

BEFORE THE STATE GAMING CONTROL BOARD

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NONRESTRICTED AGENDA

- 1. **N03-0437**
 HILFREICH STIFTUNG
 SAMOA INVESTMENT ASSETS, INC.
 HOTSPUR INVESTMENT HOLDINGS, INC.
 HOTSPUR GLOBAL LIMITED
 HOTSPUR RESORTS NEVADA, INC.
 HOTSPUR CASINOS NEVADA, INC.

WEDNESDAY, DECEMBER 3, 2003

State Gaming Control Board Offices
Conference Room 100
1919 East College Parkway
Carson City, Nevada

Reported by: ERIC V. NELSON, CCR #57, RPR, CM

A P P E A R A N C E S

BOARD MEMBERS PRESENT

DENNIS NEILANDER, CHAIRMAN
BOBBY L. SILLER
SCOTT SCHERER

EXECUTIVE SECRETARY

MARILYN EPLING

DEPUTY ATTORNEY GENERAL

CHARLES MEREDITH

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CARSON CITY, NEVADA, WEDNESDAY, DECEMBER 3, 2003

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CHAIRMAN NEILANDER: Very good. This morning we are scheduled on our 9:00 a.m. session to hear Nonrestricted Items 1 through 6. Let's start at the top with Nonrestricted Item No. 1.

NONRESTRICTED AGENDA

- 1. **N03-0437**
HILFREICH STIFTUNG
SAMOA INVESTMENT ASSETS, INC.
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SECRETARY EPLING: Thank you, Mr. Chairman. Item No. 1 on page 1 of the agenda is the application of Hilfreich Stiftung for registration as a holding company; the applications of Samoa Investment Assets, Inc., Hotspur Investment Holdings, Inc., Hotspur Global Limited, and Hotspur Resorts Nevada, Inc., for registration as intermediary companies, together with the application of Thaddas Lee Alston for finding of suitability as sole officer and director.

It is also the application of Hotspur Casinos of Nevada, Inc., for licensure to receive a percentage of gaming revenue from Rampart Resort Management, LLC, dba

1 Rampart Casino, again with Mr. Thaddas Lee Alston for
2 licensure as sole officer and director.

3 CHAIRMAN NEILANDER: Good morning.

4 MR. CURRAN: Good morning. I'm Bill Curran
5 of Curran and Parry, 300 South Fourth Street in Las Vegas.
6 With me at the podium is Thad Alston. Also present with
7 us this morning is Mr. Shiraz Lalji.

8 If I can just give a very brief sort of
9 historical overview of why we're here this morning or what
10 brings us, what's transpired prior to our appearance this
11 morning.

12 I first became involved with Thad during the
13 course of their consideration of acquiring what was at the
14 time known as the Resort at Summerlin from bankruptcy
15 proceedings that were transpiring in Las Vegas. After
16 much diligence, a decision was made to go forward with the
17 acquisition, and if there was ever a transaction that was
18 borne in fire, right in the midst and at the very critical
19 time of the transaction, 9/11 occurred, which has -- I
20 don't have to tell anybody the impact that had on Las
21 Vegas and on the gaming industry in Las Vegas. It had
22 particular impact on this transaction because financing
23 was being arranged in New York City, and timing was of the
24 essence, and there was a tremendous amount of things that
25 had to be done in a short period of time.

1 The confidence, however, that Thad and others
2 in his group had about the potential for Las Vegas, the
3 potential to make something out of the problems that were
4 so well known there at the Resort at Summerlin really, I
5 think, prevailed as they went forward, and the first step
6 after satisfying all the requirements of the bankruptcy
7 court was to find an operator both during the gap period
8 and then thereafter.

9 A great number of potential operators were
10 considered, interviewed. Transactions were proposed and
11 counter proposed. And ultimately a decision was made to
12 go forward with Millennium Management to operate the
13 casino subject to the approval of the Control Board, with
14 the understanding that the existing operators would
15 continue to operate the hotel during the gap period.

16 We came forward, worked carefully with the
17 Board and your staff, trying to effectuate this sort of
18 unique and somewhat unprecedented kind of an arrangement.
19 I think it was done in record speed.

20 One of the things that made Millennium
21 Management so attractive was that they had just been
22 licensed by the Board and Commission. Their investigation
23 was very current and up to date. It was only a month or
24 two old. So we had high confidence that they could move
25 through the system very expeditiously.

1 Part of the original consideration of the
2 transaction, however, was that Thad and his group would at
3 sometime in the future go forward to seek licensure
4 themselves so that they could then share in the profits;
5 although they would still have no direct role in the
6 management of the Rampart Casino and would continue to act
7 as landlords, that nonetheless, they would seek to share
8 in the revenue from the operations of the casino.

9 That ultimately led to the application that
10 is before you today. We recognize that this is unique and
11 that we are again stepping in somewhat virgin territory as
12 far as this structure, and as always, your staff has
13 worked very diligently with us to try to get from us what
14 you needed so that you could properly analyze this.

15 With all that just simply as prologue, I'm
16 going to ask Thad to describe the structure that is before
17 you and to answer questions that I'm sure you will have.
18 So with that.

19 CHAIRMAN NEILANDER: Good morning,
20 Mr. Alston.

21 MR. ALSTON: Good morning, Mr. Chairman.

22 CHAIRMAN NEILANDER: As Mr. Curran indicated,
23 you presented an application that is somewhat unique in
24 the sense of how we apply the facts in your case to the
25 law. The law doesn't really contemplate this type of

1 arrangement that you have with Hotspur. So as you go
2 through the structure, if you could kind of focus on what
3 I think are going to be two major issues.

4 The first one is with these holding
5 companies, is it a requirement that officers and directors
6 at that level be in a mandatory licensing position, or is
7 that something that's discretionary within the Board and
8 Commission?

9 Secondly, because of the nature of the
10 application as to share in revenue for a landlord, Hotspur
11 Nevada is the company that's going to directly share in
12 the revenue, but it is controlled by and through a group
13 of affiliated companies. And to what extent should the
14 Board and Commission go to the ultimate control aspects of
15 the company?

16 Historically, the Board has, at least in some
17 cases, tried to focus on where is the control, and that is
18 the appropriate level for licensing. So as you go through
19 your description, if you could kind of keep those two
20 things in mind, and that will help us frame the questions
21 properly.

22 MR. ALSTON: Thank you. Mr. Chairman,
23 Members, this structure is -- just a little background as
24 to why the structure exists. We didn't create this
25 structure with the idea in mind of acquiring an asset in

1 Las Vegas. This structure was created really with legal,
2 tax and estate planning considerations for the Lalji
3 family, who are resident, two brothers are resident in
4 Vancouver, West Vancouver, BC, one, Shiraz Lalji, is a
5 resident in London.

6 Years ago they decided to do business with an
7 ultimate control group at the top in Canada called the
8 Lalji Family Trust. And that trust has a limited life,
9 and at the end of that limited life, which comes up
10 shortly, under Canadian tax laws, the assets of the trust
11 are created as having been -- treated as having been sold,
12 with the result that any tax payable with respect to the
13 sale has to be paid at that time.

14 With that in mind -- and that deadline comes
15 up in 2005. So with that event coming up in 2005, the
16 idea was to take offshore -- to actually cause a
17 disposition of those assets before 2005, and pay the tax
18 in Canada that was payable on those assets and move it
19 offshore for estate planning and tax efficiency purposes,
20 with the idea that you'd end up with a sum of funds
21 offshore in a tax free jurisdiction with the idea that
22 with the funds under the control of essentially a bank,
23 trust company, you would then have a way to manage those
24 assets, those funds for the benefit of the families
25 generations to come. So that was the idea.

1 It must be three or four years ago now,
2 Shiraz and I went to Lichtenstein and interviewed lawyers,
3 banks, financial institutions there, trying to decide
4 who -- what institution we felt was most appropriate to be
5 in the, quote, control position with respect to these
6 funds. To give you some idea of the magnitude of the
7 funds that are involved, we thought that we'd probably end
8 up with somewhere between 300 million and 500 million
9 Canadian dollars after paying all the tax on these assets.

10 So it was very important to place these funds
11 in the care and custody of an institution that, one, was
12 beyond reproach in terms of its ethics, in terms of its
13 business acumen, and in terms of its relationship with the
14 family.

15 Ultimately, we came to the conclusion that
16 Hong Kong Shanghai Bank, HSBC, would be an appropriate
17 control group to manage these funds. There are lots of
18 reasons we did that.

19 We had a long-standing relationship with
20 HSBC. They had been a primary lender of the Canadian
21 operating company for over 15 years, and actually, we
22 ended up spending a substantial amount of time with the
23 HSBC people in Zurich, which is where they are set up to
24 manage the Lichtenstein foundations that they manage. We
25 also looked at their experience in managing funds for

1 other wealthy families offshore and were convinced that as
2 these things going, HSBC would be an ideal candidate for
3 managing these funds.

4 A gentleman, Ewald Scherrer, was assigned to
5 us and became our account manager, and it's his
6 responsibility under the supervision of the directors of
7 the bank to then put together a team of professionals
8 inside the bank to operate these funds for the benefit of
9 the family.

10 So we did that. We chose HSBC, and the
11 result of that was the formation of Hilfreich Stiftung.

12 The best way to think of it, a stiftung in
13 Lichtenstein law is very similar to a foundation in the
14 United States. For example, Ford Foundation which is run
15 by a group of directors would be very comparable to the
16 stiftung run by a bank from Zurich administering really
17 under the laws of Lichtenstein.

18 So there is a group of seven or eight -- I'm
19 not sure of the number any more -- but there is a group of
20 bank employees that essentially run the foundation.

21 How they run the foundation, what investments
22 they make, all the decisions about what to do with the
23 money are really based upon the formation -- the document
24 that established the foundation, and upon recommendations
25 should they choose to follow them by Shiraz Lalji and

1 myself. So from time to time the Stiftung directors may
2 come up with their own ideas about what to do, and they
3 are also very mindful that ultimately the beneficiaries of
4 this money would be the Lalji family or designees by the
5 Lalji family. So they are very cognizant of the wishes of
6 the family members in connection with their operations.

7 At the same time, legally, they are not
8 obligated at all to follow any recommendations. This is
9 not a situation that is unique for the Lalji family or for
10 this particular stiftung. The HSBC probably manages funds
11 for literally thousands of wealthy families in the world.
12 Many of those are European; some are Canadian. Of course,
13 almost none are U.S. because our tax laws are such that we
14 tax worldwide income and most countries don't. Canada
15 doesn't as well.

16 So anyway, that is how we got to
17 Lichtenstein, that is how we chose HSBC, and that is why
18 we're comfortable that as a control group they are an
19 appropriate party.

20 Now underneath that stiftung there are a
21 number of companies that lead ultimately to Hotspur
22 Casinos, which is the landlord under the lease with the
23 casino company.

24 Samoa Investment Assets, at the time we made
25 the application, Samoa had essentially no assets other

1 than the shares of Hotspur Investments, Investment
2 Holdings, Inc. Since the application was made, Samoa now
3 has one additional asset to the shares of Hotspur
4 Investments, and that's 87 million Canadian dollars, which
5 we dividended out to Samoa about four or five months ago,
6 I think. And that really is -- that's the last dividend
7 that we needed to pay in order to get all these funds
8 offshore. That last dividend, 87 million, we actually
9 took over to Samoa, took over to Zurich and deposited it
10 with the stiftung in I think it was July of this year,
11 July or August of this year.

12 So at this point we're pretty much finished
13 with the dividend. We have accomplished the purpose of
14 getting the funds offshore. Samoa is holding -- those
15 funds are invested in a Canadian money market account for
16 the time being.

17 Below that Samoa Investments is Hotspur
18 Investment Holdings, Inc., and that is really the company
19 that holds the cash and the investments of the stiftung
20 other than -- including the casino and the resort. At the
21 moment, Hotspur, I believe you have in the application,
22 Hotspur has a number of fairly passive investments. The
23 only active investment they have really is the investment
24 in Hotspur properties in Las Vegas.

25 Below that -- again, all of these companies

1 below Hilfreich Stiftung are operated by HSBC Bank in
2 effect. All of the officers, all of the decisions, all of
3 the involvement is the same group of officers and
4 directors that participate in the stiftung.

5 So Samoa is operated the same, Hotspur
6 Investments is operated the same, Hotspur Global is
7 operated the same. Which brings us to Hotspur Resorts,
8 and as I think you know from the application, I am the
9 sole director and officer of Hotspur Resorts, and again,
10 underneath Hotspur Resorts is Hotspur Casinos, and I'm the
11 sole director and officer of that company.

12 Hotspur Resorts's only asset is this resort
13 and cash generated from it. All of the money that is
14 generated from the hotel operations and the casino
15 operations are kept in two places. HSBC Bank in New York
16 holds the majority of the funds. And the operating funds
17 on a day-to-day basis are held by a local Las Vegas bank.
18 I think that's --

19 MR. CURRAN: Wells Fargo.

20 MR. ALSTON: -- Wells Fargo that holds those
21 funds. But those are just operating funds on a day-to-day
22 basis needed to operate the property.

23 Hotspur Global's investments are really
24 essentially passive investments. CS First Boston has
25 recommended a number of hedge funds, private equity

1 investments, money market investments that Hotspur
2 Investment Holdings has invested in. And CS First Boston,
3 of course, reports to me on an advisory basis, and then
4 they report directly up to the stiftung on a monthly basis
5 with the results of operation of these various funds.

6 So that again on a control basis, the
7 control -- this is really no different, even though you
8 have all these levels and all these companies, it is
9 really no different than having -- I guess a good typical
10 example would be the Estate of XYZ Investment, who has
11 died, would be managed by Bank of America's trust
12 department, and the trustees, of course, of the trust
13 department would make all the decisions, they would be
14 bank employees. If the bank's employees changed, then of
15 course the trustee would change. But the corporate
16 responsibility for management of my estate or anyone
17 else's would be really with Bank of America and their
18 trust department. This is pretty much the same thing.

19 CHAIRMAN NEILANDER: Questions from the
20 Board?

21 MEMBER SCHERER: I guess the difference,
22 Mr. Alston, as I see it, is in that case we would license,
23 one, the executor of the estate or the executor of the
24 trust, and two, we would license the beneficiaries.

25 MR. ALSTON: You would.

1 MEMBER SCHERER: In this case we do not have
2 a completed investigation on the beneficiaries, or I guess
3 the way I view it, unless I'm wrong, with the ultimate
4 trustee. Shiraz Lalji is the advisory board for the
5 stiftung; is that correct?

6 MR. ALSTON: That's correct.

7 MEMBER SCHERER: And the advisory board has
8 the power to appoint, remove and replace members of the
9 foundation board?

10 MR. ALSTON: That's correct.

11 MEMBER SCHERER: So while you said there is
12 no legal obligation to follow the wishes of the family, if
13 the foundation board were not following the wishes of the
14 family, then Mr. Shiraz Lalji could change the members of
15 the foundation board.

16 MR. ALSTON: Well, I mean, you are absolutely
17 correct. But I think one of the things that we had
18 assumed would be a condition to this licensing would be
19 that there would be no exercise by Mr. Lalji of that power
20 without the Board's approval. Similarly, we would expect
21 that there would be no change in the bank officers
22 operating the stiftung without the Board's approval.

23 So that with those restrictions in place, I
24 would hope that you'd be more comfortable that you're not
25 licensing someone, licensing an entity that has a

1 possibility of changing without your knowledge, approval
2 and consent.

3 CHAIRMAN NEILANDER: If you could explain how
4 the economics work. It sounds like the money, the revenue
5 is held by HSBC at the New York office, and then there is
6 an operating account that's locally with Wells Fargo.
7 What happens after that?

8 I mean, because you are in a flat lease right
9 now, and the nature of this is to trigger those portions
10 of the lease agreement that allow you to share in gaming
11 revenue. When that revenue is flowed through, what
12 happens -- I mean, you said it is invested in some hedge
13 funds and things of that nature. But what ultimately will
14 happen with that revenue?

15 Does it dividend upstream ultimately to the
16 foundation, or how does that work?

17 MR. ALSTON: Today we can't -- we have a loan
18 in place by HSBC Bank New York on the total resort, and
19 that loan has certain restrictions on the dividending or
20 essentially taking money out of this closed loop, if you
21 will. Hotspur Investment Holdings, Inc., has guaranteed
22 the loan. It's for -- I think that the maximum loan
23 amount is around 60 million.

24 We started off by drawing 49 million, and I
25 think recently we have drawn another five million, because

1 we have added 25,000 square feet of additional space for
2 convention space, convention meeting space. But the deal
3 with the bank is that Hotspur Investment Holdings will --
4 there will be no dividending above Hotspur Investment
5 Holdings in this structure, because the bank wants to
6 always have available whatever revenues might be created
7 at the Hotspur Investment Holdings level or below
8 available to pay the loan should there be a problem with
9 the loan.

10 So I guess answer number one is, it's a
11 closed system from Hotspur downward, Hotspur Investment
12 Holdings downward. There can be no dividending above
13 unless and until that loan is paid off. The loan has a
14 term of five years with, I believe, two one-year
15 extensions.

16 And this is the beginning of year three of
17 the loan. The loan closed November 21st, 2001. So for
18 the next three years for sure, with two more years of
19 extensions, the system is closed, and there can't be any
20 dividending above. But as I mentioned before, should the
21 stiftung decide to make additional investments sitting
22 above Hotspur Investment Holdings today, Hotspur
23 Investment Holdings, Inc., today, there is an additional
24 87 million Canadian dollars that's on deposit right now.
25 So there really would be no need to dividend above.

1 The money as it sits now -- I guess one way
2 to look at this is if Hotspur Resorts at that level had a
3 profit that was bigger than the amount of money that would
4 be needed to cover operating expenses and reserves, then
5 Hotspur Resorts would dividend up to Hotspur Investment
6 Holdings, and the money again is in New York at HSBC Bank
7 in New York, and those funds would be invested in money
8 markets and essentially fairly liquid investments.

9 Unless, of course, above that the stiftung
10 decided to do something else with it. And I have no
11 indication from them at the moment that they have any
12 additional plans. And at the moment given the state of
13 the economy and the state of the cash flow from the
14 project at the moment, there is really no substantial
15 amount of money available for any other use anyway.

16 CHAIRMAN NEILANDER: Okay. I'm trying to
17 kind of frame this in more of a common sense way, because
18 I recognize that this foundation was created driven in
19 almost -- well, in large part by a Canadian tax law, and
20 we're familiar with this. We have had a couple of
21 Canadian companies that came through this system, and we
22 realize that in Canada there is almost an incentive to
23 move your money. I still don't understand this, but the
24 way the tax structure is set up, it incentivizes you to
25 move your money out of Canada if you are at least of some

1 wealth. So I mean, we have seen this before.

2 But in trying to now figure out who is
3 ultimately going to benefit from any excess revenue as you
4 described from the Nevada property, as we go up through
5 these chains, you have indicated that essentially until
6 the loan is paid off, there's no dividending up through
7 Hotspur Investments.

8 MR. ALSTON: Yes.

9 CHAIRMAN NEILANDER: But ultimately, I guess
10 ultimately then let's say there weren't any restrictions
11 and there was -- and that decision, I guess, would have to
12 be made by stiftung, which in essence is the bank --

13 MR. ALSTON: That's correct.

14 CHAIRMAN NEILANDER: -- but it is on advice
15 of yourself and Mr. Shiraz.

16 MR. ALSTON: Yes.

17 CHAIRMAN NEILANDER: So ultimately, the
18 beneficial resting place of these funds is going to be
19 directed by yourselves assuming that the bank group
20 agrees.

21 MR. ALSTON: That is correct. But if you
22 look at the foundation documentation, the beneficiaries
23 under the foundation are Shiraz Lalji and charities that
24 the stiftung might identify in the future and Shiraz's
25 brothers, should they ever be nonresident in Canada.

1 There are some technical reasons for that.

2 I guess if you step away from what the paper
3 says for a minute and just look at it on a practical
4 level, if the question we're trying to address is what
5 will happen to the money, the answer to that question is
6 very simply it will be in the system and it will never get
7 distributed to anyone else for, I would think, for my
8 lifetime for certain. Here is the reason for that.

9 You have a Canadian company that is operating
10 in Canada today that Mr. Lalji's brothers operate. That
11 company has assets of a billion dollars Canadian. It has
12 unused credit lines of over a hundred million dollars. It
13 has operating cash on an annual basis after tax at 25
14 million. It only has two people that could ever get that
15 money, and they don't need it.

16 So basically it all gets poured back into the
17 Canadian business, and it continues to build net worth.
18 Today the net worth of the Canadian company is somewhere
19 between \$3- and \$400 million, and it has cash flow and
20 cash in excess of a hundred million. So they don't really
21 need this money.

22 They are not entitled to the money because
23 they are in Canada, and there are restrictions in the
24 stiftung that prevent any money from this system getting
25 to Canada. So the money won't go to Canada.

1 The only other place the money could go to
2 would be Mr. Lalji in London. His assets in London under
3 a completely different system than this that have nothing
4 to do with this, I think he's got cash flow on an annual
5 basis of something in excess of five million pounds,
6 Canadian dollars, that is 15 million U.S. dollars, that's
7 eight, nine million a year. He's got assets of 40 to 50
8 million pounds.

9 He doesn't need the money. He doesn't have
10 any debt. And he doesn't have very expensive living
11 tastes. So he doesn't need the money.

12 So the money is not going to go to London, it
13 is not going to go to Canada for tax reasons. It's going
14 to be in the system. And ultimately 20, 30, 40, 50 years
15 from now, it may go to a grandchild or something.

16 But there is absolutely no use -- the reason
17 this money is here is for the future, not for the present.
18 There is no present need for the money in London; there is
19 no present need for the money in Canada. The Canadian
20 company is doing very well. I would expect it to double
21 in size in the next five to ten years without any
22 assistance from anybody else just because of what it's
23 doing.

24 So it's not -- I mean, this may seem like a
25 lot of money, it is, but it's really extra money that's

1 kind of out there in a closed loop system building for the
2 future. It's not money that's going to be dividended in
3 Canada, because you can't without subjecting the whole
4 system to tax in Canada, which you won't. And there is no
5 need for it in London.

6 CHAIRMAN NEILANDER: I recognize you have
7 created a vehicle to park this investment over here for
8 future generations because it is not needed now. But in
9 trying to decide from a regulatory perspective whether we
10 have appropriate licensure, generally we look to who is
11 going to be the beneficial -- have the beneficial interest
12 and also who has control. I guess if Shiraz, for example,
13 or actually -- well, if he moved from London back to
14 Canada, that would change the whole thing. Or if his
15 brothers moved.

16 MR. ALSTON: Offshore --

17 CHAIRMAN NEILANDER: -- they would become I
18 guess beneficiaries or eligible beneficiaries under the
19 thing.

20 MR. ALSTON: That is correct.

21 CHAIRMAN NEILANDER: So I'm trying to figure
22 out how we accommodate that given the fact that we have a
23 lot of different structures that come through the system.
24 The laws are designed so that you can license those
25 systems in such a way that when changes occur in the

1 future, you still have adequate coverage. And one of the
2 concerns I have with this is that many things could
3 happen, and while I recognize right now the companies are
4 doing well, they can park this cash out here and it's not
5 a concern, but what happens 10 years from now when I'm no
6 longer here and maybe -- and I don't wish this on anyone;
7 it has not happened yet -- but the brothers have a dispute
8 or something.

9 MR. ALSTON: Certainly.

10 CHAIRMAN NEILANDER: I guess I'm trying to --

11 MR. ALSTON: Again, and this is my view, of
12 course, my view is that this whole structure is controlled
13 by the directors of the stiftung, and you have
14 appropriately pointed out that the only -- there are two
15 issues with that. One, Shiraz Lalji has reserved the
16 advisory board a right to change the board, and again, we
17 had anticipated that he would agree and that the stiftung
18 directors would agree, HSBC Bank in effect would agree
19 that there would be no change in the system, no new
20 beneficiaries, no changes of any kind without the Board's
21 consent and written consent and approval.

22 I think that it's -- at least I believe it's
23 HSBC Bank, as an institution, is a party you can certainly
24 rely upon. That if they were to make that commitment and
25 accept that condition, that they would certainly honor it

1 and perform under it.

2 So I think that that's a way of
3 essentially -- part of your concern is you don't want to
4 approve something today that changes tomorrow without your
5 knowledge or your approval. And if we require the
6 stiftung to agree that there will be no changes without
7 your written approval, then I think we have covered that
8 loop.

9 And certainly if we get the advisory board to
10 make the same agreement, then I think we have covered any
11 possibility of changing the control of the stiftung
12 itself. And because we have also been aware of this
13 possibility, we have talked to both Mr. Lalji and to the
14 stiftung directors, and they are both willing to make
15 those agreements.

16 MEMBER SILLER: Is Mr. Lalji willing to be
17 licensed?

18 MR. LALJI: Yes.

19 MR. ALSTON: Yes. I believe that -- and
20 again, this is my belief; I have not talked to anybody
21 that concerns this -- but I believe that the investigation
22 that was done included an investigation of him in the same
23 way that he would have been investigated had he been
24 applying. So I believe that that has occurred, that that
25 investigation has occurred and is complete.

1 CHAIRMAN NEILANDER: Well, the staff did
2 investigate him from a personal background point of view,
3 and they were very comfortable that there were no
4 derogatory findings in that respect. What we did not do
5 is the financial side. Given what you have just described
6 today, that could be a fairly lengthy thing to do.

7 MR. ALSTON: Well, I guess one complication
8 uncovers another. The way these people, this family has
9 set up its finances over the years, and this again has
10 nothing to do with the current application, it's just the
11 way they have done business their whole life -- and I
12 believe that -- I believe that -- I'm not sure whether you
13 have a full report on this, but essentially, if I recall
14 Mr. Lalji's application and his brothers's applications
15 correctly, I believe that he doesn't really have
16 significant assets in his own name.

17 In other words, his wealth is again
18 controlled by another foundation, and so that you end up
19 in the same box. And it all leads back. But the
20 foundation in control of his wealth is really HSBC Bank
21 again. But it's not -- and it's a Hilfreich Stiftung
22 again, but the managers are resided in the Isle of
23 Jersey offshore rather than Zurich because Jersey is
24 simply closer and easier to communicate with.

25 So if you look at the hotels that are in

1 London, those are owned by ultimately a stiftung
2 administered in Jersey. So it's the same kind of
3 structure, a few more companies, but it amounts to the
4 same thing. You have got a control group that is HSBC
5 Bank that controls companies that control the cash and the
6 assets.

7 The director, the managing director of the
8 HSBC Jersey -- I'm sorry, I got that wrong. It's not HSBC
9 at all. It is Royal Bank of Canada Jersey actually came
10 to London and met with the investigators and set out what
11 the whole structure was and described how it all works and
12 so forth. So I think they spent half a day with him. It
13 is Andrew Dillahay from Jersey that's responsible for that
14 aspect of the business.

15 MEMBER SCHERER: I guess it is my
16 understanding that what Mr. Lalji and his brothers filed
17 were personal history disclosure, not a full application.
18 So the full investigation has not been done on them.

19 I guess when you boil through all the legal
20 technicalities, ultimately I see at least Mr. Shiraz Lalji
21 as being the ultimate beneficiary and having the ultimate
22 control at least at this point in time. He may be joined
23 by his brothers in that at some point in the future, but
24 at this point in time he is the one with that control and
25 the beneficial interest.

1 I guess I'm somewhat uncomfortable not having
2 done a complete investigation of him. As the Chairman
3 said, there has been some background work done, and
4 certainly there's nothing derogatory that's appeared that
5 waves a red flag at us, but nevertheless, anyone else in
6 this position we would typically require a licensure ahead
7 of time. And I understand the concern about the bank and
8 not wanting to put the bank through the full licensing
9 procedures, and your analogy to our trust provisions that
10 allow for exemptions of certain banks in trust situations.
11 And I think perhaps we can get past that. But I'm having
12 difficulty getting past not licensing the ultimate control
13 and the ultimate beneficial interest.

14 MR. ALSTON: Do you have the same discomfort
15 if he agrees that -- oh, I see. I guess we have already
16 suggested that he would essentially freeze things the way
17 they are today and agree to that. I'm just not sure what
18 more of an investigation would be required of him than has
19 already been done.

20 MEMBER SCHERER: I know you did the personal
21 financial questionnaire. So you know what kind of
22 information you had to provide.

23 MR. ALSTON: He also did the same.

24 MEMBER SCHERER: That was not my
25 understanding from the staff.

1 MR. SAYRE: Well, the paperwork was filed.
2 Of course, there was due diligence done and a review and
3 questions with regards to these structures. We understand
4 it's not absolute magic.

5 But what you didn't do in the investigative
6 process is penetrate through these trusts or into these
7 stiftungs in terms of how their investments are made, how
8 they were funded. When you peel the layers to that onion
9 back and take a real close look in terms of how this
10 wealth was generated, that was not done.

11 MR. ALSTON: How the wealth was generated in
12 Canada? Is that what we didn't --

13 MR. SAYRE: Well, I mean the issue is, you
14 can have conversations and you can discuss these things,
15 but the Board and the Commission have always taken the
16 position to trust but verify, and you go in and you take a
17 look deeply into the organization internationally.

18 MEMBER SCHERER: I guess that's the issue,
19 and I certainly don't mean to cast any aspersions at
20 Mr. Lalji, because as I said, there is certainly nothing
21 in the investigation that indicates that there is any
22 problem with his background. But I just think it creates
23 a bad precedent for us if we start to allow this kind of
24 arrangement without taking an in-depth look at the person
25 who is in the ultimate control. If this were a different

1 person with different issues, and again, this is not
2 directed at Mr. Lalji --

3 MR. ALSTON: Sure.

4 MEMBER SCHERER: -- but someone with
5 organized crime affiliations, for example, if we have
6 created this precedent where we're not going to look at
7 him in-depth, a lot of times organized crime affiliations
8 aren't seen on the surface. That's why we do the in-depth
9 review. That's why we penetrate into the finances, where
10 is the source of funds, how is the business being
11 operated, are there illegal activities going on.

12 I don't have any reason to believe that
13 that's the case with Mr. Lalji, and I'm not suggesting
14 that it is. I'm simply suggesting that if we allow him to
15 escape licensure, then we may put ourselves in a position
16 to allow others, who we have more concerns about, to
17 escape licensure in the future.

18 MR. ALSTON: It's certainly not our goal here
19 to put the Board in a position where it's making an
20 exception which would be detrimental to your process in
21 the future. Mr. Lalji is perfectly willing to undergo
22 whatever scrutiny the Board feels is appropriate or
23 requires.

24 My only confusion, and the source of my
25 comment, was I just didn't know how far, how much

1 investigation had been done, and I assumed wrongly
2 obviously, that we had done -- that the Board had done
3 more checking than perhaps it has done.

4 MEMBER SILLER: While it looks like we're
5 very very close, I mean, we have a good feel for the
6 investigation, we're probably just a financial and months
7 away from completing it, and that would seem to satisfy,
8 at least from my perspective, a lot of the regulatory
9 requirements and issues that we discussed here. Next step
10 is where do we go from here?

11 CHAIRMAN NEILANDER: And I appreciate your
12 comments about not wanting to put the Board in a position
13 of setting a precedent that might in the future be
14 detrimental to the process. As Mr. Scherer said, I am
15 comfortable that we have a complete picture of how this
16 organization functions all the way up, and the fact that
17 the bank is involved and certain bank employees in terms
18 of just managing the assets, I don't believe there is a
19 need for us to license them in positions at holding
20 companies, which the law appears to allow the Board and
21 Commission discretion in that area. And I think it's
22 appropriate to exercise that discretion in this particular
23 fact setting.

24 I guess the second question then becomes, do
25 we go forward in some sense with the application today

1 conditioned that Shiraz file a full application and
2 complete that process that's already been started, or do
3 we wait until that second step is done and then come back
4 and put the whole thing on.

5 Now if we go forward today, I guess we could
6 do it -- there are a couple ways we could do it. You have
7 indicated that the bank documents already limit any
8 upstreaming of dividends past the Hotspur Investment
9 Holdings level. And that term is another three years on
10 the bank loan. So if we conditioned it that any revenue
11 not flow up past the Hotspur Investment Holdings level, or
12 we could even restrict it to the Hotspur Resorts Nevada
13 level, because that's the level you are at, Mr. Alston,
14 and you certainly control that level, that doesn't seem
15 that it would prejudice you in any way while we complete
16 the investigation. In that way you could get the approval
17 to share in revenue, and it would be effective conditioned
18 that you not upstream the revenue until such time as that
19 investigation is completed.

20 MR. ALSTON: It would be preferable for us if
21 we kept the upstreaming prohibition at the Hotspur
22 Investment Holdings level, at the same level that the bank
23 is at.

24 CHAIRMAN NEILANDER: Because your docs,
25 that's what all your docs have right now?

1 MR. ALSTON: Yes. I guess that's an option.
2 And again, what the bank's documents say is you have got a
3 loan from us for X dollars, and until you pay it off,
4 everything stays in the system under the control of the
5 guarantor. So we always have those assets available. So
6 there is no possibility that one penny of any funds that
7 are generated in the system can go elsewhere because they
8 can't go above Hotspur Investments from the bank's point
9 of view.

10 MEMBER SCHERER: But the ultimate ownership
11 of the property is again the foundation and its
12 beneficiaries.

13 MR. ALSTON: That's correct.

14 MEMBER SCHERER: Every loan payment you make
15 arguably goes to increasing the value of the assets that
16 ultimately are owned by the foundation and its
17 beneficiaries. I guess I'm not, Mr. Chairman, really
18 comfortable with that option.

19 MR. ALSTON: But please bear in mind that if
20 you just stop at the Hotspur Investment Holdings level,
21 besides the property today, the company has 15 or 20
22 million U.S. in cash sitting in an account. The loan
23 payments that the company is required to make to the bank
24 are more than paid by the casino lease payment.

25 So there's not a lot -- I don't think that

1 there's -- certainly for the short term, the time it would
2 take for you to complete an investigation as to Mr. Lalji,
3 there is practically no risk. And that's cash sitting.
4 It also has another 30, 40 million in things that could be
5 sold, short-term securities, hedge fund investments,
6 private equity investments, that could generate more than
7 enough money to pay off the loan, which is why the bank
8 wanted it in the first place as a guarantor.

9 MEMBER SCHERER: So you are suggesting there
10 is not a need for this percentage of gaming revenue for
11 the company to meet its obligations.

12 MR. ALSTON: That, too. And there is also
13 the way -- it's not, in my view again, and this is a
14 practical business view, I don't think there is any risk
15 that the casino will pay upstream profits to the landlord
16 in the next year or two, for sure.

17 MEMBER SCHERER: I guess part of my job is to
18 play what if. And again, without casting any aspersions
19 at Mr. Lalji because there is certainly nothing in what we
20 found to indicate there is any problem. If he were to be
21 found unsuitable --

22 MR. ALSTON: Of course.

23 MEMBER SCHERER: -- we would then have, and
24 we go forward today, and I'm told by the staff that's
25 probably six months down the road before we'd be back on

1 an agenda with Mr. Lalji's application, we would then have
2 the situation where if there were payments in the meantime
3 of gaming revenue, and I don't know what the -- I don't
4 recall the exact formula, but I know there is some cash
5 flow from the casino operation at this point in time.
6 Whether there would actually be any payments, I'm not
7 sure, in the six months. But if there were, we would then
8 have an unsuitable person having benefited from gaming
9 revenue.

10 MR. ALSTON: That's correct. And this may
11 not be apparent from the documents you have had an
12 opportunity to review. But the way the lease works is the
13 casino operates, it generates cash, it pays rent, and then
14 if there is anything left over -- what happened when the
15 casino -- when we bought the property was of course we
16 bought the whole resort, but the gaming laws prevent us
17 from owning any of the gaming equipment or any of the
18 other paraphernalia in the casino. But normally when you
19 start a casino you start it from scratch. You put walls
20 in and put machines in and all the rest of it.

21 And the casino wanted to take advantage of
22 the building, the gaming equipment and all the rest of it.
23 And so -- and there was also a need to invest additional
24 funds because the casino had all kinds of problems and it
25 needed to make capital investments.

1 So the way we set it up was we said casino
2 tenant, you will invest \$10 million in the casino to
3 upgrade it, and we, the landlord, will give you or cause
4 the previous owner of the equipment, because we couldn't
5 of course own the equipment, we would cause the previous
6 owner of the equipment to transfer it directly to you. So
7 now the casino operator owns all the gaming equipment.
8 And we value that at 10 million. And the casino operator
9 invested his own additional 10 million in the casino.

10 So what happens to revenue from the gaming
11 today is it goes to pay expenses and so forth. If there
12 is any profit, the first thing that happens to the profit
13 is that it's really expensed, not shared. So it goes to
14 pay back, it goes to buy the casino equipment that the
15 casino operator currently has and never paid for, and it
16 also goes to reimburse him the expense that he made in his
17 capital investment. So that is 20 million total.

18 I think you might agree that for a casino
19 that's generating somewhere between 35 and 50 million a
20 year, you are not going to generate 20 million of money,
21 in the short term anyway, to pay out to reimburse the
22 casino person for his investment and the landlord for his
23 investment for a couple of years anyway.

24 If you take last year, for example, at the
25 end of the first year of operation the casino made a

1 profit of about 1.2 or .3 million, and the lease says that
2 the profit at the end of the first year at the election of
3 the casino operator could be used to further the business
4 as opposed to being used to pay back capital or split. So
5 what the casino elected to do at the end of the first
6 year, because it's still building the business and paying
7 advertising and buying additional equipment, is he chose
8 not to distribute anything to anybody but just to reinvest
9 in the business. So as we sit today, there has been no
10 distribution.

11 There would be a decision in the next -- I
12 think the casino's anniversary date is April 1st. So it
13 will be April before there will be a decision, if there
14 were revenue to split, it would be April before he would
15 tell us about it, and if he told us about it and if it
16 were less than \$20 million, if -- only if it were more
17 than \$20 million would there be any possibility that an
18 unsuitable person would be the recipient of funds. And
19 you can't possibly generate 20 million in revenue to split
20 on a 40 million gross for a couple years.

21 MEMBER SCHERER: With that, let me suggest
22 perhaps this alternative, and that is that during the time
23 period that we're investigating Mr. Lalji, that the funds,
24 if there are any distributions, that they be escrowed.

25 MR. ALSTON: Absolutely.

1 MEMBER SCHERER: And that if for any reason
2 Mr. Lalji is found unsuitable, that the escrow
3 instructions require them to go back to the licensee,
4 which would be Rampart Resort Management in this
5 particular case.

6 MR. ALSTON: That's perfectly acceptable.

7 MEMBER SCHERER: The odds are you are not
8 going to have any funds to escrow from what you are
9 telling us during the six-month or so period that it is
10 going to take to complete this. I know April 1st you have
11 a deadline coming up to get licensed to receive the
12 percentage of revenue. And I guess that's why I'm willing
13 to go forward with some kind of an option like that today.

14 In the future I would like to see Mr. Lalji
15 or people in his position licensed up front. But this
16 application has been pending for some time now, and I know
17 you have got a deadline coming up, and I guess I'm willing
18 in light of that, those circumstances, to try to
19 accommodate your situation and try and come up with some
20 conditions that will satisfy me at least. I don't know
21 how my colleagues feel about that suggestion.

22 MEMBER SILLER: I'm very comfortable with
23 that.

24 CHAIRMAN NEILANDER: I think we would need --
25 we also would want to condition the foundation, as we

1 discussed already, that there be no changes in respect of
2 the foundation itself without some kind of approval.

3 MR. ALSTON: Both of those are fine.

4 CHAIRMAN NEILANDER: So we're looking at no
5 distributions past the Hotspur Investment level, or do you
6 want to go none at all?

7 MEMBER SCHERER: I'm talking about none at
8 all or having all distributions escrowed until Mr. Lalji
9 is licensed.

10 MR. ALSTON: These are distributions from the
11 casino; correct?

12 MEMBER SCHERER: Of the gaming revenue, yes.
13 I mean, your base rent obviously can continue to be paid.
14 That's not a licensing event.

15 MR. ALSTON: So it would be no distributions
16 of any kind above the Hotspur Investment Holdings Company,
17 and no distributions of casino revenue at all.

18 MEMBER SCHERER: I don't think the first part
19 is necessary. If the gaming revenue is escrowed, that
20 will take care of my concern. What you do with the base
21 rent, I understand that as a practical matter it is
22 probably not going to go above the Hotspur Investment
23 level for some time, but what you really do with that I'm
24 not concerned about, and I don't think we need to have a
25 condition to limit that.

1 CHAIRMAN NEILANDER: Does the initial --
2 again, I recognize there probably is not a likelihood
3 there will be a distribution, but does it go to Hotspur
4 Casino or Hotspur Resorts?

5 MR. ALSTON: It goes to Hotspur Casinos and
6 then to Hotspur Resorts.

7 CHAIRMAN NEILANDER: So we'd want to run that
8 that Hotspur Casino shall escrow any distributions of
9 gaming revenue until such time as Mr. Lalji is found
10 suitable.

11 MR. ALSTON: Failing that event, it would go
12 back to the licensee.

13 CHAIRMAN NEILANDER: And then a reversion to
14 the licensee. And then we'd want to condition it that if
15 there is any change in the persons occupying those
16 positions of directors or members of the advisory board or
17 the foundation board, that they must be submitted to the
18 Board Chairman or his designee for review and
19 administrative approval.

20 MEMBER SCHERER: I'm not really comfortable
21 with the language the staff suggested here for this
22 condition, Mr. Chairman. This 30 days, deemed approved
23 within 30 days, I am not comfortable with. I prefer what
24 Mr. Alston suggested, which is a prior written approval
25 from the Chairman or his designee.

1 And also I'd like to put some language to
2 require a provision of information about the new, any new
3 beneficiaries, directors, members of the advisory board,
4 et cetera, so we can just do a cursory.

5 My understanding, Mr. Sayre, is we did do a
6 cursory review in the local jurisdiction of the bank
7 employees that are going to be involved in managing this
8 foundation?

9 MR. SAYRE: Yes. I mean, we know who they
10 are, and we have gotten a comfort level.

11 MEMBER SCHERER: And I guess I don't think
12 it's fair to put the Chairman in the position of having to
13 make an approval of new directors or employees that are
14 managing this foundation, directors or officers, without
15 having some information about them. Just a name of
16 someone in Zurich is not going to do him a whole lot of
17 good.

18 MR. ALSTON: As a practical matter, again,
19 these are bank employees, they submit resumes, the bank
20 makes a determination that they are suitable because they
21 are handling huge quantities of money for their clients as
22 well. They are in a fiduciary duty to the bank's clients,
23 and the bank's very important clients. So we will get
24 information. If there is a change, we will get the
25 information and submit it, a resume and all the

1 information we can get from the bank to the Chairman, and
2 await his decision.

3 MEMBER SCHERER: That would certainly make me
4 comfortable.

5 CHAIRMAN NEILANDER: Mr. Siller, did you have
6 any other questions?

7 MEMBER SILLER: I'm very comfortable with the
8 direction we're going.

9 CHAIRMAN NEILANDER: What I'm thinking maybe
10 what we ought to do is go ahead and trail this item so we
11 can scrawl out the conditions so we can all look at them
12 and have a chance for you to look at them instead of just
13 trying to do this at the podium. I don't want to miss
14 something, and I want you to have an opportunity to think
15 about it before we go.

16 Mr. Sayre, could you work with the AG,
17 Mr. Meredith, to kind of craft us up something? Do you
18 have any questions, Mr. Sayre, on the three conditions?

19 MR. SAYRE: Just one. With regards to the
20 officer, director positions at the intermediary subsidiary
21 level, I am under the impression we're also going to
22 include that there will be no changes there without some
23 type of a report and/or prior approval, administrative?

24 CHAIRMAN NEILANDER: Well, they are being
25 registered as holding companies. So wouldn't they be

1 required to report that as a matter of law?

2 MR. SAYRE: Well, we went up to the stiftung
3 level and also the advisory committee. Do we want to
4 include those officers and directors?

5 Because I'm not sure whether or not it is
6 mandatory that the officers and directors at the
7 intermediate levels also be synonymous with those that are
8 at the stiftung level. They may not be the same people.
9 They are right now, but I don't know if they have to be in
10 the future.

11 MR. ALSTON: As a matter of course they would
12 be the same people.

13 CHAIRMAN NEILANDER: Well, it wouldn't hurt
14 to just run the condition to the whole line. Mr. Sayre,
15 there was some suggested language in our materials on page
16 31. You would want to strike that last sentence, and in
17 its place insert that the Hotspur Resorts Nevada shall
18 provide whatever information is requested by the Board
19 Chairman or staff in connection with the request for
20 approval. And then insert the word "prior" in the
21 previous sentence so it is a prior administrative
22 approval.

23 MEMBER SCHERER: I have been scribbling as we
24 have gone, Mr. Sayre, if you want to grab my notes.

25 CHAIRMAN NEILANDER: I think that should do

1 it. So we will have the three conditions.

2 MEMBER SILLER: Mr. Chairman, repeat the
3 three. I thought we struck one. We were talking about
4 the profits and revenue generated, and the foundation,
5 changes in structure and personnel. What is the third
6 one?

7 CHAIRMAN NEILANDER: Well, the third part of
8 that is if for some reason there is not a finding of
9 suitability, that any funds that are escrowed are to be
10 returned to the Nevada licensee as a condition. So that
11 just would happen pursuant to the condition.

12 MR. ALSTON: So there are really two. It's
13 part of the first one says the money goes back if there is
14 not a finding of suitability for Mr. Lalji.

15 MEMBER SILLER: Not to complicate things but
16 if the money goes back, doesn't the unsuitable person
17 still benefit?

18 CHAIRMAN NEILANDER: Well, the money goes
19 back to the licensee, not to -- it goes back to Rampart,
20 to Paulos's group.

21 MEMBER SILLER: To do whatever they want? It
22 is not part of this paying off of equipment?

23 MR. ALSTON: Again, that is not a licensing
24 event. That is just a repayment of debt in effect.

25 CHAIRMAN NEILANDER: Because if we get in

1 that situation, we're going to have a bigger problem than
2 that money, because we're going to have a landlord who is
3 unsuitable.

4 MEMBER SILLER: I'm fine with that.

5 CHAIRMAN NEILANDER: I don't expect we're
6 going to get in that situation, but I think we do need to
7 follow through with these protections in order to set up
8 essentially a blueprint. If something like this comes
9 forward again, we will have a comfort level that we have
10 handled it this way, and it won't set any kind of
11 precedent in the future that we find ourselves back up
12 against the wall with.

13 Mr. Sayre.

14 MR. SAYRE: Just for clarity, Mr. Chairman,
15 on those suggested conditions, that first paragraph has
16 some import to it. Is that still to be included?

17 MEMBER SCHERER: I would think so.

18 CHAIRMAN NEILANDER: The preferred shares
19 need to be redeemed?

20 MEMBER SCHERER: That is not an issue we have
21 talked about, but we assumed that was something that the
22 applicant was agreeable to doing.

23 MR. ALSTON: Yes.

24 CHAIRMAN NEILANDER: That is the preferred
25 shares that were issued to Resort of Summerlin, that you

1 are going to go ahead and redeem those.

2 MR. ALSTON: Yes.

3 CHAIRMAN NEILANDER: That needs to be
4 included. Anything else?

5 MEMBER SCHERER: Because again, we have not
6 reviewed them as shareholders or put them on the agenda as
7 shareholders. So if we are not going to license them as
8 shareholders, they need to be taken out of the picture.

9 MR. SAYRE: That issue was surfaced through
10 the investigative process, and I think that the applicant
11 and counsel are aware that that would have to be done.
12 Otherwise, we would have to proceed with some type of a
13 finding of suitability.

14 MR. ALSTON: Right. We understand that.

15 CHAIRMAN NEILANDER: Anything else,
16 Mr. Siller?

17 MEMBER SILLER: No.

18 CHAIRMAN NEILANDER: Mr. Scherer?

19 MEMBER SCHERER: No. I think that should
20 take care of it.

21 CHAIRMAN NEILANDER: Great. Why don't we
22 trail this item, and we will get some language drafted up
23 so everybody can take a look at it, and I'll bring this
24 back on when that language is ready. Thank you.

25 MR. ALSTON: Thank you.

1 CARSON CITY, NEVADA, WEDNESDAY, DECEMBER 3, 2003

2 11:47 A.M.

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4 **1. N03-0437**
5 **HILFREICH STIFTUNG**

6 CHAIRMAN NEILANDER: Why don't we go back on
7 the record. Madam Secretary, we trailed Item No. 1, and
8 we now have some language that the staff has been working
9 on with the applicant, and Mr. Curran, have you had a
10 chance to review the language?

11 MR. CURRAN: Yes, sir, we have.

12 CHAIRMAN NEILANDER: Do you have any
13 suggested changes at this point?

14 MR. CURRAN: No, we're happy with it as it's
15 proposed.

16 CHAIRMAN NEILANDER: We have got a couple
17 things I think we need to amend. So why don't we start
18 with condition number 1.

19 I think, Mr. Scherer, do you want to handle
20 the motion? Why don't you go through it on your document.

21 MEMBER SCHERER: On condition number 1, with
22 this particular type of license we don't actually issue a
23 license. So the language should probably be that "the
24 license shall not be effective until Hotspur Resorts
25 Nevada preferred shares." Instead of "the license shall

1 not be issued," it would read that "the license shall not
2 be effective."

3 CHAIRMAN NEILANDER: Mr. Curran, any problems
4 with that?

5 MR. CURRAN: No, sir.

6 CHAIRMAN NEILANDER: Okay. I think that is
7 all I had on 1. Do you have anything else on 1?

8 MEMBER SILLER: No.

9 CHAIRMAN NEILANDER: How about number 2?

10 MEMBER SCHERER: On number 2 I have got
11 several changes. First of which after the "Hilfreich
12 Stiftung" in line 2 there, I have just defined that as
13 "foundation" in parenthesis and quotes. So we can refer
14 to it as foundation from that point forward.

15 CHAIRMAN NEILANDER: It is a lawyer thing.

16 MEMBER SCHERER: And then if we go down to
17 the third line, the very beginning of the third line we
18 had "directors of Samoa Investment Assets, Inc." And I
19 realize that these companies that are listed at this time
20 do not have officers, but I thought perhaps we should add
21 "officers or directors" in case they decide to add
22 officers in the future.

23 And I thought we should add in then in this
24 list of companies, also add the other holding company,
25 which is Hotspur Resorts Nevada, Inc. I realize we have

1 got Mr. Alston by this application requesting licensure as
2 the only officer and director of that company, but should
3 that change I think we'd certainly want to be notified of
4 that and have that included in here. Because that is
5 still a holding company, Hotspur Casinos Nevada Inc., will
6 be the licensee. So we'd add Hotspur Resorts Nevada,
7 Inc., to the list of companies there.

8 And then keeping with the definition earlier,
9 I would replace "Hilfreich Stiftung" with "foundation."
10 So it would be "foundation beneficiaries." That is in the
11 fourth line of condition number two.

12 CHAIRMAN NEILANDER: And then after
13 "beneficiaries," I think we need to strike "shall be
14 made." That is just an extra phrase. It refers back to
15 that there be no change in the persons, and then if you go
16 down, without "shall be made," it just says "without the
17 prior written approval."

18 MEMBER SCHERER: I think we have a minor
19 typo, that would be the sixth line, I guess, which should
20 be "Hotspur Casinos," plural, is the name of the
21 applicant, I think. At least that is what we have got.

22 CHAIRMAN NEILANDER: That is what the title
23 page says.

24 MEMBER SCHERER: That is all I had in
25 condition number two.

1 CHAIRMAN NEILANDER: Do you have any
2 objection to those in condition two?

3 MR. CURRAN: No problem.

4 CHAIRMAN NEILANDER: Mr. Siller.

5 MEMBER SILLER: No objections.

6 CHAIRMAN NEILANDER: Let's do condition
7 three.

8 MEMBER SCHERER: Condition three is the same
9 issue as condition one, which is that "the license shall
10 not be effective" as opposed to "issued."

11 CHAIRMAN NEILANDER: Anything else in
12 condition three?

13 MR. CURRAN: Not from us.

14 CHAIRMAN NEILANDER: Condition four.

15 MEMBER SCHERER: Condition four, the only
16 change I had, and this is in the third line, "is found
17 suitable in the capacity of advisory board member," and
18 add the word "beneficiary." While I understand he doesn't
19 intend to take any distributions from the foundation, he
20 is at this point the beneficiary of it.

21 MR. CURRAN: That's fine.

22 CHAIRMAN NEILANDER: No objection to that?

23 MR. CURRAN: No objection.

24 CHAIRMAN NEILANDER: Okay.

25 MEMBER SCHERER: It is my understanding these

1 are all the conditions, these incorporated the staff's
2 suggested conditions with some changes.

3 MR. SAYRE: That is correct.

4 CHAIRMAN NEILANDER: I don't believe there
5 are any other outstanding conditions.

6 MEMBER SCHERER: If you are ready for a
7 motion.

8 CHAIRMAN NEILANDER: Let's see if there are
9 any additional questions on the application before we go
10 forward. Mr. Siller, did you have anything else?

11 MEMBER SILLER: I have no additional
12 questions.

13 CHAIRMAN NEILANDER: Mr. Scherer, are you
14 ready to go?

15 MEMBER SCHERER: I'm ready to go.

16 CHAIRMAN NEILANDER: Why don't we try a
17 motion.

18 MEMBER SCHERER: Mr. Chairman, with regard to
19 Nonrestricted Item No. 1, N03-0437, I would move for
20 approval conditioned: that the license shall not be
21 effective until the Hotspur Resorts Nevada, Inc.,
22 preferred shares held jointly by the Resort at Summerlin,
23 LP, and the Resort at Summerlin, Inc., are redeemed and
24 proof of redemption submitted to the Investigations
25 Division for review and administratively approved by the

1 Chairman of the Gaming Control Board;.

2 Condition number two, that there be no change
3 in the persons in the positions of board member of
4 Hilfreich Stiftung, open parentheses, quote, "foundation,"
5 close quote, close parentheses, members of the foundation
6 advisory board, or officers or directors of Samoa
7 Investment Assets, Inc., Hotspur Investment Holdings,
8 Inc., Hotspur Global Limited, Hotspur Resorts Nevada,
9 Inc., and foundation beneficiaries without the prior
10 written approval of the Gaming Control Board Chairman or
11 his designee; Hotspur Casinos Nevada, Inc., shall provide
12 any information requested by the Board Chairman or his
13 designee regarding any current or proposed beneficiaries,
14 directors, members of the advisory board and directors of
15 the foundation requested in connection with this
16 approval;.

17 Condition number three, that the license
18 shall not be effective until such time as Shiraz Lalji has
19 filed an application for a finding of suitability as a
20 member of the advisory board and beneficiary. I missed it
21 there earlier.

22 Condition number four, that all gaming
23 revenues shared with Hotspur Casinos Nevada, Inc., from
24 Rampart Resort Management, LLC, will be escrowed until
25 Shiraz Lalji is found suitable in the capacity of advisory

1 board member and beneficiary. In the event that Shiraz
2 Lalji is found unsuitable, all escrowed gaming proceeds
3 will be returned to Rampart Resort Management, LLC.

4 Hopefully I was slow enough with that, Eric.

5 CHAIRMAN NEILANDER: Any questions on the
6 motion?

7 MEMBER SILLER: I have no questions.

8 MEMBER SCHERER: Just one comment. We have
9 required Hotspur Casinos Nevada, Inc., to provide
10 information requested by the Board Chairman. This is in
11 condition number two. Obviously, we have a number of
12 registered holding companies here, and since they are
13 registered in the state of Nevada, we would expect that
14 they would cooperate with Hotspur Casinos Nevada, Inc., at
15 providing the necessary information, and that one of the
16 holding companies was unwilling to provide the information
17 is not going to be an acceptable reason for not complying
18 with the condition.

19 MR. ALSTON: They will all cooperate.

20 MEMBER SCHERER: Thank you.

21 CHAIRMAN NEILANDER: And before we take a
22 vote, I just had a comment. We didn't really talk about
23 Mr. Alston's background. He is a personal applicant
24 before us today.

25 But I just wanted to say I was very impressed

1 by his appearance today as well as throughout the course
2 of the investigation. He is an individual that I think I
3 would take pride in welcoming to Nevada and didn't have
4 any regulatory concerns at all. We didn't get into that
5 side of the application at all, but I just wanted for the
6 record to reflect that is the reason.

7 MR. ALSTON: Thank you, Mr. Chairman.

8 MEMBER SILLER: No, I echo those comments,
9 Mr. Chairman, exceptional background, and the other issues
10 just overshadow that. But welcome to Nevada.

11 MR. ALSTON: Thank you so much.

12 MEMBER SCHERER: I would agree, that very
13 bright, capable, obviously very experienced individual
14 who's been very successful in his career and has a very
15 clean background. The kind of applicant we certainly like
16 to see here.

17 CHAIRMAN NEILANDER: Further questions or
18 comments? Madam Secretary.

19 SECRETARY EPLING:

20 MR. SCHERER: Aye.

21 MR. SILLER: Aye.

22 MR. NEILANDER: Aye.

23 CHAIRMAN NEILANDER: Thank you and good luck
24 to you.

25 MR. CURRAN: Thank you very much. We
appreciate it.

STATE OF NEVADA,)
) ss.
COUNTY OF WASHOE.)

I, ERIC V. NELSON, Certified Shorthand Reporter and a notary public in and for the County of Washoe, State of Nevada, do hereby certify:

That I was present at the meeting of the STATE GAMING CONTROL BOARD on Wednesday, December 3, 2003, and thereafter took stenotype notes of the proceedings, and thereafter transcribed the same into typewriting as herein appears;

That the foregoing transcript is a full, true and correct transcription of my stenotype notes of said proceedings.

Dated at Reno, Nevada, this 7th day of December, 2003.

ERIC V. NELSON, CCR #57