District for all other engines.[110]

Per the below, Robert L. Mendenhall has been nominated for an honorary degree from UNLV.

Robert L. Mendenhall, founder and president of Las Vegas Paving, is the driving force behind the success of the company. Mendenhall invented and patented the Asphalt Recycling Process, as well as numerous other inventions that benefit the construction industry and help conserve natural resources. He was named to the Nevada Inventors Hall of Fame in 1984 for the asphalt recycling machine.

Mendenhall's company, Las Vegas Paving, was named the 2005 Contractor of the Year by the Nevada Contractors Association for its work on projects such as the Las Vegas Motor Speedway, Las Vegas Beltway, and U.S. Highway 95.

Mendenhall donated 420 acres of land to the Valley of Fire State Park in 1998. The property had been used for mining gypsum and special rocks and its value, including minerals, was estimated at $6 million.[111]

Millennium had to move quickly to capitalize on recent legislation. Appalled at the damage casinos were causing Las Vegas locals, the city passed Senate Bill 208, stipulated that no more casinos could be built outside the strip. The exception was developments that were already in the pipeline. If a permit had been granted before the

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[109] Jeff Simpson, "An Uncanny Competitor," *Las Vegas Review-Journal*, 8/02/2002, http://www.lvrj.com/cgi-bin/printable.cgi?/lvrj_home/2002/Aug-03-Sat-2002/business/19257014.html

[110] "PAVING COMPANIES TO PAY $185,500 TO SETTLE AIR POLLUTION VIOLATIONS: LAS VEGAS VALLEY FIRMS MUST ALSO REDUCE AIR EMISSIONS," 1/11/2000, *Region 9 News Releases Environmental Protection Agency*. http://yosemite.epa.gov/r9/r9press.nsf/268400f6f4b727f288256b6100659fc6/ae163a9a7fd57845882568 63006b3cb7!OpenDocument

[111] Honorary Degree Nomination Form, March 2006 Board of Regents. http://system.nevada.edu/Board-of-R/Meetings/Agendas/March-2006/Ref.-F1.pdf

end of 1998 and gaming license was issued before the end of 2002. Although North Las Vegas initially resisted the casino because the proposed site was not zoned for it, they gave way after the developers threatened to sue. With a permit in hand and competition blocked Millennium jumped at the opportunity to put up a relatively low cost locals gambling house. Under the Nevada Law a Casino had to have at least 201 hotel rooms. Knowing that the market was locals and few would need a room, Millennium put up the bare minimum.[112]

On December 18, 2002, the City of North Las Vegas granted a New Liquor and Non Restricted Gaming License to the Cannery Hotel and Casino LLC. Ownership was listed as:

Millennium Management Group II,
Manager of Operations pursuant to the Cannery Management Agreement.
William C. Wortman, 47.5%
William J. Paulos, 47.5%
Guy Hillyer, 5%
Mendenhall LLC
33 1/3% ownership of Cannery Casino Resorts LLC, the 100% owner of the Cannery Hotel and Casino, LLC.
Robert Mendenhall
100% owner of Mendenhall LLC

Police Investigation Completed
Pending Final Building & Fire Inspection Approvals
Nevada Gaming Commission Approval o November 21, 2002[113]

Like Greektown, but not as severe, the Cannery missed its planned mid December 2002, opening. The opening was rescheduled for the beginning of January. According to Paulos this was a pragmatic decision driven by an unwillingness of people to start new jobs just before the Christmas Holiday. Although this was true the delay cost the Cannery any potential for holiday party gamblers. [114]

The Cannery location proved successful in attracting a strong local clientele. Located a couple minutes off of Interstate 15 next to Nellis Air Force Base, one exit down from the Las Vegas Speedway and one up from the DOE offices, and next to a new Aliente planned community the Cannery was in one of Las Vegas's fastest growing areas. In July 2004 the Cannery began a $40 million dollar expansion adding 15,000 sq ft more

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[112] "Cannery dreamin': Casinos targets locals market," *The Casino Net*, http://thecasinonet.com/read_article.php?site=Casinos&section=News&id=7375 ; Liz Benston, "Cannery Opens Doors to the Past," *Las Vegas Sun*, Jan 3, 2003, http://www.lasvegassun.com/sunbin/stories/sun/2003/jan/03/514467785.html

[113] City Council Meeting Minutes, November 18, 2002, page 4, http://www.ci.north-las-vegas.nv.us/MeetingsAndAgendas/PDFs/CityCouncil/MinutesArchive/2002/Minutes121802.pdf

[114] "Cannery Hotel Changes Opening Date," November 2002, http://72.14.203.104/search?q=cache:kjHkLnuFSYoJ:www.lvcva.com/press/briefs/11_02.html+Wortman+CFO+Caesars&hl=en&gl=us&ct=clnk&cd=10

gambling space and a parking garage. All this to satisfy the customers, which Wortman described as "primarily locals. We have customers who travel farther to come to the Cannery (eight to 10 minutes away) because it's unique. We have regulars who drive from Green Valley. (a 20-plus minute commute)." Although the casino caters to locals its 210 room hotel fills up on weekends. During the week occupancy runs about 55% but on Friday's and the weekends it surges to 90%. With that occupancy the hotel provides only 100,000 visits.[115]

The importance of local military gamblers was shown when the Iraq War broke out and airmen from Nellis were deployed to the Mid East. On April 27, 2003, Paulos blamed week revenues on the loss of patronage from Nellis.[116]

In 2005, Jeff Simpson, the veteran business editor of the Las Vegas Sun described Millennium's casino as "a local casino in a more down-scale part of the valley in North Las Vegas that is filling in with lower-cost homes." Simpson went on to describe the Cannery as "not a major resort. ... What distinguishes the Cannery from a Strip casino is that almost all of the customers live in town or nearby. ... They emphasize bargain food and affordable buffets and affordable restaurant offerings. ... They have a lot of video poker machines rather than slot machines." Simpson went on to describe the entertainment as a "low-cost nightclub" with entertainers who are "definitely nobody real big." Although the 60 year old Wortman thought the Cannery theme would appeal to "thirtysomethings,"[117] "the average customer at a place like the Cannery is probably in their 50's," said Simpson. "They will have a lot more older people than the Strip casinos." The 201 room hotel the minimum required by Nevada law for a casino resort has "down-scale" rooms, like would be found in a Courtyard Marriott. Rooms list at $99 a night but go for less. In summarizing Simpson said "You cannot have a dive and have people come. "It's very nice. They just don't waste a whole lot of money on upscale restaurants and stuff. It's a nice, modern local casino."[118]

In July 2004, 17 months after opening the Cannery embarked on a $40 million dollar expansion program adding 15,000 sq ft to its gaming area and bringing the total to 65,000 sq ft. To accommodate the patronage a five story parking garage was added. The additional space opened in 2005.

In August 2004, William J. Paulos received the Spirit of Life Award which is the City of Hope's top philanthropy award. The City of Hope is one of the world's leading research and treatment centers for cancer, diabetes, HIV/AIDS and other life-threatening diseases. City of Hope's Spirit of Life Award is presented to individuals who have made an invaluable contribution to both their community and profession. The Foodservice and Hospitality Industry Alliance of Las Vegas , comprised of leading members of the Las Vegas community, unanimously selected Paulos as the Spirit of Life honoree for his

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[115] Jim Barrows, "Cannery sees 'dumb' location pay off big." *Slots Today on Line*, 6/06/2004
[116] Rod Smith, "Gaming Column," *Las Vegas Review-Journal*, 4/27/2003.
[117] Jeff Simpson, "An Uncanny Competitor," The Las Vegas Review-Journal, 8/3/2002 http://www.lvrj.com/cgi-bin/printable.cgi?/lvrj_home/2002/Aug-03-Sat-2002/business/19257014.html
[118] John DiSasto, "Would-be Rock owners run small-scale casino" *The News*, 8/19/2005

influence on the direction of the industry and his commitment to public service. In announcing Paulos' selection for the award, the City of Hope described him as:

> "Paulos leads the Millennium Management Group with partners Bill Wortman and Guy Hillyer. The Group has spearheaded the development of the Greektown Casino in Detroit, the transformation of the highly successful Rampart Casino and the expansion of the Cannery Hotel Casino in North Las Vegas. Paulos also contributed to the development and opening of New York New York Hotel and Casino as a member of the board of directors. In addition to his work with City of Hope, he serves on the board of directors of Spanish Trail Golf Club, the Nevada Problem Gambling Center and the advisory board of the Bank of Nevada. Paulos received a Bachelor of Science degree in hotel administration from the University of Nevada, Las Vegas."[119]

Vestin

In October 2004, it paid off a $54 million mortgage to Vestin.[120] Vestin is a so-called hard-money lender loaning funds secured by mortgages, typically for a year, to developers, builders and others willing to pay double-digit interest rates. It was one of the biggest operators in the Southern Nevada mortgage brokerage industry. Before going public in December 1999, Vestin was known as Del Mar Mortgage.[121]

Millennium's reliance upon Vestin is an indication of their lack of capitalization and inability to attract low cost capital. When Millennium embarked on the Cannery project it was supposedly coming off of a successful launch of the Greektown casino. Millennium's inability to attract better or lower cost capital indicates that perhaps they lacked positive references from Greektown or that even with these references their track record was not good enough to attract better financing. This coupled with Vestin's issues raises additional questions concerning Millennium's fitness for Pennsylvania Casino operation. The below discussion provides some insite in the quality of financial backers which Millennium was able to obtain.

The March 2005 Quarterly report for Vestin Fund II shows that they have a Mortgage Portfolio of 38 loans with a book value of $250.8 million. These loans pay 10.1% interest. They are collateralized by property which when appraised was worth 1.5x the loan. In the event of default Vestin had significant assets against which to recoup its

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[119] Foodservice and Hospitality Industry Leader William J. Paulos Receives Top Philanthropy Honor from City of Hope, http://www.cityofhope.org/Media/ReleasesDev/WilliamJPaulosReceivesTopHonor08-27-04.htm

[120] "Cannery Competes Payment of Loan," *Gaming News*, 10/13/2004. *http://www.casinocitytimes.com/news/article.cfm?contentID=145914*

[121] John G. Edwards, "Feds Formally Investigating Vestin Group," *The Las Vegas Review-Journal*, 1/08/2005, http://www.reviewjournal.com/lvrj_home/2005/Jan-08-Sat-2005/business/25625176.html

loan. Of the 38 loans five of them worth $43.4 million were non performing and were placed on a non-accrual basis and foreclosure proceedings had commenced.[122]

Throughout most of 2004, Vestin was under an informal inquiry from the SEC. In July the Nevada Gaming Control Board approved a loan to the owners of the Cannery hotel-casino involving Vestin Group Inc. Nevada Gaming Control Board Chairman Dennis Neilander said the Gaming Control Board was keeping a close watch on the results of a Securities and Exchange Commission investigation of Las Vegas-based Vestin Group Inc. Vestin operates two of three funds that the board approved to pledge membership interest in Rampart Resort Management LLC. In effect, Rampart, which operates the Cannery hotel-casino in North Las Vegas and the Rampart casino in Summerlin, had negotiated a loan with the three funds, Vestin Fund I LLC, Vestin Fund II LLC and Owens Mortgage Investment Fund. Neilander said because the funds do not hold equity positions in the casino company, they are not required to be licensed or investigated by gaming regulators. He said, however, the board has the discretion to call the companies in to answer questions if there are concerns about the integrity of the funds. Vestin officials said they have spent between $1.3 million and $1.5 million to respond to SEC inquiries, which were first announced in November 2003. In July 2004, Chief executive Michael Shustek had said that he expects the inquiry to find no wrongdoing on the part of Vestin.[123]

Vestin was being investigated for aggressive marketing of low risk high return funds, an oxymoron in investing circles. Vestin specialized in hard money loans to the gambling industry raising the capital from individual investors. Shortly after the SEC launched its probe, Vestin fired its accounting firm Ernst & Young, which had balked at certifying the annual report while the SEC probe continued. According to the Las Vegas Mercury:

"Vestin was in the local papers throughout 2003, on account of two loan packages that it spearheaded. A $22 million loan to the ailing Castaways hotel-casino ended with Vestin commandeering the property on the eve of Super Bowl weekend 2004. Another $26 million loan to a deficit-ridden racetrack in upstate New York hit rough sailing when Empire State regulators deemed its two principals unfit for licensure. (An investigation of bribery at the track is in progress.) Slow redemption of invested capital has become a sore point with Vestin fund participants and both it and Global have been bedeviled by a proliferation of nonperforming loans."[124]

Vestin's troubles extended into 2005. After 13 months of informal inquiry, in January 2005, the SEC inaugurated an investigation of the mortgage broker. Vestin claims the focus of the investigation was on the financial reporting of Vestin's three SEC-regulated mortgage and real estate funds, but there is a long list of issues linked to Vestin. Vestin's Chief Executive Officer Mike Shustek was publicly accused of campaign-law violations

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[122] Vestin Fund II LLC 10-Q March 2005, http://www.secinfo.com/dsvRu.z4Tc.htm

[123] Richard N. Velotta, Venetian Contest Rigger Lectured by Regulators," *The Las Vegas Sun*, July 15, 2004, http://www.lasvegassun.com/sunbin/stories/gaming/2004/jul/15/517177995.html

[124] David McKee, "Unsafe at any rate," *Las Vegas Mercury*, 4/15/2004, http://www.lasvegasmercury.com/2004/MERC-Apr-15-Thu-2004/23596656.html

associated with contributions he made to John Hunt, the unsuccessful Democratic nominee for attorney general in 2002, but the secretary of state's office never filed any complaint charging him with violations. In March 2003, Howard Bulloch had won a $4.12 million court judgment against Vestin's predecessor Del Mar. In February 2004, Vestin had paid $5,000 to Nevada for an administrative fine At the end of 2004 Vestin was in the news again as it started foreclosure on a Hawaiian funeral and cemetery service and separately when a New York harness racetrack that owes it $23 million filed for bankruptcy..[125] Vestin remains under investigation.[126]

The Nevada Palace

Before Millennium, Bill Wortman worked with Renate Schiff on two low end locals casinos. From 1985-1987, Wortman was the General Manager of the Nevada Palace with Schiff acting as the Secretary Treasurer, and in 1987, Wortman bought out Schiff and became the owner, but she remained involved as the Secretary Treasurer until October 1995. In 1990, Wortman became a 1/6th owner Renata's Super Club of Henderson Nevada. Schiff also owned one sixth of this operation..

Millennium claims that it recently added The Nevada Palace to its portfolio. It is without a doubt the poorest of the properties. The Nevada Palace has 495 slots, and 210 rooms. In reviewing the Nevada Palace, CheapoVegas had the following conclusion: "We really don't recommend staying at this place, or even making the drive out there to check it out, unless you're doing a survey of Las Vegas' worst hotel casinos." Cheapo Las Vegas provides the below chart comparing the various Millennium properties. The only VG for the Nevada Palace is for low stake betting. The Rampart Hotel gets high marks particularly when compared to the Nevada Palace and the Cannery. However, there is a comment that these services are being cut back to a level more typical of a local's casino.[127]

Millennium would like to convert the rundown Nevada Palace into another Cannery Casino. As Paulos described to Jeff Simpson, "'We love the Cannery brand. We believe in the brand and the concept.' Unlike other locals operators who are building ever-more-expensive locals casinos -- including the $600 million South Coast that Boyd's Coast Casinos is opening by the end of the year and the $925 million Red Rock Resort that Station Casinos expects to open next spring -- Paulos said the lower-budget Cannery model that's succeeding in North Las Vegas will work well elsewhere."[128]

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[125] John G. Edwards, "Feds Formally Investigating Vestin Group," *The Las Vegas Review-Journal*, 1/08/2005, http://www.reviewjournal.com/lvrj_home/2005/Jan-08-Sat-2005/business/25625176.html

[126] John G. Edwards, "Vestin Moves to Convert New Fund," *The Las Vegas Review-Journal*, Feb 25, 2006, http://www.reviewjournal.com/lvrj_home/2006/Feb-25-Sat-2006/business/6069263.html

[127] CheepoVegas, http://www.cheapovegas.com/vegas_casino_chart.php?sort=name

[128] Jeff Simpson, "Columnist Jeff Simpson: Why the Barbary Coast site is so key to the future of Boyd Gaming" *Las Vegas Sun*, 10/16/2005, http://www.lasvegassun.com/sunbin/stories/business/2005/oct/16/519515671.html

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Millennium Management/Gaming Background Information

Millennium's Casinos

	Hotel Price	Value	Swank	Pool	Buffet	Video Poker	Sports	Poker	Low Limits
JW Marriott	$$$$	VG	Fancy	Good	Yum	Good	Fair	No	Good
The Cannery	$$$	Fair	Good	Good	Tasty	Good	Fair	Fair	Good
Nevada Palace	$$	Fair	Dumpy	Poor	Yech	Fair	Poor	Poor	VG

Their commentary on the three is below.

	JW Marriott/Rampart	The Cannery	Nevada Palace
Rooms	541	201	210
Restaurants	7	5	4
Slots	1230	1700	495
Tables	26	18	9
Room Rate -Weekday -Weekend	 $100-150 $120-180	 $40-70 $80-120	 $20-40 $40-70
Room Quality	Big 560 square foot rooms. That makes them bigger than the ones at Bellagio or Mandalay Bay, and we happen to think they are every bit as nice, provided you don't mind being 25 minutes from the Strip. The size allows for a big sofa in the king bed rooms, and some fancy cherry wood furniture. Palms Tower bathrooms are not as fancy as the ones over in the Spa Tower, but still wildly successful in making you feel rich. The Spa Tower bathrooms are enormous and have huge tubs with separate showers. All rooms have 32" TVs.	Don't worry, you won't be kept awake all night by the sounds of machinery packaging fruit. The cannery theme doesn't extend very far into the hotel section. In fact, no theme really extends, unless you consider moderate hotel a theme. You get a clean, average room with either two doubles or one queen, a sitting chair, TV and whatever else you might find at a Holiday Inn/Comfort Inn, et al.	Ever been inside a Motel 6 room? Ever been inside a Motel 6 with twenty heavy smokers? If so, you can probably start to appreciate the rooms here at the Nevada Palace. To be fair, they aren't bad; they are clean and mostly functional. But, they are old and some are stinky as all get out. This place is really a trucker joint, and sort of dingy at that, not for someone looking for a swank Las Vegas vacation. in fact, there is a Motel 6 just down the road that we prefer.
Service Quality	Very good. There is hardly ever a wait to check in, and there is plenty of attentive, and amazingly professional staff to serve you. The spa at this hotel is one of the best in Las Vegas. They're starting to act more like any other locals casino, with tacky promotions and cheap food. They have severely reduced their staff and that will result in reduced service quality, however, so caveat emptor.	It's pretty standard service. Check-in is okay because of the hotel's small size, but still slower than it should be. Overall services are limited, and this is not a good hotel for business travelers.	Fair. This place is no-frills, so plan ahead and take care of yourself. The staff already seems harried enough without you needing extra towels or a toothbrush
Clientele	Rich people in their forties and	Locals locals and more	The blue-collar locals are here

	up. It's not our crowd, but we keep hanging around looking pitiful, hoping some rich family will take us home with them.	locals, mostly blue collar.	by the truckload, playing nickel slots like the government is going to ban them. The casino seems to do a good business, so they must be doing something right.
Bet Minimums	$5 minimums pretty much across the board. The blackjack rarely goes higher than $5, and you can get yourself in a craps game with only $5 on the pass line.	$5 for everything across the board, except during really slow times. Craps has decent 10x odds, but if your table's not hot, you're a long way from any other casino, so it's hard to escape. Roulette is usually with $1 chips and a $5 minimum.	$1 blackjack, for reals, quarter roulette with a $1 minimum bet, and $1 craps with "full" double odds, but the table is one of those miniature numbers. You can find better craps in a nicer environment elsewhere. The roulette wheel has a double-zero with dime chips.
Machines	Slots from a nickel on up to $5. The former full-pay inventory has been gutted, so any good VP machines left are few and far between. The vast majority of the slots are the video type, which makes the place sound a little quiet and electronic.	Lots and lots of video slots at the nickel level. Plenty of the new games are in their around-1300 slot inventory. Machines go up to $5. The video poker selection is decent, and there are a few full-pay machines, so look around carefully.	A few hundred machines fill the crowded aisles. They are almost all video slots and there are more video poker machines than reel slots. There are no full-pay video poker machines that we could see
Cocktails	Pretty good, but this place caters to well-to-do retired people, and they aren't as eager to get loaded as the dumb kids on the Strip, so they don't bother trying to shovel booze down your throat. When they finally do get around to you, you can ask for expensive liquor and really good beer. If we see you sucking down Budweiser here, we're going to call you nutso.	Decent cocktail service will get the long-term player a nice little buzz to soothe his bruised wallet.	Disappointing cocktail service. We figured with a truck-driving clientele to please that Budweisers would come faster than cannon balls, but no such luck.
Food	This fancy coffee shop is better than most, and also more expensive. But, if you look at it as a meal somewhere between gourmet and coffee shop, you'll think it's a good deal. Man, oh,man, the room is as nice as many fine restaurants.	A fairly small coffee shop with average prices. It's a nice, but noisy, room, open on the casino so you can enjoy your nachos while watching the exciting action of people losing at the slots. The Victory in the name is a nostalgia for WWII and there's lots of Rosie the Riveter-style decorations. What, Grenada's not good enough for these folks?	A substandard coffee shop that has a few pretty good specials and otherwise low prices
Entertainment	Plush is a nightclub, all swanky and decadent, geared toward a	Pin-up Bar: There are live lounge acts in the bars.	The best entertainment on view here is the slow

	slightly older audience than the dens of iniquity on the Strip. If you're intimidated by the youthfulness of clubs on the Strip, well, here's an alternative. Probably not worth the long drive out here, though.	Pin-ups is in the center and they have a disappointing selection of pin-up girl posters hanging way overhead. Don't worry, it's tasteful. It's supposed to make us wish it were 1946 all over again and all those horny GIs had just returned.	disintegration of many of the clients' livers. Bring your X-ray machine.
Comps	A decent place for comps. There is some food for the green chip bettor, and there are rooms for the long-term $100 high-roller. The Club Razz slot club now gives a half-percent back in cash and comps for slot play, and a quarter percent for video poker.	The slot club pays back a decent 0.17% cashback, based on coins-in. Tables may score you a coffee shop comp for $15 play if you are polite (not us) and let the pit boss know you're playing when you sit down. Not sure how the free rooms are since it's a small place and not catering to the tourist.	You're dreaming. Besides, you wouldn't want them.

The above comments on food are limited to the cafés, and the comments about the other food service are about the same. Rooms, Restaurants, Slots and Table Games are from www.casinocity.com

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Millennium Management/Gaming Background Information

```
Name  RAMPART RESORT MANAGEMENT, LLC              |  Approve Date     11/21/02
DB at                                             |  Start Date       01/01/03
DB as RAMPART CASINO                              |  Finaled Date     99/99/99
M -Manufacturer                    Active                          Ownership  LLCO
---------- Location Address ----------  ------------ Mailing Address -----------
221     N RAMPART          BL          221 N RAMPART BL
  LAS VEGAS            NV 89128             LAS VEGAS            NV 89128
---Added---Removed--   ---------------------- Owners only ----------------------
 01/01/03               CANNERY CASINO RESORTS, LLC/MANAGER---------------100%
 01/01/03                 ROBERT LAMAR MENDENHALL/MANAGER
 01/01/03                 WILLIAM JOSEPH PAULOS/MANAGER
 01/01/03                 WILLIAM CLAUDE WORTMAN/MANAGER
 01/01/03  01/31/06  R    MENDENHALL, LLC
 01/01/03  01/31/06  R      ROBERT LAMAR MENDENHALL/
                              MANAGER
 01/31/06                 MGIM, LLC-------------------------------33.33%
 01/31/06                   MILLENNIUM GAMING, INC.---------98%
 01/31/06                     WILLIAM JOSEPH PAULOS/----50%
                                PRESIDENT-SECRETARY-
                                  DIRECTOR
 01/31/06                     WILLIAM CLAUDE WORTMAN/---50%
                                TREASURER-DIRECTOR
 01/31/06                   WILLIAM JOSEPH PAULOS/-----------1%
                              MANAGER
 01/31/06                   WILLIAM CLAUDE WORTMAN/----------1%
                              MANAGER

 01/01/03                 MILLENNIUM GAMING, INC.-----------------66.67%
 01/01/03                   WILLIAM JOSEPH PAULOS/----------50%
                              PRESIDENT-SECRETARY-DIRECTOR
 01/01/03                   WILLIAM CLAUDE WORTMAN/---------50%
                              TREASURER-DIRECTOR
                        : -----
                        : KEY EMPLOYEE
 01/01/03                   MILLENNIUM MANAGEMENT GROUP II, LLC(1)
 01/01/03                     WILLIAM JOSEPH PAULOS/MANAGER----------------47.5%
 01/01/03                     WILLIAM CLAUDE WORTMAN/MANAGER---------------47.5%
 01/01/03                     GUY TIMTHY HILLYER---------------------------5.0%
                        : -----
 12/18/03                   HILFREICH STIFTUNG
                        : (100% OF SAMOA INVESTMENT ASSETS INC.)
 11/18/04                   SHIRAZALLI JAFFERALI LALJI/
                              MEMBER OF THE ADVISORY BOARD-BENEFICIARY
                        : -----
 12/18/03                   SAMOA INVESTMENT ASSETS INC.
                        : (100% OF BOTSFUR INVESTMENT HOLDINGS INC.)
                        : -----
 12/18/03                   BOTSFUR INVESTMENT HOLDINGS INC.
                        : (100% OF BOTSFUR GLOBAL LIMITED)
                        : -----
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12/18/03                HOTSPUR GLOBAL LIMITED
                      : (100% OF HOTSPUR RESORTS NEVADA, INC.)
                      : -----
12/18/03                HOTSPUR RESORTS NEVADA, INC.
                      : (100% OF HOTSPUR RESORTS NEVADA, LTD.)
12/18/03                  THADDAS LEE ALSTON/PRESIDENT-SECRETARY-TREASURER-
                            DIRECTOR
                      : -----
04/13/05                HOTSPUR RESORTS NEVADA, LTD.
                      : (100% OF HOTSPUR CASINOS NEVADA, INC.)
04/13/05                  THADDAS LEE ALSTON/PRESIDENT-SECRETARY-TREASURER-
                            DIRECTOR
                      : -----
12/18/03                HOTSPUR CASINOS NEVADA, INC.(1)
12/18/03                  THADDAS LEE ALSTON/PRESIDENT-SECRETARY-TREASURER-
                            DIRECTOR
                      : -----
                      : (1)RECEIVING PERCENTAGE OF GAMING REVENUE
                      : -----
                      : PLEDGE OF MEMBERSHIP
01/01/03                  PERMISSION FOR MILLENNIUM GAMING, INC. TO PLEDGE
                          33 1/3% EQUITY INTEREST IN CANNERY CASINO RESORTS,
                          LLC TO ROBERT LAMAR MENDENHALL IN CONJUNCTION WITH
                          A TERM LOAN.
                      - -----
                      - PLEDGE OF MEMBERSHIP
01/01/03  12/03/04  R   PERMISSION FOR CANNERY CASINO RESORTS, LLC TO PLEDGE
                          ITS MEMBERSHIP INTEREST IN RAMPART RESORT MANAGEMENT,
                          LLC TO VESTIN MORTGAGE, INC.
                      - -----
                      - PLEDGE OF MEMBERSHIP
07/29/04  12/03/04  R   PERMISSION FOR CANNERY CASINO RESORTS, LLC TO PLEDGE
                          ITS MEMBERSHIP INTEREST IN RAMPART RESORT MANAGEMENT,
                          LLC TO VESTIN FUND I LLC, VESTIN FUND II LLC, AND

                            OWENS MORTGAGE INVESTMENT FUND
                        : -----
                        : PLEDGE OF MEMBERSHIP
01/27/05                    PERMISSION FOR CANNERY CASINO RESORTS, LLC TO PLEDGE
                            ITS MEMBERSHIP INTEREST IN RAMPART RESORT MANAGEMENT,
                            LLC TO THE CIT GROUP/EQUIPMENT FINANCING, INC.
                        : -----
12/22/05                  APPROVAL FOR MGIM, LLC TO ISSUE CONVERTIBLE NOTES TO
                          OCM INVESTCO, LLC IN CONJUNCTION WITH A LOAN AGREEMENT
                        : -----
                        : PLEDGE OF MEMBERSHIP
12/22/05                    PERMISSION FOR CANNERY CASINO RESORTS, LLC TO PLEDGE
                            MILLENNIUM GAMING INC.'S 66 2/3% MEMBERSHIP INTEREST
                            IN CANNERY CASINO RESORTS, LLC TO OCM INVESTCO, LLC
                            IN CONJUNCTION WITH A LOAN AGREEMENT
                        : -----
                        : PLEDGE OF MEMBERSHIP
12/22/05                    PERMISSION FOR CANNERY CASINO RESORTS, LLC TO PLEDGE
                            MGIM, LLC'S 33 1/3% MEMBERSHIP INTEREST IN CANNERY
                            CASINO RESORTS, LLC TO OCM INVESTCO, LLC IN
                            CONJUNCTION WITH A LOAN AGREEMENT
                        : -----
12/22/05                  APPROVAL FOR CANNERY CASINO RESORTS, LLC TO PLACE
                          RESTRICTIONS UPON THE TRANSFER OF, AND ENTER INTO
                          AGREEMENTS NOT TO ENCUMBER MILLENNIUM GAMING, INC'S
                          66 2/3% MEMBERSHIP INTEREST IN CANNERY CASINO RESORTS,
                          LLC.
                        : -----
                          <End of Owners>
```

CONFIDENTIAL DO NOT COPY OR DISTRIBUTE
Millennium Management/Gaming Background Information

```
Name  CANNERY HOTEL AND CASINO, LLC, THE        |  Approve Date      11/21/02
DB at                                           |  Start Date        01/02/03
DB as CANNERY HOTEL CASINO, THE                 |  Finaled Date      99/99/99
M -Manufacturer                    Active                        Ownership  LLCO
---------- Location Address ----------  ------------ Mailing Address -----------
2121     E CRAIG              RD          2121 E CRAIG RD
  NORTH LAS VEGAS      NV 89030              NORTH LAS VEGAS      NV 89030
---Added---Removed--   ---------------------- Owners only ----------------------
 01/02/03               CANNERY CASINO RESORTS, LLC/MANAGER---------------100%
 01/02/03                 ROBERT LAMAR MENDENHALL/MANAGER
 01/02/03                 WILLIAM JOSEPH PAULOS/MANAGER
 01/02/03                 WILLIAM CLAUDE WORTMAN/MANAGER
 01/02/03  01/31/06  R    MENDENHALL, LLC
 01/02/03  01/31/06  R      ROBERT LAMAR MENDENHALL/
                              MANAGER
 01/31/06                 MGIM, LLC-------------------------------33.33%
 01/31/06                   MILLENNIUM GAMING, INC.----------98%
 01/31/06                     WILLIAM JOSEPH PAULOS/----50%
                                PRESIDENT-SECRETARY-
                                  DIRECTOR
 01/31/06                     WILLIAM CLAUDE WORTMAN/---50%
                                TREASURER-DIRECTOR
 01/31/06                   WILLIAM JOSEPH PAULOS/-----------1%
                              MANAGER
 01/31/06                   WILLIAM CLAUDE WORTMAN/----------1%
                              MANAGER
 01/02/03                 MILLENNIUM GAMING, INC.-----------------66.67%
 01/02/03                   WILLIAM JOSEPH PAULOS/----------50%
                              PRESIDENT-SECRETARY-DIRECTOR
 01/02/03                   WILLIAM CLAUDE WORTMAN/---------50%
                              TREASURER-DIRECTOR
                        : -----
                        : KEY EMPLOYEE
 01/02/03                 MILLENNIUM MANAGEMENT GROUP II, LLC(1)
 01/02/03                   WILLIAM JOSEPH PAULOS/MANAGER----------------47.5%
 01/02/03                   WILLIAM CLAUDE WORTMAN/MANAGER---------------47.5%
 01/02/03                   GUY TIMTHY MILLYER---------------------------5.0%
                        : -----
                        : (1)RECEIVING PERCENTAGE OF GAMING REVENUE
                        : -----
                        : PLEDGE OF MEMBERSHIP
 01/02/03                 PERMISSION FOR MILLENNIUM GAMING, INC. TO PLEDGE
                          33 1/3% EQUITY INTEREST IN CANNERY CASINO RESORTS,
                          LLC TO ROBERT LAMAR MENDENHALL IN CONJUNCTION WITH
                          A TERM LOAN.
                        - -----
                        - PLEDGE OF MEMBERSHIP
 01/02/03  12/03/04  R    PERMISSION FOR CANNERY CASINO RESORTS, LLC TO PLEDGE
                          ITS MEMBERSHIP INTEREST IN RAMPART RESORT MANAGEMENT,
                          LLC TO VESTIN MORTGAGE, INC.
                        - -----
                        - PLEDGE OF MEMBERSHIP
 07/29/04  12/03/04  R    PERMISSION FOR CANNERY CASINO RESORTS, LLC TO PLEDGE
                          ITS MEMBERSHIP INTEREST IN RAMPART RESORT MANAGEMENT,
                          LLC TO VESTIN FUND I LLC, VESTIN FUND II LLC, AND
                          OWENS MORTGAGE INVESTMENT FUND
```

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                    : -----
                    : PLEDGE OF MEMBERSHIP
01/27/05              PERMISSION FOR CANNERY CASINO RESORTS, LLC TO PLEDGE
                      ITS MEMBERSHIP INTEREST IN THE CANNERY HOTEL AND
                      CASINO, LLC TO THE CIT GROUP/EQUIPMENT FINANCING,
                      INC.
                    : -----
12/22/05              APPROVAL FOR MGIM, LLC TO ISSUE CONVERTIBLE NOTES TO
                      OCM INVESTCO, LLC IN CONJUNCTION WITH A LOAN AGREEMENT
                    : -----
                    : PLEDGE OF MEMBERSHIP
12/22/05              PERMISSION FOR CANNERY CASINO RESORTS, LLC TO PLEDGE
                      MILLENNIUM GAMING INC.'S 66 2/3% MEMBERSHIP INTEREST
                      IN CANNERY CASINO RESORTS, LLC TO OCM INVESTCO, LLC
                      IN CONJUNCTION WITH A LOAN AGREEMENT
                    : -----
                    : PLEDGE OF MEMBERSHIP
12/22/05              PERMISSION FOR CANNERY CASINO RESORTS, LLC TO PLEDGE
                      MGIM, LLC'S 33 1/3% MEMBERSHIP INTEREST IN CANNERY
                      CASINO RESORTS, LLC TO OCM INVESTCO, LLC IN
                      CONJUNCTION WITH A LOAN AGREEMENT
                    : -----
12/22/05              APPROVAL FOR CANNERY CASINO RESORTS, LLC TO PLACE
                      RESTRICTIONS UPON THE TRANSFER OF, AND ENTER INTO
                      AGREEMENTS NOT TO ENCUMBER MILLENIUM GAMING, INC'S
                      66 2/3% MEMBERSHIP INTEREST IN CANNERY CASINO RESORTS,
                      LLC.
                    : -----
                      <End of Owners>
```

[129]

[129] State of Nevada Gaming Control Board Report of Locations Sorted by Primary Name, 3/2/2006 http://www.gaming.nv.gov/documents/pdf/mfg_full.pdf

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Millennium Management/Gaming Background Information

```
Name  ESQUIRE LTD., INC.                          |  Approve Date      04/23/81
DB at                                             |  Start Date        04/23/81
DB as NEVADA PALACE HOTEL AND CASINO              |  Finaled Date      99/99/99
N -Non Restricted                  Active                          Ownership  CORP
---------- Location Address ----------  ------------ Mailing Address -----------
5255      BOULDER            HY          5255 BOULDER HY
  LAS VEGAS            NV 89122              LAS VEGAS            NV 89122
---Added---Removed--   ---------------------- Owners only ----------------------
 04/23/81  01/21/88  R CORBIN ELWOOD ALLEN/CHAIRMAN OF THE BOARD
 04/23/81  03/17/83  R JOHN T. PARKER, JR./
 04/23/81  10/16/86  R MARVIN JAMES SCHIFF/--DECEASED
 04/18/85  10/16/86  R RENATE SCHIFF/ (1)
                        SUCCESSOR IN INTEREST AND EXECUTRIX
                        OF THE ESTATE OF MARVIN JAMES SCHIFF
 10/16/86  10/07/05  R RENATE SCHIFF/
                        SECRETARY-TREASURER-DIRECTOR
 08/20/87              WILLIAM CLAUDE WORTMAN/------------------------- 100%
                        PRESIDENT
                     - -----
                     - KEY EMPLOYEE

 05/17/84  03/13/85  R   GARY G. BALDWIN/GENERAL MANAGER & 10% OPTION HOLDER
 09/19/85  08/20/87  R   WILLIAM CLAUDE WORTMAN/GENERAL MANAGER (2)
                     : -----
 10/15/81              ADDITION OF SPORTS POOL APPROVED - PARLAY CARDS ONLY
                     : -----
 08/18/88              NEVADA PALACE, INC. - LANDLORD (3)
 08/18/88  10/07/05  R   RENATE SCHIFF/
                          SECRETARY-TREASURER-DIRECTOR
 08/18/88                WILLIAM C. WORTMAN/---------------- 100%
                          PRESIDENT
                     - -----
 04/18/85  10/24/85  R (1) SIX MONTH TEMPORARY LICENSE, PURSUANT TO NEVADA.
                          GAMING COMMISSION REGULATION 9.020(3)
                     - -----
 10/24/85  10/16/86  R (1) LIMITED LICENSE, PURSUANT TO REGULATION 9.020(3)
                          TO EXPIRE DATE OF NEVADA GAMING COMMISSION MEETING
                          OCTOBER, 1986
                     - -----
                     - (2) PERMISSION TO PARICIPATE PER REG 8.060 AND
                          REG 8.080
                     : -----
 08/18/88              (3) PARTICIPATING IN GAMING REVENUE
                     : -----
                       <End of Owners>
```

```
Name  GREEN VALLEY PARTNERS, INC.                  |  Approve Date      05/31/90
DB at                                              |  Start Date        06/08/90
DB as RENATA'S SUPPER CLUB                         |  Finaled Date      99/99/99
NS-Non Restricted Slots Only      Active                          Ownership  CORP
---------- Location Address ----------  ------------ Mailing Address -----------
4565    E SUNSET            RD          4565 E SUNSET RD
  HENDERSON            NV 89014             HENDERSON          NV 89014
---Added---Removed--   ---------------------- Owners only ----------------------
 06/08/90               WILLIAM CLAUDE WORTMAN------------------------ 16.71%
 06/08/90               RENATE SCHIFF---------------------------------- 16.71%
 08/30/90               JAMES JOSEPH GREEN----------------------------- 16.71%
 08/30/90               RONALD J. HARRIS------------------------------  4.91%
 08/30/90               KONSTENTINE SPEROS TSANETOPOULOS--------------- 16.71%
 08/26/93               JAMES HARLEY TENNEY---------------------------  2.00%
 08/26/93  05/08/00  R  ROBERT LEE MOORE
 08/26/93               GEORGE MICHAEL MARNELL------------------------ 14.11%

 09/23/93               JOHN VIRLYN ABERCRIMBIE----------------------- 11.11%
 11/21/95               BURLEIGH WAYNE LANG/(1)----------------------  1.03%
                          GENERAL MANAGER
 11/21/02               BERNARD MILTON SHOLING/SECRETARY-TREASURER-
                          DIRECTOR
                      : -----
                      : KEY EMPLOYEE
 11/21/02                 BERNARD MILTON SHOLING/CONTROLLER
                      : -----
                      : (1)PERMISSION TO PARTICIPATE PER REG 8.060
                      : -----
 06/08/90               GREEN VALLEY PARTNERS, INC. GRANTED PERMISSION FOR
                        STOCK OPTIONS.
                      : -----
 07/25/02               APPROVAL OF GREEN VALLEY PARTNERS, INC. TO RECEIVE A
                        PERCENTAGE OF GAMING REVENUE FROM PARTICIPATING SPORTS
                        POOLS
                      : -----
                        <End of Owners>
```

[130]

Renate Schiff

Renate Schiff may be another Millennium associate with at least questionable connections. In 1998 she came into a lease dispute with 'Terrible' Terry Gordon. Gordon rented 3344 S. Highland Drive from Schiff where he ran the Spearmint Rhino Adult Cabaret. In April 1999, Gordon sued Schiff for slander and contract interference. Gordon whose adult entertainment businesses had made him lots of organized crime connections had lots of enemies. On November 29, 1998 someone blew up his late model Ford Thunderbird in his driveway.[131].

In July 2000, Allstate Auto and Marine Electric an auto repair shop owned by Buffalo Jim Barrier filed a Racketeer Influence and Corrupt Organizations Act (RICO) charge against Renate Schiff and Rick Rizzillo. Barrier's complaint alleged that Schiff and her tenant Rizzillo the owners of the Crazy Horse Too topless club had tried to evict Barrier

[130] State of Nevada Gaming Control Board Report of Locations Sorted by Primary Name, 3/2/2006 http://www.gaming.nv.gov/documents/pdf/nonrestrict_full.pdf

[131] John L. Smith, 'Terrible Terry Car Bomb message clear, messenger uncertain," Las Vegas Review-Journal, 9/19/1999.

so that the topless club could expand and Schiff could increase the rent. Barrier's complaint alleges:

> "Such violations ... include acts of prostitution and sales of illegal drugs. Such acts of prostitution consist of but are not limited to, 'friction dances' [graphic description deleted]. Packets of methamphetamine, and/or other illegal drugs, are sold to customers for the purpose of enhancing the sexual experience of such 'friction dances.' Used condoms and empty drug packets are found daily in the parking spaces around the subject premises and constitute a nuisance and are otherwise offensive to persons attempting to patronize Plaintiff's (Barrier's) legitimate business. Complaints of such activity to Schiff Properties have been ignored."
>
> "The complaint goes on to state: "Upon information and belief Defendant Rizzolo has engaged in acts of bribery by the campaign donations to (Former Mayor) Jan Laverty Jones and by campaign donations and other payments to (Councilman) Michael McDonald. Upon information Defendant Rizzolo has made other payments to executives or administrative officers of the City of Las Vegas, a political subdivision of the State of Nevada."

The complaint went on to describe how Rizzolo bribed Councilman Michael McDonald who arranged to send City Marshals to harass Barrier's customers.

The complaint alleged: that sometime prior to April 14, 2000, the defendants conspired to devise a scheme of illegal and improper means and through a court proceeding without legal foundation tried to evict Barrier from his offices for unlawful and illegal purpose of expanding the Crazy Horse Too. Rizzolo's Crazy Horse Too needed the space, and without paying compensation Schiff wanted to illegally break Barrier's lease that had eight more years to run so that she could increase the rent from the forty-three cents per sq ft Barrier was paying to the ninety-eight cents per foot which Rizzolo paid. The illegal eviction had been dismissed by Judge Nancy Oesterle on April 3, 2000. [132]

Rizzolo had a criminal record: in 1985 he pleaded guilty to battery for a baseball bat attack on a Crazy Horse patron, who suffered brain damage.[133]

On August 4, 1995, Scott David Fau was found beaten to death behind the Crazy Horse Too topless club, and witnesses reported seeing him beaten by Rizollo's employees after he was ejected from the club. Fau's widow brought a wrongful death lawsuit against the Crazy Horse Too. The case showed that Fau had been beaten by three Crazy Horse Too employees, but that he was still alive when the police arrived. Half an hour later the bouncers who had beaten Fau before the police arrived checked into a hospital to have

---

[132] Steve Miller, "Racketeering Charges Brought Against Topless Club Owner and his Landlord, Rick Rizzolo and Renate Schiff accused of "Conspiracy, Bribery, Pandering, and Sales of Illegal Drugs," *Las Vegas Tribune*, 7/12/2000. http://www.stevemiller4lasvegas.com/RACKETEERING.htm

[133] Tony Saavedra and Chris Knap, "Carona donor under probe Vegas club owner said to have mob ties," *The Orange County Register*, 11/3/2005, http://www.stevemiller4lasvegas.com/RizzoloInOrangeCountyRegister.html

their bloodied hands treated. About three hours later Fau was found beaten further and near death behind the club. He did not survive this beating. Several witnesses called by the widow refused to present themselves at the trial. The court decided that there was not enough time for the bouncers to have further beaten Fau between the time the police arrived and they went to the hospital and without witnesses to say that the bouncers had beaten him again, the club and the bouncers were found not guilty of wrongful death.[134]

More beatings would follow. On May 24, 2001, Kenneth Kirkpatrick was beaten and robbed by four bouncers. Police submitted the case to prosecutors who obtained warrants for four Crazy Horse Too employees who were charged with robbery, battery, conspiracy to commit robbery, and coercion. However, the District Attorney refused to prosecute the employees. The Crazy Horse Too became the subject of another lawsuit that accused an employee of breaking Kirk Henry's neck in September 20, 2001 after a dispute over a bar tab. The injury left Henry paralyzed from the chest down. Henry's wrongful injury lawsuit alleged that "For years, the management and 'security' staff of the Crazy Horse has been infested by a rogues' gallery of thugs, thieves, drug pushers, and corrupt ex-cops," attorney Donald Campbell wrote in court documents. "Most, if not all, have well-documented ties to organized crime figures who frequent the premises. All of this has nurtured a culture of violence marked by robberies, beatings and even death." On September 28, 2001, Joel Denney, Mark Bujuklian, and Sean Spanek filed notarized affidavits with Metro Police also claiming to have been beaten up by bouncers after they complained about being charged $400 for a bottle of champagne. No official action was taken.

On April 30, 2002, Jermaine Malcolm Simieou was ejected from the Crazy Horse Too, and according to witnesses while one bouncer held the man by the arm, another one beat him. Simieou suffered a broken nose.[135]

In February 2003, approximately 100 FBI agents raided the Crazy Horse Too collecting records back to 1995 and contraband material. Rizzolo's friend City Council Member Mike McDonald came under FBI investigation for taking bribes from Rizzolo, and lost his July bid for reelection.[136]

In October 2003, after an argument between two men at the Crazy Horse Too, one of the debaters produced a gun and shot his opponent several times. The wounded patron was found bleeding in the parking lot by Metro police. Between 2002 and 2003 Las Vegas Metro Police had been called to the Crazy Horse Too 700 times. Yet despite the FBI

---

[134] Richard Lake and J.M. Kalil, "Wrongful Death Lawsuit: Jury Rules for Club," *Las Vegas Review Journal*, 1/14/2003.
Steve Miller, "Motion Denied Racketeering Charge Sticks," *Las Vegas Tribune*, 9/26/2001, http://www.stevemiller4lasvegas.com/MotionDenied.htm

[135] Carri Geer Thevenot, "Organized Crime Investigation, Raid Looks Like Mobster Link," Las Vegas Review-Journal, 2/21/2003, http://www.reviewjournal.com/lvrj_home/2003/Feb-21-Fri-2003/news/20737954.html
Steve Miller, "Another Beating Reported at the Crazy Horse Too," *Las Vegas Tribune*, May 8, 2002, http://www.stevemiller4lasvegas.com/AnotherBeatingAtCrazyHorse.htm

[136] "Vegas Councilman Caught Up In FBI Probe Loses Re-Election," *KLAS TV*, 6/03/2003

raid, all the mayhem, complaints, and problems the topless club stayed open. Some suspected, this was due to the connections and campaign contributions of its owner Rick Rizzilo.[137] The local government was not the only party who could have shut the club. Renate Schiff, the Crazy Horse Too's landlord could have taken action, but she did not.

In January 2005, indictments were handed down against Crazy Horse Too Manager Robert D'Apice for "Participating in an Enterprise through a Pattern of Racketeering Activity and four counts of False Statement before Grand Jury." The indictment declared the Crazy Horse Too a "Racketeering Enterprise." From about August 2001 to 2005 the FBI had been investigating the activities of D'Apice, the Crazy Horse, and its associates concerning possible violations of federal racketeering, fraud, illegal sexual activity, and drug statutes. The investigation includes D'Apice's alleged use of extortion to collect monies from patrons, using women from outside Nevada to engage in prostitution, and the distribution of narcotics inside the Crazy Horse Too.

Since 1997 D'Apice had worked as a shift manager at the Crazy Horse Too. Up to 400 erotic dancers worked at the club per shift earning $100-$2000 per shift. They were expected to pay 15% to their tips to the house. If a patron disputed a payment or refused to pay they would tell the manager or other male employees who then "allegedly sought to extort or rob payment from patrons through either threats of violence or actual violence." Amongst the charges against D'Apice were the attempted September 20, 2001, extortion and robbery of the paralyzed Kirk Henry.[138]

By the end of the year court documents linked Rizzolo to mob underboss Joey "The Clown" Lombardo in Chicago - who disappeared after being indicted on murder charges and John "No-Nose" DiFronzo and his consigliere, Joe "The Builder" Andriacchi.[139]

According to Steve Miller who followed this story Renate Schiff is a nice, albeit perhaps naive widower who was trying to do her best to maximize the properties she had inherited when her husband Jim Schiff died. Schiff's legal troubles have continued because she failed to terminate Crazy Horse Too's lease when these problems and criminal activities became evident.[140]

Questions: Who approached whom on the Rampart Casino opportunity? Why did Millennium offer to provide Hotspur with half the Gambling Profit? Has Lajli completed the Nevada Regulatory Investigation? If not, why not? How much is Hotspur being paid

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[137] John L. Smith, "Those Crazy Trouble Makers Keep Trying to Give Topless Cabaret a Bad Name," *Las Vegas Review-Tribune*, 11/02/2003, http://www.reviewjournal.com/lvrj_home/2003/Nov-02-Sun-2003/news/22493444.html

[138] Daniel G. Bogden, US Attorney, CRAZY HORSE TOO MANAGER CHARGED WITH FEDERAL RACKETEERING & TAX OFFENSES -Indictments Allege Extortion & Robbery, False Statements, & Tax Evasion- ***US Department of Justice,*** ***http://www.usdoj.gov/usao/nv/home/pressrelease/january2005/dapice011905.htm***

[139] Tony Saavedra and Chris Knap, "Carona donor under probe Vegas club owner said to have mob ties," *The Orange County Register*, 11/3/2005, http://www.stevemiller4lasvegas.com/RizzoloInOrangeCountyRegister.html

[140] Conversation between Keith Miller and Steve Miller 3/26/2006

by the Rampart Casino? Was the plan to pay Hotspur/Lajli a share of the profits amended.

Why did Millennium choose Vestin for financing of the Cannery? How much money did Mendenhall invest, and under what terms? Why was Mendenhall removed? Did Millennium threaten to sue if it was not allowed to be grandfathered under the old laws to open the Cannery? What is the financial condition, and what have been the cash flows of the Cannery?

What is the nature of the relationship between Renate Schiff and William Wortman? How long have they known each other? Why was Wortman brought in to the Nevada Palace and Renata's in Henderson? How much did he pay for these stakes? What was Renate Schiff's role in Mississippi Palace Casino? What was Renate Schiff's role in the effort to expand into Mexico? What is Renate Schiff's relationship to the Crazy Horse Too? Why did she allow the criminal activity at the place to continue? Has William Wortman ever been to the Crazy Horse Too? What was his knowledge of that establishment and when? Why did he continue to work with Schiff given the problems she faced?

2005 and Pennsylvania

In 2005, Millennium continued its efforts to expand beyond Nevada. Critical to this was finding financing.

In January they obtained approval from the Gaming Control Board to pledge 100% of their ownership in the Rampart and Cannery to CIT/Equipment Finance.[141]

06-01-05	N05-0212	Re:	09592-01 RAMPART RESORT MANAGEMENT, LLC, dba RAMPART CASINO 221 N RAMPART BLVD LAS VEGAS, NV 89128	
			CANNERY CASINO RESORTS, LLC	100%
			14620-01 THE CANNERY HOTEL AND CASINO, LLC, dba THE CANNERY HOTEL CASINO 2121 E CRAIG RD NORTH LAS VEGAS, NV 89030	
			CANNERY CASINO RESORTS, LLC	100%
			APPLICATION TO PLEDGE MEMBERSHIP INTERESTS IN RAMPART RESORT MANAGEMENT, LLC AND THE CANNERY HOTEL AND CASINO, LLC TO THE CIT GROUP/EQUIPMENT FINANCING, INC.	

GCB RECOMMENDS: APPROVAL

At the beginning of August Millennium announced that it had structured a deal with Oaktree Capital Management LLC, for additional growth funds. The deal which required

[141] Nevada Gaming Commission Minutes January 27, 2005 Meeting. http://gaming.nv.gov/documents/pdf/05jan27_agenda_ngc.pdf

Nevada Gaming Board approval gave Oaktree Capital Management a one third ownership in the Cannery, (Millennium's only significant Asset) in exchange for Oaktree's assistance in providing growth capital. Millennium also hired Banc of America securities to raise an additional $300 million in capital. This money would be used to refinance existing projects as well as to provide growth capital. Oaktree Managing Director Chris Brothers praised the partners' track record and said his company would help them "capitalize on the exciting potential of the Las Vegas locals market as well as gaming in other jurisdictions. Based on the company's management and strong operating history, we believe this investment is well placed to achieve long-term growth." In commenting on these moves Cannery Resorts Chief Financial Officer Tom Lettero said, "Oaktree Capital is a large institution and makes a great partner. They're looking for a return on investment and so are we, and the $300 million raised by Banc of America Securities would create a "better capital structure."[142] Millennium's desire to have Banc of America sell equity may have been linked to the high costs of debt from Oaktree capital.

On the Agenda December 7/8 2005 Agenda for the Nevada Gaming Commission was the request to turn Millennium into a holding company and to pledge all of its assets to Oaktree Capital Management (OCM)[143]

18-12-05 N05-0762 Re: 27335-01
MILLENNIUM GAMING, INC.
(98% of MGIM, LLC)
221 N RAMPART BLVD
LAS VEGAS, NV 89145

APPLICATION FOR REGISTRATION AS A HOLDING COMPANY

Re: 25152-01
MGIM, LLC
(32.15% of Cannery Casino Resorts, LLC)
221 N RAMPART BLVD
LAS VEGAS, NV 89145

MILLENNIUM GAMING, INC.	98%
WILLIAM JOSEPH PAULOS Member/Manager	1%
WILLIAM CLAUDE WORTMAN Member/Manager	1%

APPLICATION FOR REGISTRATION OF MGIM, LLC AS A HOLDING COMPANY

APPLICATIONS FOR FINDINGS OF SUITABILITY AS MEMBERS AND MANAGERS

APPLICATION FOR MGIM, LLC TO ISSUE CONVERTIBLE NOTES TO OCM INVESTCO, LLC IN CONJUNCTION WITH A LOAN AGREEMENT

Item Continued Next Page

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[142] "Cannery Owner Looks To Expand," Gambling Magazine, 8/03/2005, http://gamblingmagazine.com/ManageArticle.asp?C=330&A=14896

[143] State Gaming Control Board Meeting Agenda, December 7/8, 2005, http://gaming.nv.gov/documents/pdf/05dec07_agenda_gcb.pdf

Re: 27334-01
CANNERY CASINO RESORTS, LLC
221 N RAMPART BLVD
LAS VEGAS, NV 89145

MENDENHALL, LLC (Transferor)	33 1/2%
MGIM, LLC (Transferee)	33 1/2%

APPLICATION FOR TRANSFER OF INTEREST

APPLICATION TO PLEDGE MILLENNIUM GAMING INC.'S 66 2/3% MEMBERSHIP INTEREST IN CANNERY CASINO RESORTS, LLC TO OCM INVESTCO, LLC IN CONJUNCTION WITH A LOAN AGREEMENT

APPLICATION TO PLEDGE MGIM, LLC'S 33 1/3% MEMBERSHIP INTEREST IN CANNERY CASINO RESORTS, LLC TO OCM INVESTCO, LLC IN CONJUNCTION WITH A LOAN AGREEMENT

APPLICATION TO PLACE RESTRICTIONS UPON THE TRANSFER OF, AND ENTER INTO AGREEMENTS NOT TO ENCUMBER MILLENNIUM GAMING, INC.'S 66 2/3% MEMBERSHIP INTEREST IN CANNERY CASINO RESORTS, LLC

GCB RECOMMENDS:

NGC DISPOSITION:

Oaktree's acquisition of an ownership position in the Cannery and Ramparts was announced on January 5, 2006, by Tri Artisan Partners a merchant banking firm which advised Oaktree on the transaction.[144]

Oaktree Capital Management

Oaktree Capital Management LLC is a so called "vulture capital" fund managing $30 billion in investments. Approximately $17 Billion of this is invested in marketable securities and the balance is in Private Investments. In looking for private investments Oaktree targets transactions where markets are inefficient in that the borrower is otherwise unable to obtain alternative financing. Its objective is to earn consistently high returns by leveraging its proprietary knowledge while minimizing downside risk. Its Private investments include: Distressed Debt, $4.7 Billion: buying good assets inexpensively. Principal Investments, $2.5 Billion: "It is the aim of this strategy to invest in companies in which we obtain control or substantial influence, often — although not necessarily — through the medium of distress." Mezzanine Investments, $1.8 Billion: "In 2001 Oaktree established a new strategy in mezzanine investments to capitalize on the Company's skills in credit analysis, private equity and workouts. The strategy's targeted investment size of $20-$75 million addresses the need for capital to help finance leveraged buyouts, recapitalizations, acquisitions or corporate growth. The downside protection Oaktree insists on comes from investing in fixed income instruments, while the upside potential comes from accompanying equity kickers." Real Estate Management, $1.3 Billion: "opportunistic and bargain oriented." The key to any success at Oaktree is

[144] Tri-Artisan Partners Website, http://www.tri-artisanpartners.com/

to leverage proprietary information and structure their transactions to mitigate and limit risks.[145]

Oaktree's targeted return is well above 10% on its deals. In 2003 its various fixed income funds reported 10 year annual returns which included the brutal 2000-2002 market of 8-12% and annual returns for 2003 of 19-36%. This is not inexpensive money.[146]

Investing in Millennium was
Oaktree Capital Management LLC
Founded: 1995
Headquarters: Los Angeles
Assets Under Management: $3.7 billion (private equity)
Funds: TCW Special Credits Fund V-The Principal Fund ($401 million), OCM Principal Opportunities Fund LP ($625 million), OCM Principal Opportunities Fund II LP ($1.27 billion), OCM Principal Opportunities Fund III LP ($1.4 billion)
Investments in 2005: Four
Investments in 2004: 12
Minimum Investment: $25 million-$50 million
Preferred Investment Size: $75 million-$150 million
Recent Fundings: Genco Shipping & Trading, Pegasus Aviation Finance, Cannery Casino Resort, Crimson Exploration, HydroChem Industrial Services
Preferred Industries: Shipping, casinos, media/entertainment, energy, manufacturing
Preferred Financing Stage: Distress for control, buyouts
Sources of Capital: Pension funds, endowments, foundations, high net worth individuals[147]

Committed to maximizing profits while minimizing risks Oaktree can be hard nosed. According to the *Hotel Labor Advisor*, between 2002 and 2004 the AFL-CIO battled with the absentee owners of the Turtle Bay Resort, on the island of Oahu, Hawaii to win job security for its workers. Turtle Bay is a plush golf destination resort. Oaktree who had bought the resort four years before with the intent of maximizing profits was the absentee owner. Oaktree contracted with Benchmark Hospitality of Houston Texas, who lacked experience in managing union hotels to manage the property.

To cut costs and union jobs at the hotel its owners were outsourcing jobs to outside contractors. Such outsourcing is common particularly when union agreements force owners to pay more than the prevailing wage rates, but in this case, Turtle Bay workers

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[145] Oaktree Management LLC Website, http://www.oaktreecapital.com/OCM_Public/is_strat_principle_funds.asp

[146] Money Manager Review, U.S. Fixed Income Mgrs. Ranked by 10 Yr Ann. Returns (3Q 2003), http://www.4086.com/pdfs/10_year_US_Fixed-Income_annualized_return_sort.pdf , Money Manager Review, U.S. Fixed Income Mgrs. Ranked by 1 Yr Ann. Returns (4Q 2003), http://www.4086.com/pdfs/4Q_1_year_US_Fixed-Income_annualized_return_sort.pdf

[147] David Nusbaum, "Firms set targets on industries, establish criteria for investment," *Los Angeles Business Journal*, 10/31/2005 http://www.findarticles.com/p/articles/mi_m5072/is_44_27/ai_n15857948/pg_3

lagged some $3 an hour behind their counterparts at other resort properties and in a decade had received only one raise and that was for 20 cents an hour. Most of the other hotels with Union agreements had language against subcontracting but the Turtle Bay owners refused to agree with this. In July 2003 by a 92% margin the workers at Turtle Bay ratified a boycott initiative. The boycott drew strong support an resulted in increased demonstrations and picket lines. In August 2004 the National Labor Relations Board issued a complaint against Turtle Bay. The Board found that Turtle Bay management had conducted illegal surveillance of union supporters, harassed union agents and prohibited union officials from collecting dues on the hotel property. Oaktree and Benchmark refused to yield to this request despite the deleterious effect the debate was having on the business. The boycott proved effective and in October 2004, due to low occupancy the Resort was forced to cut back on services and hours of operation and closing several floors of rooms. The boycott is still running. [148]

More recently in Hawaii, Oaktree has raised significant concerns when it announced that it intended to use a 20 year old zoning permit to destroy some of the last agricultural land along Oahu's North Shore. In buying the property Oaktree may have had little interest in the resort or its employees and was simply looking to make a fast buck in developing the property on which the resort sat. Oaktree announced its intention to build 3500 resort homes condominiums and townhouses on 700 acres of designated agricultural land on Oahu's rural north shore. As explained in the Hawaii Health Guide: "Self described as a "Vulture Company" Oaktree Capital Management may not be looking out for the long term community and environmental interests of Oahu's remaining rural shoreline." [149]

Such hard nosed business practices earned Oaktree the sobriquet of Fast-Buck Vultures. In describing Vulture Capitalists in a 2001, Business Week explained the business of vulture capitalists and Oaktree as follows:

> LITTLE LOVED.
> Unlike analysts and venture capitalists, who became media stars in the 1990s boom, Wall Street's vulture capitalists tend to shun publicity. Typically, they loathe discussing their investments for fear a rival might dive in and screw up a deal. And many hate being mentioned in articles like this. They're so shy because they know vultures are little loved. By reputation, they prey on corporate misery and wind up firing workers.
>
> THE FAST-BUCK VULTURES
> Howard Marks, chairman of $20 billion vulture fund Oaktree Capital Management LLC, has no interest in gaining control of companies for the long run. He aims to earn a big payoff as fast as possible by buying the troubled loans of debt-plagued

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[148] "Oahu Island, Hawaii: Services cut back at the Turtle Bay Hawaiian Luxury Resort; Boycott attracts demonstrations and picket lines," Hotel Labor Advisor, 11/01/2004, http://www.hotellaboradvisor.info/whatsnew.asp?ID=7

[149] "Turtle Bay Development Plans use permits from 1980's," Hawaii Health Guide, 3/1/2006, http://72.14.203.104/search?q=cache:mGIWzng6rLcJ:hawaiihealthguide.com/healthtalk/display.htm%3Fid%3D204+Turtle+Bay+Hawaii+Oaktree&hl=en&gl=us&ct=clnk&cd=6

companies such as insurer Conseco Inc. (CNC) and lender Finova at sizable discounts. "We are trying to buy a dollar for 50 cents," says Marks, who operates from an immaculate white-marbled office overlooking downtown Los Angeles. "If you want cheap, you have to find it on the slag heap."

He's finding plenty of junk on corporate trash piles. Marks reckons that Oaktree is now the country's largest buyer of troubled bank loans, with $2 billion in its portfolio. He's careful to spread his bets: Oaktree won't invest more than 5% of its funds in any one company. Marks also sticks to senior debt--bank loans and bonds that have the strongest claim to repayment--so he'll have a say in turnaround strategies and in how the assets are divvied up. This cautious strategy has racked up a 10% return so far this year, vs. a 12.6% loss for the Standard & Poor's 500-stock index. But, warns Marks, "this is not like buying a stock. Once you get in, it's very difficult to get out. You negotiate. You reorganize. The process takes a few years. And no matter how good you are, you will have some go bad."[150]

Although Oaktree has experience in resort and hotel management the author was not able to identify any experience or expertise that they would have in the casino industry.

In August Millennium announced, with Oaktree's support, that it had obtained an option to buy the Rockingham Park racetrack in Salem New Hampshire. Jeff Simpson veteran editor of the Las Vegas Review-Journal was surprised that the owners of Rockingham Park "partnered with these guys as opposed to bigger operators like Boyd or Harrah's." Simpson said, they absolutely have the operational expertise to run a 500-slot casino to a giant, 2,000- or 3,000-slot operation. That would be no problem for them," but he did not express confidence that they could get a license. "They are not the most connected company in town."[151] This scheme appeared to be a longer term effort.

Far more immediate was their November offer to buy the Meadows harness-racing track in Washington County Pennsylvania for $225 million in cash from Magna Entertainment Corp (MEC) of Canada. The Meadows is one of six Pennsylvania racetracks virtually guaranteed a casino license as long as its owners can pass appropriate background examinations. Financing Millennium's purchase was Oaktree Capital Management a venture capital investor. The deal is contingent upon the acceptance of the Pennsylvania Harness Racing Commission and a positive review by the Pennsylvania Gaming Control Board. If the sale went through Magna would continue to operate the track for about $1 to $2 million a year for five years.

Millennium wants to quickly build a 60,000 square foot temporary casino with 1,500 slots. The existing grandstand would then be replaced by a new $175-225 million 200,000 sq ft racino with up to 5,000 slots and several upscale restaurants and a concert

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[150] Emily Thornton, Christopher Palmeri, Mara Der Hovanesian, Susann Rutledge "The Return of the Wall Street Vulture", *Business Week*, September 10, 2001, http://www.businessweek.com/magazine/content/01_37/b3748001.htm#

[151] John DiStaso, "Would-be Rock Owners run small-scale casino" The News, 8/19/2005.

lounge. Millennium would also be required to pay the $50 million slots license fee. All in, Millennium and Oaktree face an investment of almost $500 million.

MEC may not have been able to pass on the opportunity to sell the rights to the license and the track for $225 million. If the deal goes through MEC will have to be pleased as it bought the track in 2001 for only $53 million. What is more it would be passing on the risk of stiff competition to Millennium. The track will face significant competition from an already operational Mountaineer Race Track in West Virginia. In addition there will be a 5000 slot casino in Pittsburg and most possibly another racino in either Beaver or Lawrence Counties. [152] The market certainly approved of the sale, with MEC's price and market capitalization jumping about 15% or $100 million. Although it is possible that the sale was a win win, such a move may indicate that Millennium was the loser.

In commenting on the sale, Tom Hodgson President and CEO of MEC stated, "the sale of the Meadows will allow MEC to significantly reduce our outstanding debt and strengthen our balance sheet, and will position us to further focus on our premier racing assets, and other gaming opportunities." MEC owns..... and apparently they believed the opportunity was worth less than the $225 million that Millennium and Oaktree offered them.[153]

In commenting on why MEC decided to sell to Millennium, Bill Paulos claimed, "they needed a casino partner, Millennium has experience running locals casinos – the kind of properties envisioned in Pennsylvania." Referring to his the Cannery, Nevada Palace, and Ramparts local casinos owned or operated by Millennium, Paulos added "We will be applying the same principles (in Pennsylvania) that we do here." Paulos calls Pittsburgh a great feeder market with "great demographics" which the Las Vegas Sun interpreted to imply, "people who can afford to gamble."

Millennium was not the only gaming company that considered the Meadows. Las Vegas based Boyd Gaming looked at the opportunity but passed before it settled on Limerick.[154] Boyd's claims it looked everywhere which would include Gettysburg, before settling on Limerick.

The Local Impact Report submitted for the Meadows Racetrack although long at 337 pages is devoid of most information. The report is authored by the Washington Trotting Association, and was submitted December 13, 2005. Per its table of contents it covered the below subjects.

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[152] Michael Yeomans, "Las Vegas Partners put $225M on table for the Meadows," *Pittsburg Tribune Review*, 11/10/2005, http://pittsburghlive.com/x/tribune-review/trib/regional/s_393048.html

[153] Press Release, "Magna Entertainment Corp. Sells shares in the Meadows to Millennium Gaming and an Oaktree Capital Management fund. 11/9/2005

[154] Liz Benston, "Millennium Gaming throws its hat into Pennsylvania ring, Group aims to open casino at Meadows racetrack." *The Las Vegas Sun*, November 21, 2005. http://www.lasvegassun.com/sunbin/stories/sun/2005/nov/21/519698217.html

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Millennium Management/Gaming Background Information

A. Engineering Reports

The Meadows:

A-1. ALTA/ASCM Urban Land Title Survey – CEC, November 28, 2005
A-2. Wetlands Assessment – CEC, October 18, 2005
A-3. Utility Plan / Plan of Topography Study – CEC, November 19, 2004
A-4. Phase 1 Environmental Site Assessment – October 28, 2005
A-5. Asbestos Inspection Study, Grandstand & Several Other Buildings– WEC, June 7, 2005

Paddock Project:

A-6. PMC Air Testing Study, Administration Building - CEC, November 30, 2005
A-7. Erosion and Sedimentation Control Plan Adequacy Study, Paddock Building - WCCD, December 5, 2005
A-8. Asbestos Building Inspection, Administration Building – WEG, October 5 2005
A-9. Surface Investigation Report, Paddock Project – CEC, October 12, 2005

B. Traffic Studies

B-1. Meadows & Tanger Combined Study, approved by PennDot – PBSJ TriLine, May 5, 2005
B-2. Meadows Only Study, 1,500 & 3,000 slot machines, submitted to PennDot, PBSJ TriLine, December 14, 2005

C. Details of any Adverse Impact on:

C-1. *Water*
- Copy of letter sent to Pennsylvania American Water Company, along with confirmation of receipt

C-2. *Sewer*
- Copy of letter sent to the Canonsburg Houston Joint authority, along with confirmation of receipt
- Copy of letter sent to the North Strabane Municipal Authority, along with confirmation of receipt

D. Other Municipal Services

D-1. Police - Letter from the North Strabane Police Department
D-2. Fire - Letter from the North Strabane Volunteer Fire Department
D-3. Emergency Medical Services: Copies of letters sent to EMS providers Ambulance & Chair and Canonsburg Hospital

E. Existing Tourism including Historical and Cultural Resources

E-1. Tourism Impact, including Historical and Cultural Resources

F. Impact Study Submission to North Strabane Township and Washington County

F-1. North Strabane Township confirmation of receipt
F-2. Washington County confirmation of receipt

Some of the information that the report supposedly contains is incomplete and of little value in assessing the local impact. The report claims:

> The North Strabane Township Police and Volunteer Fire Departments have provided letters relating the impact that they anticipate slots at The Meadows will have on their respective departments. The local Emergency Medical Service provider will provide the same letter in the near future (request attached).

One of the causes of this failure is that personnel from the Meadows did not even bother to contact municipal organizations until the deadline. Letters sent to the Ambulance and Chair and Paramedic organizations on the day of the deadline, December 13, 2005, asked these organizations how a slots parlor would impact them, but provided no information on the magnitude operating hours or practices of the proposed Meadows Racino. Apparently the North Strabane Police received a request for information before such a late date, but they too were apparently provided next to no information. On November 21st they responded:

> Currently, the North Strabane Township Police Department has yet to be informed of what our area of responsibility will consist of once Slot Gaming is introduced at the Meadows. Until our responsibilities are outlined or established by the Gaming Board or other agency, we are unable to provide what additional resources will be needed to handle incidents, on-site at the Meadows. The North Strabane Township Police Department anxiously awaits details concerning our anticipated role with handling these on-site related incidents and crimes.
>
> The North Strabane Police Department believes that with the introduction of Slots Gaming at the Meadows there will be an increase in demand for services, off-site. As a proactive measure the North Strabane Township Police Department has begun hiring additional officers in order to handle the anticipated increased activity in the area of the Meadows. This activity includes traffic related incidents, increased patrol function, criminal activity and the influx of transient customers to this area. As a result we have also began the process of upgrading our technology in order to handle this increase in activity. [155]

The Local Impact Report makes no mention of Millennium, Oaktree, jobs, impact on the economy, potential negative impacts of gambling, etc. It provides little of the information that would be required for local input or evaluation. Part of the problem may be that Millennium and Oaktree have an option to buy, but will only buy if the track gets the license.

In March Millennium announced that they would be an operating partner but not an investor in Chance's proposed Crossroads Gaming Resort and Spa.

Questions: What alternatives did Millennium examine for financing? What is the structure of their deal with Oaktree? What are the timing of payments? What covenants? What controls will Oaktree have on the venture? What is Oaktree's equity participation? Who are Oaktree's investors, and if Oaktree has funds that have invested in Oaktree, who are the investors in those funds, and what is their position? What is Millennium's overall growth plan? Beyond the Meadows, Rockingway track, and Gettysburg, what other opportunities are they pursuing? What are Oaktree's objectives? How active will they be in managing Millennium and these investments? What will be their position with respect to the Board of Directors? What is their exit plan? How much money will they invest, and over what time frame and against what milestone requirements? What is Banc America doing to raise equity financing? What kind of equity are they selling and to

[155] The Meadows Washington Trotting Association Inc. Appendix 30, Local Impact Report. http://www.pgcb.state.pa.us/Impact_reports/Washington_Trotting--LIR.pdf

whom? Would Oaktree allow Millennium to invest in Chance? Did Oaktree review the possibility for such an investment? If allowed and reviewed, what was the conclusion? Why didn't Millennium invest in Chance? What is Millennium being paid to act as an operator? What control will it have over operations? What control will it have over development, construction, design, theme, operations? How many people will Millennium dedicate to this effort, who are they and what is their experience? How will Millennium manage the Meadows and Chance with respect to competition or co-promotion?

Appendix A: Regulations

Per the regulations an applicant needs to satisfy the below requirements. Some licensing agencies, such as Nevada, that have wide scale gambling availability, focus their background checks on illegal activities. Pennsylvania which will limit the number of licensees in an effort to maximize gambling license revenue to the state, has indicated that it wants to go beyond criminal background checks to ensure that the selected licensees have the highest probability of success in generating revenue. Much of the below information therefore tries to describe the business dealings of Millennium and its partners. There are brief descriptions of partners and associates of Millennium and its principals shaded in gray.

§ 421.1. General requirements.
(c) An application for license, renewal, or other licensing approval from the Board will constitute a request to the Board for a decision on the applicant's general suitability, financial suitability, character, integrity, and ability to engage in, or be associated with, gaming activity in this Commonwealth.
By filing an application with the Board, the applicant specifically consents to investigation to the extent deemed appropriate by the Board. The investigation may include a background investigation of the applicant, employees of the applicant, all persons having a controlling interest in the applicant, and other persons as determined by the Board.

§ 421.4. Investigations; supplementary information.
(a) The Board and the Bureau may:

(1) Make an inquiry or investigation concerning an applicant, licensee or any affiliate, intermediary, subsidiary or holding company of the applicant or licensee as it may deem appropriate either at the time of the initial application and licensure or at any time thereafter.

§ 441.5. Financial fitness requirements.

(a) An applicant for a slot machine license shall prove by clear and convincing evidence the financial stability and integrity of the applicant and its affiliates, intermediaries, subsidiaries and holding companies in accordance with section 1313 of the act (relating to slot machine license application financial fitness requirements).

(b) The Board shall not approve a slot machine license application unless it has made an affirmative determination that the applicant has established it is likely to maintain a financially successful, viable and efficient business operation and will likely be able to maintain a steady level and growth of revenue to the Commonwealth.

(c) Unless a waiver under § 435.2(g) or § 435.3(f)(relating to key employee qualifier license; key employee license) has been granted or is pending, an applicant for a slot machine license shall provide the following to the Board:

(1) An executed authorization for the Board to examine all bank accounts and records as necessary.

(2) The organization, including a chart outlining the organizational structure, and the financial structure and nature of all businesses owned or

operated by the applicant and its affiliates, intermediaries, subsidiaries or holding companies, including the name, employment history and criminal history record of each key employee qualifier and key employee of each business owned or operated by the applicant and its affiliates, intermediaries, subsidiaries or holding companies.

(3) If the applicant is a corporation, the extent to which securities are held by all key employee qualifiers and their remuneration from salary, wages, fees and other sources.

(4) Bank references.

(5) Business income, disbursement schedules, accounting, check records and ledgers for the applicant and key employee qualifiers as applicable.

(6) The applicant's and each key employee qualifier's State and Federal tax returns and other reports filed with government agencies for the past 5 years.

(7) A list and description of all existing and proposed financial backers, as well as adequate information to allow the Board to determine the integrity of the financial backers as provided under section 1313(b) of the act. The Board may waive the requirement that it determine the integrity of a financial backer for a banking or lending institution or an institutional investor.

(8) Demonstration of adequate financing for the proposed facility and terms of financing including payback period.

(9) Business and economic development plans and timetables.

(10) Projected debt service expenses.

(11) Projected EBITDA and Internal Rate of Return.

(12) Projected annual gross terminal revenue.

(13) Projected operating and capital expenses.

(14) Defined gaming market and projected visitation.

(15) Any additional documentation or information requested by the Board.

§ 441.6. Character requirements.

(a) An applicant for a slot machine license shall prove by clear and convincing evidence the good character, honesty and integrity of the applicant and its affiliates, intermediaries, subsidiaries and holding companies in accordance with section 1310 of the act (relating to slot machine license application character requirements).

(b) Prior to approval of a slot machine license, the Board shall make a finding relating to the applicant's good character, honesty and integrity.

(c) Unless a waiver under § 435.2(g) or § 435.3(f)(relating to key employee qualifier license; and key employee license) has been granted or is pending, the applicant shall provide the following to the Board:

(1) Information, documentation and assurances pertaining to family and personal background, habits, character, reputation, business activities, financial affairs and business, professional and personal associatesfor the 10 years immediately preceding the filing date of the application for the applicant, its key employee qualifiers and key employees, to include the information required under §435.2(b).

(2) History of insurance claims for the past 7 years or that exceed $50,000 relating to the business activities of the applicant or its affiliate, intermediary, subsidiary or holding company.

(3) Notice of any civil judgment obtained against the applicant, or any of its key employee qualifiers or key employees pertaining to antitrust or securities laws of the Federal government, the Commonwealth or any other state, jurisdiction, province or country.

(4) A letter of reference from law enforcement agencies having jurisdiction in the applicant's and key employee qualifier's principal place of residence and place of business indicating that the agency does not have any pertinent information relating to the applicant or its key employee qualifiers. If the law enforcement agency has information pertaining to the applicant or any of its key employee qualifiers, the letter shall specify the details of the information. If no letters are received within 30 days of the request, the applicant or key employee qualifier may submit a sworn or affirmed statement that the applicant, or key employee qualifier is a citizen in good standing in his jurisdiction of residence and principal place of business.

(5) If the applicant has held a gaming license in any other jurisdiction, a letter of reference from the gaming or casino enforcement or regulatory agency in the other jurisdiction. The letter shall specify the experiences of the agency with the applicant, the applicant's associates and the applicant's gaming operation. If no letter is received within 30 days of request by the applicant, the applicant may submit a sworn or affirmed statement that the applicant's operation is in good standing with the regulatory agency.

(6) Additional information requested by the Board.

§ 440.1. Management company license.

(a) Each management company shall be required to obtain a management company license from the Board, and pay the required license fee, prior to providing to a slot machine licensee any service under this chapter.

(b) Each management company license applicant shall complete the appropriate Conditional/Category 1, Category 2 or Category 3 application and disclosure information forms with the applicable appendices as if the management company license applicant were an affiliated entity of the slot machine licensee/applicant.

Pennsylvania Gaming Control Board

WRITTEN COMMENT TO BE INCLUDED IN THE EVIDENTIARY RECORD OF THE PUBLIC INPUT HEARINGS

I request that the following comments be made part of the public input hearing record and considered by the Pennsylvania Gaming Control Board prior to awarding licenses for slots operators:

Name: KEVIN KLINE

Address:

Telephone

Organization, if any

Employer: CINEMA CENTER – CAMP HILL

COMMENTS: (Please use reverse side if more space is required)

I would like to suggest that ATM and credit card advance windows be restricted fro all casino sites. My recomendation is to not allow any of these within a 1-5 mile radius each site. Credit cards & ATM cards should allowed for use for purchases such as food and products. However, allowing the existen of readily available cash to the generall pu (AT CASINO SITES), is just encouraging problem

Comments: Page 2 (continued)

Does VISA/AMEX/DISCOVER and all the other cash companies really need ALL of our money?!

I, KEVIN KLINE verify that the information contained in this written comment is true and correct to the best of my knowledge and belief.

4-6-06

Pennsylvania Gaming Control Board

WRITTEN COMMENT TO BE INCLUDED IN THE EVIDENTIARY RECORD OF THE PUBLIC INPUT HEARINGS

I request that the following comments be made part of the public input hearing record and considered by the Pennsylvania Gaming Control Board prior to awarding licenses for slots operators:

Name: Marian E. Davis

Address:

Telephone

Organization, if any

Employer:

COMMENTS: (Please use reverse side if more space is required).

Please read my e-mail sent 5-16-06

Comments: Page 2 (continued)

I, Marian E. Davis verify that the information contained in this written comment is true and correct to the best of my knowledge and belief.

CIVIL WAR PRESERVATION TRUST

America's Largest Nonprofit Battlefield Preservation Organization

James Gilliland
Chairman

James Lighthizer
President

April 3, 2006

Michael P. Edmiston, Esq.
Director of Hearings and Appeals
Pennsylvania Gaming Control Board
P.O. Box 69060
Harrisburg, PA 17106

FACSIMILE TRANSMISSION: 717- 703-2988
Original document will follow by first class mail.

Dear Mr. Edmiston,

I write to you in regard to the Pennsylvania Gaming Control Board's (PGCB) recent decision to expand to three days the public input hearings for the application of Crossroads Gaming Resort and Spa for a Category 2 license.

I understand that the immense interest in speaking on this issue necessitated the additional hearings, and am grateful that all interested parties should potentially have a chance to address the board. I am, however, dismayed that speakers were notified of which day they would be allowed to testify less than one week in advance of the date for the original hearing (April 5, 2006). Even more dismaying is the Gaming Control Board's subsequent inflexibility regarding speakers and their assigned dates.

Working together with the organization Businesses Against the Casino in Adams County, the Civil War Preservation Trust (CWPT) had arranged to present the Board with expert testimony on the benefits claimed in the Crossroads proposal. The expert is Michael Siegel, a 28-year veteran in the field of public and environmental finance and impact analysis.

In preparing for this testimony, we proceeded based upon the information that the Board made public some two months ago, clearing schedules and arranging travel to ensure that all relevant parties could attend on the required day. Then, eight days before the scheduled hearing, it was announced that all of this good-faith preparation would be negated by the new hearings.

In a letter received on March 30, Mr. Siegel and Businesses Against the Casino were assigned a speaking date of April 7, the only date of the three for which he is unavailable. While two months is sufficient notice to rearrange schedules for occurrences such as this, a mere week is an unreasonable timeframe in which to expect such accommodations to be possible.

When a member of my staff contacted the Board offices on Friday, March 31, inquiring about the possibility of switching hearing dates, she was informed that no such changes would be permitted. As a follow-up question, she asked if it might be possible to arrange a trade between two groups who had been allotted equal amounts of time, thus ensuring that the number and length of speakers per day remains balanced (CWPT's speaking date has been moved to May 17). At this time she was informed that the agenda for each day's hearing had already been set and that no changes to the speaker, date or organization could be made.

While attempts to ensure that all opinions on this matter are heard are commendable, the Board's recent actions have surely silenced a number of these voices. Sadly, this seems to follow in the same tenor as many of the Board's proceedings up to this point. In regards to application deadlines, public availability of documents, definition of the various speaker categories and establishment of hearing dates, the Board's decision process has been arbitrary and capricious.

Furthermore, written documents provided by the Board appear to be inconsistent with the ruling verbally transmitted to my staff on March 31 that no changes can be made to the hearing agenda. In neither the press release issued on March 28 nor the letters to registered speakers dated March 27 and received March 30 does it state that any and all changes are impermissible. Instead, the written documents indicate that speakers unavailable on the date they are assigned have the opportunity, if they so choose, to instead submit their comments in writing. Had these written documents made more clear that no changes would be allowed, many of the requests the Board is currently experiencing would doubtless have been avoided.

Consequently, I request that the PGCB reconsider its decision to prohibit any changes to the new hearing agendas, and permit Mr. Siegel to speak on either April 5 or May 17.

If you have any questions or wish to discuss this matter further, please contact Jim Campi of my staff at

Sincerely,

Jim Lighthizer, President