

O'Donnell & Associates PC

TRIAL LAWYERS

550 SOUTH HOPE STREET
SUITE 1000
LOS ANGELES, CALIFORNIA 90071

TEL 213.347.0290
FAX 213.347.0299
WWW.OSLAW.COM

November 18, 2009

VIA FEDERAL EXPRESS

Mr. Dennis K. Neilander
Chairman
Nevada Gaming Control Board
1919 College Parkway
Carson City, Nevada 89706

Re: **Terrance Watanabe's Complaint Against Harrah's Entertainment, Inc., Caesars Palace and The Rio, Las Vegas, Nevada**

Dear Mr. Neilander:

We represent Terrance Watanabe, who was a patron of three major Harrah's casinos in 2006 and 2007. As detailed below, Mr. Watanabe and these casinos became embroiled in late 2007 in a dispute over whether Mr. Watanabe owed them money or whether they owed him money. Rather than resolve this dispute through negotiation or civil litigation, these casinos secured Mr. Watanabe's indictment for allegedly passing bad checks and fraud. Mr. Watanabe is vigorously defending himself in the pending criminal case in which our law firm serves as defense counsel along with Daniel Albrechts. We also represent Mr. Watanabe in connection with the Harrah's civil dispute.

The purpose of this letter is to request that the Nevada Gaming Control Board (the "Board") initiate a formal proceeding against Harrah's Entertainment, Inc. ("Harrah's"), and more specifically Caesars Palace ("Caesars") and The Rio All Suite Hotel and Casino (the "Rio") ("Harrah's casinos"), which are licensed and regulated by the Nevada Gaming Commission (the "Commission") and the Board. As detailed below, both casinos have violated numerous gaming regulations and Nevada statutes governing or relating to their conduct with regard to Mr. Watanabe.

The Nevada Administrative Code ("NAC"), the Regulations of the Commission and Board ("Regulation"), Nevada Revised Statutes ("NRS") and Rules and Policies of the American Gaming Association ("AGA") govern and regulate the conduct of the

Mr. Dennis K. Neilander

November 18, 2009

Page 2 of 24

casinos operating in the State of Nevada. In addition, the Harrah's casinos have acknowledged their legal duties to patrons like Mr. Watanabe in statements on their websites and in judicial proceedings.

Mr. Watanabe submits the following information to facilitate the Board's investigation into reprehensible acts by Harrah's that violate Nevada state law, Nevada Gaming Regulations, and the Harrah's casinos' and the AGA's responsible gaming policies. As detailed below, the Harrah's casinos, with the full knowledge of senior management, continuously served massive amounts of alcohol to Mr. Watanabe when he was intoxicated and they knew that he had a severe drinking problem; repeatedly gave him prescription pain killers (without a doctor's diagnosis or prescription) that combined with alcohol rendered him utterly intoxicated and unfit to gamble; encouraged him to gamble (often without sleep and while he was barely conscious) when the casinos knew that he was a chronic problem gambler and intoxicated; engaged in predatory credit extension practices; cheated him out of millions of dollars; filed false statements with the Clark County District Attorney's Office that caused his indictment; and have engaged (and continue to engage) in a systematic cover-up of their illegal activities. If there were ever a case for the Commission to take prompt, decisive disciplinary action against licensees, this is the one.

I. RELEVANT FACTS

A. Harrah's Recruits Mr. Watanabe

Mr. Watanabe's substantial play at Harrah's casinos began in 2003, when he played at several Harrah's-owned casinos in Iowa and Lake Tahoe. Harrah's hosts at the Iowa casinos encouraged Mr. Watanabe to play at the Rio and other Harrah's-owned casinos in Las Vegas. In 2004, the amount of Mr. Watanabe's play at Harrah's casinos increased significantly, with the majority of his gaming still occurring at Harrah's-owned casinos in Iowa. Then, Mr. Watanabe's play at Harrah's casinos (most of which occurred at the Rio in Las Vegas) rose dramatically in 2005, whereby he began devoting himself to gambling full-time as his primary income and livelihood source. Indeed, that year, his total wagering volume/play at Harrah's casinos was \$4.2 million, increasing to \$81.2 million in 2006 and peaking at \$825.4 million in 2007.

In 2006, Mr. Watanabe split his time mainly between Harrah's casinos and the Wynn casino. By late 2006, he was residing at the Wynn, but primarily gambled at Harrah's casinos. During that time, he showed serious signs of alcohol and gambling addiction.

Starting in January of 2007, Mr. Watanabe was spending 80% of his time at Caesars and the other 20% between the Rio and Wynn casinos. In early June 2007, Steve Wynn, CEO of the Wynn Las Vegas casino, personally met with Mr. Watanabe and cut

him off from further gambling at the Wynn. Within hours, news of the meeting spread throughout the Las Vegas casino industry, including to all Harrah's casinos.¹

Mr. Watanabe met with Wilson Ning the day of his arrival at the Rio Hotel in June 2007. Mr. Ning was a Harrah's marketing executive and served as Mr. Watanabe's host for purposes of his gambling at Harrah's casinos. Mr. Watanabe confirmed to Mr. Ning that he would no longer be gambling at the Wynn casino due to a "falling out" with Steve Wynn. Mr. Ning told Mr. Watanabe that Harrah's would offer him substantially more advantageous arrangements than the Wynn with respect to player "comps"/rebates and other incentives.

After a few days at Rio, Mr. Watanabe left Las Vegas for a cruise with his family, but immediately returned and relocated to a suite at Caesars. Although Mr. Ning worked primarily at Rio, he continued to be Mr. Watanabe's host at Caesars. Mr. Watanabe resided and gambled at Caesars nearly non-stop from June 2007 to December 12, 2007. Gambling was Mr. Watanabe's primary daily activity, spending almost all of his time on the casino floor or in his hotel room.

B. Caesars Plied Mr. Watanabe with Alcohol and Prescription Drugs

During Mr. Watanabe's stay at Caesars, the casino's employees and management provided Mr. Watanabe with an endless flow of alcohol. Raymond Williams was the exclusive bartender for Mr. Watanabe who handled his drinks. Caesars even specially ordered a particular brand of expensive vodka, *Jewel of Russia*, exclusively for Mr. Watanabe, thereby making it possible to track and quantify the amount of alcohol served to him. Per security guard George "Judge" Denton, from approximately July 2007 to December 2007, Caesars served Mr. Watanabe two to three 750ml bottles of *Jewel of Russia* vodka *per day, every day*. No Caesars employee ever limited or cut off Mr. Watanabe's drinking, despite the fact that he was almost always visibly, severely intoxicated when he was being served while gambling.

On at least one occasion at Caesars in 2007, a concerned companion of Mr. Watanabe, Stuart Mitchell, pulled aside his cocktail waitress and pled with her to water down Mr. Watanabe's drinks. The cocktail waitress refused and curtly responded, "Terry gets whatever he wants."

¹ Realizing that Mr. Watanabe was a compulsive gambler and alcoholic, Steve Wynn personally asked Mr. Watanabe to leave the Wynn casino after having lost \$21 million, and with \$5 million in outstanding markers (which were paid). In stark contrast, Harrah's, with full knowledge of the incident at Wynn and as detailed below, nonetheless chose to cultivate and exploit Mr. Watanabe's addictions to the tune of \$112 million in net gambling losses, and allowing up to \$17 million in outstanding markers at various times in the fall of 2007.

As witnessed by Caesars employee Chris Corso, Mr. Watanabe had at least two drinks at his table at all times so that he could be kept in a constant state of intoxication while gambling. Indeed, again according to Chris Corso, Mr. Watanabe's photographs were posted in the employees-only section of the casino in order to ensure all employees recognized him and never refused him anything. Caesars employees never attempted to limit or cut off Mr. Watanabe's drinking or restrict his gambling because they understood that any interference with his drinking or gambling could cost them their jobs.

C. Senior Harrah's Executives Were Aware Of Mr. Watanabe's Excessive Gambling While Constantly Intoxicated

Senior Harrah's executives were well aware of Mr. Watanabe's constant and severe state of intoxication while gambling. Don McNally, former Security Shift Supervisor at Caesars who worked closely with Mr. Watanabe, has stated that Dave Bennett, former Chief of Security at Caesars, knew about Mr. Watanabe's chronic intoxication and impairment. The situation was so bad that Mr. Bennett even sent an e-mail to McNally around Thanksgiving of 2007 stating that Harrah's security could no longer accompany Mr. Watanabe off-premises and that everyone should keep their distance.

In 2007, Gary Selesner, President of Caesars, met with and instructed a security guard employed by Caesars and assigned to work exclusively with Mr. Watanabe that he was to ensure Mr. Watanabe was provided whatever he wanted so that he would remain at Caesars and continue gambling. The security guard understood this as a warning that he was not to interfere with Mr. Watanabe's alcohol intake or reckless, compulsive gambling. During that time period, Gary Selesner reported directly to Tom Jenkins, Harrah's Western Division Vice President, who in turn reported directly to Gary Loveman, the CEO of Harrah's.

Accordingly, the highest levels within Caesars and Harrah's executive hierarchy were privy to the constant monitoring of Mr. Watanabe, his excessive drinking, constant intoxication, acute gambling addiction, and staggering wagering and stupendous losses. In 2007, Brian Ogden, a companion of Mr. Watanabe, was approached by Gary Selesner and questioned regarding Mr. Watanabe's gambling and alcohol problem. Khristian Kunder, a Caesars floor supervisor, also acknowledged upper management's knowledge of Mr. Watanabe's conspicuous incapacity.

During his stay at Caesars Palace in 2007, Mr. Watanabe was continuously surrounded by Caesars supervisors and employees, including security guards Kevin Mounts, George "Judge" Denton, and Clint Makely (currently a Security Supervisor at Caesars), such that he was under almost non-stop personal and/or electronic surveillance.

Several casino and floor managers were assigned to “handle” Mr. Watanabe, including Al Deleon and Khristian Kunder, with new positions created especially for that purpose. Mark Collingbourne, Caesars Casino Manager on swing shift and Jimmy Wike, Vice-President of Table Games, put Khristian Kunder on “standby” for all of 2007 to work with Mr. Watanabe whenever he would come down to gamble. The purpose and effect of this “security” was not to protect Mr. Watanabe, but, rather, to control his every movement, ensuring that he remained on the premises and gambling steadily at Caesars or other Harrah’s properties. Thus, if Mr. Watanabe was absent from the casino floor for some period of time, the “handlers” would call and visit his hotel room so as to steer him back onto the casino floor.

D. Caesars Exploited Mr. Watanabe’s Back Injury

In or about September 2007, Mr. Watanabe was injured when he slipped and fell on a wet marble floor in his room at Caesars. When a handler called Mr. Watanabe’s room to inquire about his absence from the casino floor, Mr. Watanabe explained he had fallen and injured his back. Given the cordial nature of Mr. Watanabe’s relationship with Harrah’s, Mr. Watanabe did not even consider filing any premises liability or personal injury claim against Harrah’s, his innkeeper.

Instead, Mr. Watanabe requested Tylenol or aspirin for the pain, but instead was brought Lortab pills—a powerful prescription-only narcotic pain killer. Mr. Watanabe had neither a prescription for Lortab nor had he been examined by a doctor in connection with the receipt of Lortab from the Caesars employees. Mr. Watanabe was not initially aware of the identity or effects of these pills.

Because Mr. Watanabe would be drinking when he took the pills, he became instantly and severely intoxicated, much worse than ever before. In this regard, it must be noted that Caesars supplied these prescription medications to Mr. Watanabe at no cost and without ever procuring any doctor’s prescription—indeed, without even allowing Mr. Watanabe to be physically examined by a physician. Given Mr. Watanabe’s already debilitated physical condition, especially with respect to the steady flow of alcohol supplied to him by Harrah’s, this reckless treatment by Harrah’s could have easily caused a dangerous drug interaction that could have caused further physical injury to Mr. Watanabe or his death.

For several months, the same Caesars handler, as well as other Caesars employees—specifically, hosts, floor persons and supervisors (Khristian Kunder and Al Deleon)—thereafter continued to supply Mr. Watanabe with large quantities of Lortab pills. Caesars employees provided Mr. Watanabe large volumes of alcohol and large quantities

of prescription pills in their capacities as employees of, and for the benefit of, Caesars and Harrah's — and with their senior management's knowledge and approval.

On one occasion, Mr. Watanabe's companion, Stuart Mitchell, witnessed a Caesars casino floor employee, a pit boss, slip something into Mr. Watanabe's jacket pocket while Mr. Watanabe was gambling. Mr. Watanabe confirmed to his companion that the floor employee had slipped prescription pills into his pocket.

Another security guard, Kevin Mounts, asked to be relieved of his detail as security for Mr. Watanabe because he wanted to join the police force and did not want to be involved with the issues surrounding Mr. Watanabe. Thereafter, George "Judge" Denton, Security Guard and an employee of Caesars, was assigned to work exclusively with Mr. Watanabe. Denton was warned by his supervisors that Mr. Watanabe had "issues."

After his second day of working with Mr. Watanabe, Mr. Denton reported Mr. Watanabe's extreme drug and alcohol use to his supervisors (specifically to Julie Babbs and Clint Makely), but he was told to look the other way and that nobody at Caesars was to deny Mr. Watanabe anything. In late November 2007, Mr. Denton also witnessed a handwritten note left on the inside of Mr. Watanabe's hotel room door, notifying Mr. Watanabe of a new delivery of pills left in his room, with additional pills available upon request. The note was signed by an employee of Caesars, Khristian Kunder.²

E. Caesars Preyed On Mr. Watanabe

Mr. Watanabe was an obvious gambling addict and Caesars and Harrah's senior management made a conscious decision to exploit his well known addiction. Indeed, the evidence is overwhelming that Caesars reprehensibly behaved like a predator stalking, trapping, and consuming its trapped prey. Under no circumstances should Caesars have allowed Mr. Watanabe to gamble at its casino — much less extend him tens of millions of credit.

During the fall of 2007, particularly after Caesars began providing Mr. Watanabe with Lortab pills, his gambling grew more reckless and his addictions more conspicuous.

² Still another Caesars employee working exclusively with Mr. Watanabe noticed a large bag of Lortab pills in the bureau next to Mr. Watanabe's hotel room bed. The same employee also opened a box that was delivered to Mr. Watanabe's Caesars hotel room; that box also contained Lortab pills. On still another occasion, a Caesars employee, Chris Corso, witnessed a supervisor leaving Lortab pills for Mr. Watanabe in a "Gobstoppers" box, which is a type of children's candy. Brian Ogden, a former employee of Harrah's, also witnessed Mr. Watanabe receiving Lortabs from other Caesars employees.

However, Mr. Watanabe was never cut off — not for a minute, an hour or a day — even though his condition was plainly deteriorating on a daily basis. Mr. Watanabe was left in an extreme and near constant state of intoxication due to the combined effect of large volumes of alcohol and massive quantities of prescription pain killers provided him by Caesars employees between September 2007 and December 2007. He was also severely sleep deprived, compounding his chemical dependency and further contributing to his reckless gambling.

On at least one occasion, Mr. Watanabe inadvertently placed bets exceeding the table limit due to his extreme intoxication. If Mr. Watanabe lost, the dealer would sweep the table, taking all bets placed, including the amount over the table limit. If Mr. Watanabe won, the dealer would only pay out based on the table limit.

Furthermore, during the spring of 2007, under the authority of Tom Jenkins, Harrah's Western Division Vice President, Mr. Watanabe was — for the first time during his relationship with Harrah's — given a credit line of \$10 million. Soon thereafter, starting on or about the July 4th weekend, Mr. Watanabe's credit limit was gradually increased, and in or about August 2007 was increased to \$17 million, an amount exceeding Harrah's own limits. Mr. Jenkins did so without making any sort of determination as to Mr. Watanabe's qualifications, despite Harrah's corporate policy regarding extensions of credit and despite actual knowledge of Mr. Watanabe's severe alcohol, drug, and gambling addictions, each of which rendered him incapacitated and unfit to gamble.

These licensees' behavior is morally no less deplorable than drug dealers feeding a heroin addict's deadly habit. Moreover, under Nevada law, the casinos' intentional conduct to induce Mr. Watanabe to gamble—and lose—a fortune is illegal and warrants the most severe sanctions.

F. Caesars Pulled A “Bait and Switch” on Mr. Watanabe

Caesars pulled a “bait and switch” on Mr. Watanabe. The casino lured him to their premises by promising an attractive package of benefits flowing from his gambling there—an offer that was critical to his decision to locate at Caesars. Then, without informing Mr. Watanabe, Caesars unilaterally reneged on its agreement.

In August 2007, Mr. Ning, Harrah's marketing executive, admitted to Mr. Watanabe in the presence of Mr. Jenkins that the terms of his compensation and incentive program had been secretly changed by Harrah's top executives, including Tom Jenkins, *several months earlier*, without notifying or informing Mr. Watanabe. Mr. Watanabe's negotiated agreement with Harrah's, originally agreed upon in November 2006, included the following valuable benefits:

- (1) Personal transportation;
- (2) A dedicated security officer;
- (3) High Limit Table Supervisors to service Mr. Watanabe;
- (4) Private roulette table behind curtains for privacy;
- (5) Slot machines moved to private areas (\$25 multi-line slot machines);
- (6) Discount/Airfare that was initially deducted from his marker account at \$12,500 per month, but starting in January 2007 was increased to \$15,000 per month;
- (7) Deferred marker payment terms between 60 and 90 days (at least 60 days granted, but if Mr. Watanabe requested additional time proper arrangement would be made by Mr. Wilson Ning);
- (8) Visa card with \$1,000 of credit;
- (9) Gift Shop Points: Mr. Watanabe was to receive \$500,000 to be credited to his marker account as cash value for his gift shop points in November 2006 and his gift shop points for 2007 were to start accumulating on December 1, 2006;
- (10) Mr. Watanabe was to receive 15% cash back on all table losses paid on a monthly basis (based on a monthly \$500K or greater table loss);
- (11) Rewards Credit balance: Caesars agreed to honor \$.75 on the dollar for all his outstanding Reward Credits (*e.g.*, \$738,073 x \$.75 = \$553,555) to be applied to his marker account;
- (12) Starting December 1, 2006, Harrah's agreed to replace the Rewards Credits with a more lucrative discount program (the above 15% discount program);
- (13) Mr. Watanabe was placed on a CRFBA comp status, so no rewards credits would be needed for his complementary items;

- (14) Early Payment on Markers: Mr. Watanabe was to receive 25% back for markers paid early (*e.g.*, \$1M payment equals \$250K cash applied to his marker account);
- (15) Great Gift Wrap Up Points: a special formula just for Mr. Watanabe: every 715 Great Gift Wrap Up points = \$1 cash;
- (16) Betting Limits: increased credit line to \$3,000,000;
- (17) Special higher limits per bet for various games; and
- (20) A three bedroom Palazzo for Mr. Watanabe.

See attached Exhibit "A" (e-mails from Wilson Ning to Shannon Leather, dated November 10, 16 and 29, 2006; Subject: Terry Watanabe's items/Additional Items).

At some point in or about August 2007, all of the above discounts were changed to a straight 30% discount and only regular scheduled special events were included. Harrah's never informed Mr. Watanabe of the change, let alone secured his consent. Once he learned of this breach of contract, Mr. Watanabe — throughout the fall of 2007 — repeatedly attempted to address the disadvantageous changes to the terms of his compensation and incentive program with Harrah's. Incredibly, Harrah's refused to engage or respond to his inquiries and entreaties in any meaningful way, regardless of the fact that Mr. Watanabe was continuing to fuel Harrah's profits.

It is this unilateral alteration of the benefits program — which was a major incentive for Mr. Watanabe continuing to gamble at Harrah's — that formed the foundation of the business dispute between Mr. Watanabe and Harrah's after he left Caesars at the end of 2007. The evidence is indisputable that Harrah's breached its contract with Mr. Watanabe and then tried to portray itself as the victim of a deadbeat gambler. In truth, Mr. Watanabe is the victim of a ruthless corporation that deserves the harshest sanctions for its unlawful conduct.

It is now clear that Harrah's and Caesars treated Mr. Watanabe so contemptuously because its management knew that they had hooked the largest "whale" in the casinos' history. Watanabe had been reduced to a robot-like existence while a captive at Caesars. His carefully managed daily routine involved being supplied with potentially lethal doses of alcohol and prescription drugs, inadequate sleep, constant monitoring of his every activity, and pressure to continue gambling (and losing) at his private tables. Anyone who threatened to break the casinos' vise-like grip on Mr. Watanabe was quickly reassigned or terminated.

G. Harrah's Was Motivated By Greed

In the fall of 2007, as his intoxication grew worse, Mr. Watanabe's losses escalated significantly. As discussed above, Harrah's response was to not only irresponsibly increase his credit limit and supply him with endless alcohol and prescription pain killers, but also to increase his table limit. This further exacerbated Mr. Watanabe's noticeably reckless gambling.

By this time, Mr. Watanabe would frequently gamble for several days in a row with minimal interruptions. The increased table limits meant a significant increase in his average bet, thereby causing him to lose money at an even faster rate. As Mr. Watanabe's gambling spiraled more and more out of control, Caesars raked in more and more profits.

As indicated above, throughout Mr. Watanabe's stay at Caesars, Harrah's personnel were aware of, and in many cases facilitated, his growing drug, alcohol and gambling addictions. These allegations are supported by interviews conducted with Harrah's and ex-Harrah's employees. Cocktail waitresses refused to "water down" his drinks when instructed to do so. Interviews with current and former Harrah's employees, specifically George "Judge" Denton, have provided strong evidence that Mr. Watanabe was so inebriated or sleep deprived that at times he became unconscious at his private gaming tables or slot machines. Rather than taking him to his room, a staff member would wake him up to continue gambling or to sign a marker. In addition, witnesses have reported that Mr. Watanabe's growing addictions were encouraged and facilitated by Harrah's personnel at all levels.

The most disconcerting aspect of Mr. Watanabe's intoxication and incompetency — other than Harrah's active participation and enabling — is the extended period of time over which it occurred. Mr. Watanabe was not a weekend tourist or casual gambler. He essentially lived at Harrah's properties for a year. Management's motive is obvious: to harvest the wealth from a mega-whale whom the casino ruthlessly allowed/encouraged to continue playing while incompetent and incoherent. At every level of the chain of command, greed was the driving motive for the unlawful treatment of Mr. Watanabe.

The line staff was motivated by hundreds of thousands of dollars per month in tokens and tips lavished on them by an intoxicated patron. Mr. Watanabe's "gifts" to staff were at times in bundles of 100 dollar bills in 5, 10 and 20 thousand dollar increments. Harrah's personnel ignored their alcohol awareness and responsible gaming training as well as Mr. Watanabe's addictions so as to "do their job" of keeping Mr. Watanabe on the premises. At every level, Harrah's management was well aware of and actively encouraged Mr. Watanabe's gifts to the line staff — no doubt to further incentivize the line staff to ignore their alcohol awareness/responsible gaming training and fulfill management's agenda of keeping Mr. Watanabe on the premises, intoxicated and losing virtually all of his fortune.

Senior management was highly incentivized to keep milking Mr. Watanabe — literally for all he was worth — because they were negotiating the sale of Harrah's to a major investment firm. The higher the earnings, the more they would receive for the sale, and the more they would garner for their stock options. Over the course of his play at Caesars and Rio in 2007, Mr. Watanabe suffered *net* losses of at least \$112 million. Indeed, Mr. Watanabe's net losses at Harrah's Las Vegas properties approximated 6% of all Harrah's Las Vegas properties' casino revenues recognized in 2007. Additionally, Mr. Watanabe's total wagering volume/play at the Rio in 2006—the wagering volume/play of a single player—constituted approximately 20% of the Rio's casino wagering volume. By the fall of 2007, Mr. Watanabe's wagering volume/play also constituted approximately 20% of wagering volume/play at Caesars Palace.

In negotiating the buyout of Harrah's by Apollo Global and Texas Pacific Group ("TPG"), Harrah's executives failed to disclose to either Apollo Global or TPG that approximately 6% of Harrah's Las Vegas properties' casino revenues recognized in 2007 (and approximately 20% of the total wagering volume/play at two of Harrah's Las Vegas casinos in 2006 and 2007) came from a single player, Mr. Watanabe. Nonetheless, as a result of the buyout in the beginning of 2008, Harrah's upper management received huge compensation packages. According to the *Las Vegas Sun*, Mr. Loveman had a total compensation package of nearly \$100 million. That year, Harrah's executives comprised six of the top ten highest-paid people in Las Vegas. As such, Harrah's executives were motivated to, and did, siphon away Mr. Watanabe's wealth (using all the illegal and unethical means described herein) as a way to force an overvaluation of Harrah's in the buyout, thereby guaranteeing themselves extremely large compensation packages.³

H. Harrah's Cheated Mr. Watanabe

Mr. Watanabe finally left Caesars on or about December 12, 2007, with the assistance of his sister Pam. Upon his departure, there were still significant unresolved issues approximately equal to his outstanding markers in incentives and discounts owed to Mr. Watanabe based on his prior negotiated agreements with Mr. Ning and Harrah's. At that time, Mr. Watanabe reasonably believed and continues to believe that Harrah's owed him at least the \$14.75 million claimed. The record will reflect that these incentives and discounts are still due and owing to Mr. Watanabe. Caesars and Harrah's

³ It now appears that in pursuit of their own personal profit, Harrah's management withheld material facts from the private equity firms and the District Attorney's office when turning over Mr. Watanabe's markers for collection. A mere eight months after the buyout was complete in August 2008, investors in Apollo Global and TPG were forced to write down their investment in Harrah's by a reported \$600 million — the largest private equity markdown ever reported — because it was already clear that Harrah's was substantially overvalued compared to its actual market value.

have since failed and refused to make good on those incentives and discounts. Mr. Watanabe hired legal counsel in Las Vegas to assist him in this matter, and Mr. Watanabe's counsel sent a letter to Harrah's dated January 24, 2008. In that letter, Mr. Watanabe's counsel disputed the enforceability of the outstanding markers on a variety of grounds. Sometime after receipt of the letter from Mr. Watanabe's counsel, on or about January 31, 2008, Harrah's, in violation of its own internal custom and practice and in violation of its prior agreements with Mr. Watanabe, on its own initiative and for the first time during its relationship with Mr. Watanabe, completed the otherwise blank markers, inserting Harrah's choice of bank, bank account number, ABA routing number, and date. This course of conduct by Harrah's, in derogation of its prior agreements with Mr. Watanabe and Harrah's own internal custom and practice, was obviously intended to be retaliation for Mr. Watanabe's temerity in disputing through legal counsel what amounts (if any) he may have owed Harrah's.

I. Harrah's Has Engaged In A Cover-up

Realizing that its conduct was illegal, Harrah's has engaged in a sustained and concerted cover-up designed to deflect legal responsibility and to portray itself as the victim of Mr. Watanabe's illegal acts instead of the truth — Harrah's victimized Mr. Watanabe. Wilson Ning, a Rio employee and Watanabe handler at Caesars and Rio, took the "party line" before the Grand Jury, testifying under oath that he never saw Mr. Watanabe intoxicated while he gambled. This is patently false and contradicted by numerous casino employees. Separately, in a letter to Mr. Watanabe's counsel, Harrah's attorney threatened an abuse of process action if Mr. Watanabe filed his "meritless" civil lawsuit against Harrah's and its two casinos, portraying his client as "the victim of a crime" and accusing Mr. Watanabe of "victimizing my client for millions of dollars" See attached Exhibit "I" (letter from Dominic P. Gentile, Esq. to Eric J. Sidebotham, dated August 28, 2009).

In its desperation, Harrah's appears to be engaging in witness tampering and intimidation. Craig Sanderson, a former Assistant Swing Shift Manager at Rio, witnessed Mr. Watanabe's constant intoxication. He has indicated that Harrah's and/or their legal counsel have been attempting to persuade witnesses to sign declarations with information believed by Mr. Sanderson to be false — for example, that Mr. Watanabe was never intoxicated.

J. Harrah's Made False Statements To The District Attorney About The Watanabe Credit Dispute

Harrah's took its cover-up to the extreme, engaging in perjury when it procured Mr. Watanabe's indictment over the disputed \$14.75 million worth of markers. On May

21, 2008, Caesars and Rio filed with the District Attorney 38 separate forms required to substantiate the alleged passing of bad checks with the casino. *See* attached Exhibit "B" (collecting all 38 forms). No criminal charges can be filed without submitting this information to the Clark County District Attorney. *See* attached Exhibit "C" (Clark County District Attorney, Bad Check Diversion Unit, Handbook for Businesses, pages 5-6).

Rio submitted eight Complaint Forms, all of which were signed by William Case, the Collection Manager for Harrah's, while Caesars submitted 30 of them, all which were also signed by Mr. Case. The Complaint Form states: "I (We) hereby certify that all information in this complaint is true and accurate to the best of my knowledge." Under Nevada law, the term "oath" shall include an affirmation and every other mode authorized by law of attesting the truth of that which is stated. NRS 199.125. Accordingly, Mr. Case's statement attesting to the truth and accuracy was made subject to the penalty of perjury. Submission of false statements under oath to the State or local government (including the Clark County District Attorney) is criminal offense in violation of NRS 199.120, a Category D felony.⁴

On all 38 separate forms, Harrah's casinos, Rio and Caesars submitted indisputably material, false information to the Clark County District Attorney's Office on the Bad Check/Marker Complaint Form ("Complaint Form"). The Complaint Forms submitted by the two Harrah's casinos contain the following false information that was relied upon by the Clark County District Attorney in making the decision to seek a criminal indictment of Mr. Watanabe⁵:

1. The Normal Course of Business Was Not 30 Days

⁴ As a separate offense, pursuant to NRS 207.280, the false reporting of crimes is unlawful. "Every person who deliberately reports to any . . . district attorney . . . that a felony or misdemeanor has been committed, which causes a law enforcement agency to conduct a criminal or internal investigation, knowing such report to be false, is guilty of a misdemeanor."

⁵ Indeed, the District Attorneys very well might not have brought a criminal prosecution if it had known about Mr. Watanabe's allegations of mistreatment by Harrah's, including violating its agreements concerning markers. *See* Jeff German, "New Attorneys Assist In Harrah's Probe of High Roller's Intoxication Claims," *Las Vegas Sun*, July 25, 2009 at <http://www.lasvegassun.com/news/2009/jul/25/new-attorneys-assist-harrahs-probe-high-rollers-in/> ("If Harrah's officials had been more forthcoming about the [Watanabe] allegations *when they asked the district attorney's office to pursue the criminal case*, however, the office might have had second thoughts about filing the charges. The allegations could make it more difficult for the district attorney to convict Watanabe." (Emphasis added).

In the second page of the Complaint Form entitled “Additional Information Needed for Gaming Establishments for Prosecution” under the box “Markers & Checks,” the question is asked: “What is the casino’s normal course of business (disposition) agreed to on redeeming/submitting marker for this person.” On each of the 38 forms, 30 days is checked as the normal course of business agreed to on redeeming markers for Mr. Watanabe. This is false. *See* attached Exhibit “A” (minimum 60-day term agreed upon for payment of markers); *see also* attached Exhibit “D” (Rio Credit Spreadsheet for Watanabe, Terry (entry 06/06/07 at 15:50:03: Status changed from DEPDUE to DEP-60, and at 15:50:05 on the same date: “CUST OWES \$450,000 DUE 08/09/07”). This document shows payment was due 62 days after entry on June 6, 2007. *See also* attached Exhibit “E” (Caesars Credit Spreadsheet for Patron: 1744567, Watanabe, Terrance (entry 11/14/07 at 11:39:10 and 12/01/07 at 08:05:43: *90 day account* – no statement) (emphasis added).

2. There Was An Agreement to Discount Losses

On the second page of the complaint form entitled “Additional Information Needed for Gaming Establishments for Prosecution” under box “Markers & Checks,” the question is asked: “Was there an agreement to discount losses?” On each of the 38 forms, the box indicating “no” is checked. This is false as to both casinos. *See* attached Exhibit “F” (Rio Credit Spreadsheet for Watanabe, Terrance (entry 10/27/05: RON NIC STATES THAT M. WINN IS DISCOUNTING . . . M. WINN STATES WE ARE DISCOUNTING 10%). This information was entered into the Harrah’s computer client database known as CMS by “WCASE” [William Case]. William Case is the same person who signed the erroneous forms submitted to the District Attorney.

3. Departure Date Was December 2007

On the second page of the complaint form entitled “Additional Information Needed for Gaming Establishments for Prosecution” under box “Miscellaneous Information,” the question is asked: “Departure date.” On eight complaint forms submitted by Rio, Mr. Watanabe’s departure date is reflected as 02/02/08. On 18 out of the 30 complaint forms submitted by Caesars, Mr. Watanabe’s departure date is reflected as 01/29/08. (On these 18 forms, the arrival date indicated is 11/22/07.) The other 12 forms have no arrival or departure date. In fact, Mr. Watanabe left Las Vegas on or about December 12, 2007.

4. Watanabe Stayed and Played At Both Casinos More Than 11 or 12 Times

On the second page of the complaint form entitled "Additional Information Needed for Gaming Establishments for Prosecution" under box "Miscellaneous Information," the question is asked: "Past Playing History – Number of times stayed/played at hotel/casino?" On the forms submitted by Rio, 11 times is indicated, and on the forms submitted by Caesars, 12 times is indicated.

These answers are obviously incorrect. As demonstrated above, Mr. Watanabe was almost *constantly* gambling at the two casinos for well over a year.

5. Previous Markers Were Redeemed By Customer Via Wire Transfer or Paid With Winnings

On the second page of the complaint form entitled "Additional Information Needed for Gaming Establishments for Prosecution" under box "Miscellaneous Information," the question is asked: "Past Playing History – Were previous markers redeemed by customer or submitted to bank?" Both boxes – redeemed and submitted – were checked. This was *the first time in the multi-year history* reflected in Rio's computer spreadsheet that Mr. Watanabe's markers were deposited. See attached Exhibit "G" ("Rio Credit Spreadsheet for Watanabe, Terrance(entries on 1/31/08 all at 17:33:26: "Deposit"). All payments made by Mr. Watanabe were either by wire transferred to Rio's bank or were paid with winnings from gambling.

The same is true for Caesars. This was *the first time in the multi-year history* reflected in Caesars CMS spreadsheet that Mr. Watanabe's markers were deposited. See attached Exhibit "H" (Caesars Credit Spreadsheet for Watanabe, Terrance , 30 entries on 1/31/08 at 16:06:57-58: "Deposit"). All payments made by Mr. Watanabe were either by wire transfer to Caesars' bank or were paid with winnings from gambling.

II. VIOLATIONS OF NEVADA LAW

A. Casino Licensees Must Strictly Obey All Legal Requirements And Refrain From Any Conduct That Discredits The Nevada Gaming Industry

Under the laws, regulations, and statutes discussed below, licensed casinos are prohibited from providing alcoholic beverages to and permitting continued gambling by visibly intoxicated persons. Moreover, licensed casinos are also prohibited from engaging in any activity on the part of any licensee, his agents or employees, that is inimical to the public health, safety, morals, good order and general welfare of the people of the State of Nevada, or that would reflect or tend to reflect discredit upon the State of Nevada or the gaming industry. A casino obtains its license with the express understanding that it must strictly comply with applicable statutes and regulations. Its failure to do so may result in revocation of its gaming license or other sanctions.

As holders of non-restricted gaming licenses, Caesars and Rio are subject to the provisions of chapter 463 of the Nevada Revised Statutes (“NRS”) and the Regulations (“Regulation”) of the Nevada Gaming Commission (“NGC”).

NGC 5.030 provides that a “[v]iolation of any provision of the Nevada Gaming Control Act or of these regulations by a licensee, his agent or employee shall be deemed contrary to the public health, safety, morals, good order and general welfare of the inhabitants of the State of Nevada and grounds for suspension or revocation of a license.” The definition of “regulation” is broad. *See* NRS 463.0186.

Nevada’s public policy on gaming is contained in Regulation 5.010 and NRS 463.0129(1). Regarding methods of operation, Regulation 5.010 states as follows:

1. It is the policy of the commission and the board to require that all establishments wherein gaming is conducted in this state be operated in a manner suitable to protect the public health, safety, morals, good order and general welfare of the inhabitants of the State of Nevada.
2. Responsibility for the employment and maintenance of suitable methods of operation rests with the licensee, and willful or persistent use or toleration of methods of operation deemed unsuitable will constitute grounds for license revocation or other disciplinary action.

The Nevada Legislature has stressed the policies stated by the Commission in NRS 463.0129(1):

- (a) The gaming industry is vitally important to the economy of the State and the general welfare of the inhabitants.
- (b) The continued growth and success of gaming is *dependent upon public confidence and trust that licensed gaming . . . [is] conducted honestly and competitively, . . .* and that gaming is free from criminal and corruptive elements.
- (c) Public confidence and trust can only be maintained by *strict regulation of all persons, locations, practices, associations and activities related to the operation of licensed gaming establishments*
- (d) All establishments where gaming is conducted and where gaming devices are operated . . . must therefore be licensed, controlled and assisted *to protect the public health, safety, morals, good order and general welfare of the inhabitants of the State, to foster the stability and success of gaming and to preserve the competitive economy and policies of free competition of the State of Nevada.*

(Emphasis added).⁶

B. The Nevada Gaming Board Must Investigate and Take Disciplinary Action Against Harrah's and Its Casinos

The Nevada Gaming Board has the authority—and the duty—to investigate and take disciplinary action when it receives evidence of legal violations and conduct that brings disrepute on the Nevada gaming industry. Investigations of unsuitable conduct of licensees is authorized and addressed generally in the Nevada Administrative Code (“NAC”) 5.040, which states:

A gaming license is revocable privilege, and no holder thereof shall be deemed to have acquired any vested right therein or thereunder. The burden of proving his qualifications to hold any license rests at all times on the licensee. The board is *charged by law with the duty* of observing the conduct of all licensees to the end that licensees shall not be held by unqualified or disqualified persons or unsuitable persons or persons whose operations are conducted in an unsuitable manner.

(Emphasis added.)

Based on the facts set forth above, pursuant to Regulation 5.011 (grounds for disciplinary action) and NAC 5.040, a formal, complete and public investigation by the Board into the unsuitable manner of Harrah's conduct and acts relating to its former patron Mr. Watanabe is clearly warranted.

C. Casinos Must Not Provide Alcohol Or Prescription Drugs To Intoxicated Or Addicted Patrons And Must Not Allow Problem Gamblers To Gamble

⁶ In particular, there exist Legislative findings and declarations specifically relating to those casinos operating in Clark County:

The Legislature, therefore, hereby declares that because a general law cannot be made applicable because of the economic and geographical diversity of the local governments of this State, the unique growth patterns in regions controlled by those local governments, and the special conditions experienced in Clark County as a result of unrestricted gaming development, it is necessary by special act to provide a means by which the State of Nevada may ensure that *the growth of gaming within Clark County proceeds in an orderly and responsible manner*, to the benefit of residents of and visitors to this State.

NRS 463.3072(5) (emphasis added).

Under Nevada law, Harrah's casinos are legally bound to refrain from providing alcohol to intoxicated patrons and procuring prescription drugs for its customers without a doctor's diagnosis. Nevada law as well as responsible gambling polices espoused by Harrah's and its casinos also prohibit casinos from allowing addicted gamblers to wager on their premises. Caesars and Rio flagrantly violated all of these prohibitions.

During the fall of 2007, as detailed above, Harrah's employees supplied Mr. Watanabe with a steady flow of alcohol and Lortab pills as part of Harrah's efforts to keep intoxicated and gambling at Caesars. In addition, Harrah's unlawfully used its direct or actual knowledge of a patron's addictions, or other psychological or medical conditions, in a way that exploited, manipulated and/or controlled those addictions for its own financial benefit. This intentional conduct surely violated Regulation 5.011:

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

1. Failure to exercise discretion and sound judgment to prevent incidents which might *reflect on the repute of the State of Nevada and act as a detriment to the development of the industry*.
2. Permitting persons who are visibly *intoxicated* to participate in gaming activity.
3. Complimentary service of *intoxicating* beverages in the casino area to persons who are visibly *intoxicated*.
- ...
10. Failure to conduct gaming operations in accordance with proper standards of custom, decorum and decency, or *permit any type of conduct in the gaming establishment which reflects or tends to reflect on the repute of the State of Nevada and act as a detriment to the gaming industry*.
- ...

(Emphasis added).

In light of Harrah's extensive participation in programs to address problem gambling under Nevada Gaming Regulation 5.170, there is no question that its employees

have received the required training about not serving intoxicated persons who are gambling.⁷ However, failure to utilize that training, in light of the particular circumstances relating to Mr. Watanabe, makes a mockery of the serious societal problem this training was meant to address.

Harrah's casinos also unlawfully allowed an obvious gambling addict to wager for over a year. Nevada Gaming Regulation 5.170 discusses the licensees' participation in programs to address problem gambling:

2. Each licensee shall post or provide in conspicuous places in or near gaming and cage areas and cash dispensing machines located in gaming areas written materials concerning *the nature and symptoms of problem gambling* and the toll-free telephone number of the National Council on Problem Gambling or a similar entity approved by the chairman of the board that provides information and referral services for problem gamblers.

3. Each licensee shall implement procedures and training for all employees who directly interact with gaming patrons in gaming areas. That training shall, at a minimum, consist of *information concerning the nature and symptoms of problem gambling behavior and assisting patrons in obtaining information about problem gambling programs*. This subsection shall not be construed to require employees of licensees to identify problem gamblers. Each licensee shall designate personnel responsible for maintaining the program and addressing the types and frequency of such training and procedures. Training programs conducted or certified by the Nevada Council on Problem Gambling are presumed to provide adequate training for the period certified by the Nevada Council on Problem Gambling.

⁷ Harrah's employees who serve alcoholic beverages to patrons are required under state and local laws to obtain Technical Alcohol Management cards, known as "TAM cards." In order to obtain a TAM card, one must complete a training course on alcohol awareness, including learning to recognize the signs of moderate and extreme intoxication. According to standard alcohol awareness training, it is imperative to recognize and cut off a person who is visibly intoxicated. It is a policy at Caesars that an intoxicated patron must be cut off from both additional drinking *and* gambling.

Harrah's security personnel are also trained to recognize and deal with patrons who appear intoxicated. According to standard security procedures and practices, it is imperative that security staff escort visibly intoxicated gamblers out of the casino – and either return them to their hotel room or escort them off the premises entirely.

4. Each licensee that engages in *the issuance of credit*, check cashing, or the direct mail marketing of gaming opportunities, shall implement a program containing the elements described below, as appropriate, that allows patrons to self-limit their access to the issuance of credit, check cashing, or direct mail marketing by that licensee. . . .

(Emphasis added).

The NAC defines "problem gambling" as "persistent and recurrent maladaptive behavior relating to gambling that causes disruptions in any major area of life, including, without limitation, the psychological, social or vocational areas of life." NAC 641C.054. Under any definition, Mr. Watanabe was a problem gambler who should not have been allowed to gamble at these casinos, much less extended tens of millions of dollars of credit. If Nevada's ban on casinos exploiting problem gamblers is ever to have any teeth, this Board must condemn the predatory conduct of Caesars and Rio.

Indeed, at a time when more and more opinion leaders and elected public officials are calling for serious restrictions on the gambling industry, the public's confidence in the integrity of Nevada casinos will undoubtedly be seriously shaken by the egregious facts of Mr. Watanabe's case. The only thing worse would be the Nevada casino regulators turning a blind eye to this notorious violation of law, blight on the State of Nevada's repute, and a glaring detriment to the gaming industry.

III. HARRAH'S PAYS LIP-SERVICE TO RESPONSIBLE GAMBLING POLICY

Despite Harrah's self-righteous corporate stance on "responsible gambling," it exhibited unbridled avarice by knowingly and illegally providing Mr. Watanabe with prescription drugs, massive amounts of alcohol, and predatory extensions of unjustifiable amounts of casino credit. Harrah's knew Mr. Watanabe's weaknesses and that he was a vulnerable and easy target, yet cynically exploited that vulnerability. Such cynical behavior cannot be countenanced.

Harrah's holds itself out to the world as the leader in "responsible gambling." Indeed, according to its website:

Promoting responsible gaming is part of the heritage and culture of Harrah's. It's the foundation of our Code of Commitment, which spells out the principles that govern the way we do business. Our long-standing and continuing commitment to responsible gaming is something we take great pride in. Harrah's position on this issue is clear: we want everyone who gambles at our casinos to be there for the right reasons – to simply

have fun. *We believe that all entities involved in legal wagering have an obligation to promote responsible gaming and address underage gambling.*

Harrah's pioneered the casino entertainment industry's first responsible gaming efforts over a decade ago when a group of employees formed a task force to study the issue of problem gambling. After months of research, the task force developed the industry's first initiative to help employees, guests, and the public understand the importance of responsible gaming and the prevention of underage gambling.

Harrah's continues to be the casino industry's chief advocate for promoting responsible gaming. We have implemented two responsible gaming programs, Operation Bet Smart® and Project 21®, as well as an Unattended Children Policy.

...
Operation Bet Smart®: Know When To Stop Before You Start® is a program designed to formally train employees about the importance of responsible gaming and the policies and procedures of Harrah's responsible gaming programs. While we recognize our employees are not social service counselors, Harrah's feels that encouraging employee awareness puts employees at a comfort level, helps them understand the company's position on the issue, and supplies them with valuable information and direction to potentially help others.

At all our casinos, we provide responsible gaming signage on the casino floor and back-of-house so that employees always know where to refer customers requesting assistance. We also provide responsible gaming information in brochures, on hold messages, and Harrah's responsible specific media campaign, as well as including helpline phone numbers on all marketing collateral, player cards, and hotel directories. These communication efforts serve to provide our customers an unobtrusive vehicle for obtaining more information about responsible gaming and seeking assistance.

<http://www.harrahs.com/harrahs-corporate/about-us-responsible-gaming.html> (last accessed 11/5/2009) (emphasis added).

Furthermore, Harrah's "Code of Commitment" states: "The Harrah's Code of Commitment governs the conduct of our business. It's a public pledge to our employees, guests, and communities that we will honor the trust they have placed in us." Moreover, Harrah's expressly boasts that the company promotes responsible gaming "to all *our guests*" by having "a process *to deny casino play privileges, and access to credit, check-*

cashing, and *casino promotions*,” and “we train our employees about the importance of responsible gaming, and how to offer help to customers who may need it.” Harrah’s also professes “[a] commitment to all *our communities* . . . We conduct our business with honesty and integrity, and act in accordance with the highest ethical and legal standards.” <http://www.harrah.com/harrah-corporate/about-us-responsible-gaming.html> (last accessed 11/5/2009). (emphasis in original and added).⁸

Casino gaming employees such as dealers and pit bosses are required to participate in responsible gambling training. Part of this training focuses on the ability to recognize problem gambling. According to this standard responsible gaming training, it is imperative to recognize and cut off a patron who is visibly intoxicated or who is otherwise exhibiting problem gambling characteristics.

Harrah’s also has admitted in court recently that it has an affirmative duty not to accommodate gambling patrons with known gambling problems. The Indiana Supreme Court is presently deciding a case involving a Caesars’ patron who was a gambling addict, was extended \$125,000 in credit, but failed to repay the money. During oral argument before the Indiana Supreme Court, on November 12, 2009, Justice Sullivan posed the question to the patron’s counsel: “Is there any affirmative duty on the part of the casino to examine [a person who may have an addiction to gambling],” especially when the casino knew or should have known of the person’s addiction but intentionally induced or enticed that person to gamble at their casino? Addressing the question immediately upon standing to argue his reply, Caesars counsel Gene Price unequivocally responded: “The question was posed whether or not there was an affirmative duty on the part of the casinos to examine gamblers and I think *the answer is undoubtedly yes.*” *Caesars Riverboat Casino, LLC v. Genevieve Kephart*, Case No. 31S01-0909-cv-303, <https://mycourts.in.gov/arguments/default.aspx?view=detail&id=968> (ends at 38:44) (emphasis added).

Gary Loveman, the CEO of Harrah’s, has recently been featured in a Harrah’s television advertisement which further emphasizes Harrah’s purported commitment to responsible gambling. In the advertisement, Mr. Loveman says:

Sometimes a person telling you not to gamble is not who you would expect. *The truth is, there are a lot of times when you shouldn’t gamble, like if you are under 21 or you’ve had too much to drink.* You shouldn’t

⁸ The American Gaming Association, of which Harrah’s is a prominent member, sets forth the rules and regulations of its members in the “Responsible Gaming Code of Conduct.” The “Pledge to Patrons” section of the “Responsible Gaming Code of Conduct” expressly holds that members will not serve alcohol “to a visibly intoxicated patron” and “will make a diligent effort not to permit gaming by a visibly intoxicated patron.”

gamble if you're lonely or depressed. *And if you're having trouble setting or keeping a limit, you might want to call this number.*

In 2006, Harrah's also launched an initiative to combat problem gambling that it calls the "Ambassador Program." Under this program, Harrah's casino management is charged with the responsibility of approaching gamblers who exhibit problem gambling characteristics and taking appropriate action, which could include attempting to divert them or, in certain circumstances, cutting off their gambling privileges. The "Ambassador Program" is founded on the fundamental premise that problem gambling is a legitimate mental health disorder similar to alcoholism and other addictions. Thus, as the professed leader in "responsible gaming," Harrah's represents that it combats out-of-control problem gambling.

Notwithstanding the foregoing, Harrah's actually implemented a "Just Say Yes" policy towards Mr. Watanabe. All employees, including but not limited to dealers, cocktail waitresses, security guards, pit bosses, and even management, were explicitly told to give Mr. Watanabe *anything* he asked for – just say yes. With respect to Mr. Watanabe, Harrah's casinos adopted an "irresponsible gaming" policy.

The irrefutable facts of Mr. Watanabe's tragic case make a mockery of these pious statements about Harrah's casinos' purported commitment to not allow problem gamblers to wager at their establishments. It is inconceivable that Nevada gaming regulators would give the Harrah's casinos a "pass" when they have admitted that they have a legal duty not to do the very things that they undeniably did to Mr. Watanabe. The world will watch closely how your agency acquits its legal responsibilities to regulate casinos and strictly enforce Nevada laws and regulations expressly prohibiting the very conduct in this case.

IV. HARRAH'S AND ITS EMPLOYEES CHEATED MR. WATANABE OUT OF MILLIONS OF DOLLARS

As discussed in detail hereinabove, the Harrah's casinos willfully cheated Mr. Watanabe out of hundreds of millions of dollars. They did so by (a) in derogation of Nevada law and gaming regulations and their own internal policies, taking advantage of Mr. Watanabe's addiction to gambling and addiction to alcohol, (b) in further derogation of Nevada law and gaming regulations and their own internal policies, supplying Mr. Watanabe with prescription pain medication without any medical examination or prescription, which dramatically increased the severity of Mr. Watanabe's intoxication and mental incapacity, and (c) violating the contractual agreements that the Harrah's casinos had entered into with Mr. Watanabe regarding his compensation, benefits and payment terms.

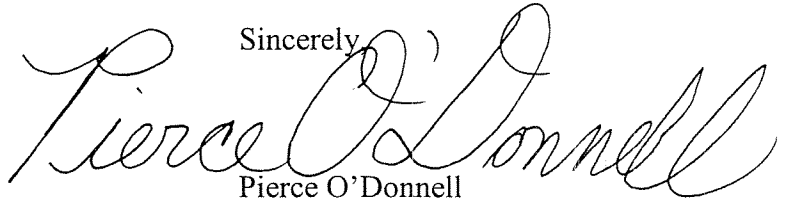
Mr. Dennis K. Neilander
November 18, 2009
Page 24 of 24

Not surprisingly, Nevada law strongly prohibits casinos from cheating customers in any way.⁹ See, e.g., NRS 465.015(1); NRS 465.070. Casinos that violate NRS 465.070 to 465.085 are guilty of a category B felony. NRS 465.088(1).

V. **CONCLUSION**

In light of the Harrah's casinos numerous violations of laws and regulations discussed above, I respectfully request that the Board conduct a full, formal investigation into the egregious conduct by Harrah's and its employees as it relates to their unlawful treatment of Mr. Watanabe while he was a patron at their casinos, file a public complaint against Caesars and Rio, and suspend their licenses and/or take other appropriate disciplinary action. If you need any assistance from us, please do not hesitate to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Pierce O'Donnell". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Pierce O'Donnell

Enclosures

cc: Daniel Albregts, Esq. (w/encl.)

Michael Wilson, Esq. (via FedEx, w/encl.)
Chief Deputy Attorney General
Office of Nevada Attorney General
5420 Kietzke Lane, Suite 202
Reno, Nevada 89511

⁹ In NRS 463.1596, the Nevada Legislature has specifically vested authority in the Commission to enact regulations concerning recovery of gaming debts by patrons. NRS 463.1596. The Commission's authority includes any dispute about "alleged winnings, alleged losses or the award or distribution of cash, prizes, *benefits*, tickets or any other item or items in a game, tournament, contest, drawing, *promotion* or similar activity or event. . . ." (Emphasis added).