

## OutFront

# With Friends Like These

Stephane Fitch and Matthew Miller 03.24.08, 12:00 AM ET

### **The Mohegan tribe wants to expand its casinos nationally. Maybe it shoulda stayed home.**

Any business has to be careful about bedmates, but perhaps none more so than companies in the highly regulated gaming industry. Just ask the Mohegan tribe, which runs a 300,000-square-foot gambling den in Connecticut.

The tribe's plans to expand beyond the Mohegan Sun casino are getting close scrutiny at a time when the weak economy and new casino rivals in the Northeast are slamming receipts. Last month Moody's warned that it would downgrade the tribe's \$1.2 billion in corporate bonds if its handful of ventures to develop gaming operations outside the state fail to turn profits. So far just one of the Mohegans' ventures, a \$580 million purchase and redevelopment of the Pocono Downs harness-racing track in Pennsylvania is up and running with slot machines and off-track betting windows.

But more headaches await the Mohegans, thanks in part to their erstwhile and current partners. Among them:

**Sol Kerzner**, the South African resort developer. In 1999 he and his partner relinquished control of the casino and a cut of net income in exchange for 5% of Mohegan Sun's gross win until 2014. New tribal chairman Bruce "Two Dogs" Bozsum now watches helplessly as Kerzner uses the \$35 million a year he reaps from the Mohegan Sun to push a \$1 billion casino development south of Boston with the Mashpee Wampanoag tribe in Massachusetts. The Sun depends on Massachusetts players for 20% of its revenue. "It's disheartening," says Bozsum, who has tried to buy Kerzner out of the costly deal. "In 2014 there will be a new holiday for the tribe."

**Dennis Troha**, a Wisconsin developer. He was the Mohegans' partner in a plan to build an \$800 million casino on the Dairyland Greyhound Park in Kenosha, Wis. Troha pleaded guilty in federal court last year to trying to hide \$100,000 in illegal campaign donations to state and county officials who might shepherd the project through the legislature. Mohegan Tribal Gaming Chief Executive Mitchell Etes says the company was unaware of Troha's corruption and has bought out his interest in the Kenosha development. The Mohegans have written off \$3.5 million of the roughly \$7 million they've invested in the project, but they plan to push ahead.

Developer **Leon Dragone**. The Mohegans aim to build a casino on 150 acres of land in Palmer, Mass. owned by Dragone. He's been sued twice by investors who claimed he defrauded them in deals involving gambling. He was ordered to pay restitution in one case and settled the second for undisclosed terms. Mohegan's Etes says Dragone is merely the landowner and would play no role in the casino.

Bookmaker **Karl O'Farrell**. His Australian company, Capital Play, is an investor in the Mohegans' venture to install video lottery machines at the Aqueduct racetrack project in New York City's Borough of Queens. O'Farrell previously had extensive business dealings with William and Robert Waterhouse, who served a 14-year ban from horse racing in Australia because of their alleged role in a horse-switching scam. Mohegan's Etes says O'Farrell's connection to the Waterhouses has already been vetted and cleared by New York's inspector general. The Waterhouses have no connection to the New York venture today.

Bozsum insists he's confident the off-the-reservation ventures will pay off in the end, even if a recession further complicates plans. "We'll get product for less and we'll get labor for less," he says.