

CROWLEY BARRETT & KARABA, LTD.

GREGORY M. WHITE
THOMAS F. KARABA
SCOTT D.H. REDMAN
JEFFREY S. BURNS
ANDREW N. PLASZ
KRISTEN A. WHITE

ATTORNEYS AT LAW
SUITE 2310
20 SOUTH CLARK STREET
CHICAGO, ILLINOIS 60603-1806
(312) 726-2468
FAX (312) 726-2741
www.cbklaw.com

PATRICK F. CROWLEY (1911-1974)
EDWARD W. BARRETT (1910-2002)
FRANK A. KARABA (1927-1996)

October 16, 2015

VIA FEDERAL EXPRESS

Hon. Claude Walker, Esq.
Acting Attorney General
Department of Justice
6040 Estate Castle Coakley
Christiansted, VI 00820

Re: Treasure Bay V.I. Corp.

Dear Acting Attorney General Walker:

I am counsel to Treasure Bay, LLC, parent of Treasure Bay V.I. Corp. I have been asked by my client to share our position in light of yesterday's meeting.

First, thank you for taking yesterday's meeting. It was critical that you, the Casino Control Commission and Treasure Bay V.I. Corp. ("TBVI") had the opportunity to sit down and start to sort through the facts and fiction on these issues. None of these matters have ever been formally raised in an appropriate venue, providing you with a comprehensive perspective. Our local counsel, with whom I have worked for nearly 20 years and greatly respect, felt that it was not appropriate to take a formalistic approach at that meeting and make a legal record, but we feel it is now appropriate to summarize our position for your office, and for the record.

- As you generally know, our position is that the demand letter of October 9, 2015 grossly misstated amounts claimed owed by TBVI to CCC:
 - All stated amounts, other than \$435,000 are claims by CCC against the VI Government.
 - It is our understanding that the initial purpose of the forensic accounting report was to establish amounts owing by VI Government to CCC.
 - It is also our understanding that the forensic accounting report remains preliminary and has never been disclosed to TBVI.
- We are very concerned that demands made to TBVI were seriously premature and the discussion in the press of \$1.45 million as actually owing by TBVI has carelessly damaged the reputations of TBVI, Divi and its employees locally, and Treasure Bay, LLC in Mississippi and beyond as well as Divi Resorts.
- As local counsel has mentioned, your October 9, 2015 letter was NOT received until the morning of October 14, 2015 and was postmarked October 13, 2015.

- On the morning of October 14, 2015, DGE Agent Soto went to the casino and informed the General Manager that he had been instructed “to prepare a plan for the closure of the casino the following day” and he was seeking the General Manager’s input on how to do so.
- We have also come to learn that DGE Agent Soto did not have a copy of the October 9, 2015 letter until he was provided one by John DeLuca, the author of the forensic accounting report.
- The implied threat of a shutdown was, in our opinion, without authority under the Act. Section 490(4) is clear that suspension or revocation of a casino’s operating certificate is a remedy of the CCC and only after appropriate hearings and factual determinations. Further, we believe the authority to close a casino is specifically governed by the Act and is reserved to the CCC.

More specifically with respect to the actual open issues regarding TBVI:

- **(a) Chairman Golden’s Position Regarding Prior Casino License Renewal Fees**
 - Chairman Golden has taken the “position” that prior CCC administrations did not properly set casino 4 year license renewal fees and, therefore, the CCC under-collected \$435,000 from TBVI over a substantial period of time. This is, as we understand it, the entire basis for the claim of \$435,000.
 - After TBVI’s first meeting with Chairman Golden, she changed the expectation of \$435,000 to \$360,000 due to a “marrying” (her terminology) of the licenses, reducing the outstanding number by \$75,000. Therefore, the disputed amount is actually \$360,000, not \$435,000.
 - Chairman Golden’s “position” is a complete reversal of over a decade of CCC policy and practice, a policy and practice which has been ratified multiple times via full CCC resolution, including resolutions signed by Chairman Golden herself.
 - Moreover, in order to rectify possible quorum issues, the CCC passed a blanket ratification resolution in 2011 which would also constitute a ratification of this matter.
 - **More importantly, and this is critical, Chairman Golden’s position is not the formal position of the CCC. It is merely Chairman Golden’s position, as this issue has not been considered by the entire CCC at a public meeting with proper notice.**
 - The Casino Control Act, Section 468, contains specific requirements regarding proceedings against licensees and affords licensees certain basic due process protections (in addition to whatever other due process rights it may have under applicable law).
 - In our matter, no written complaint has been filed or served.
 - In our matter, no hearing has been set, noticed or held.
 - The Casino Control Act, Section 470, contains a right of judicial review of any adverse decision by the CCC.
 - TBVI has a right to judicial review if, and when, the CCC ever formally takes a position on this issue.
 - TBVI has had informal discussions with Chairman Golden and one informal meeting with the full CCC regarding this matter. TBVI provided the opinions of noted gaming law experts (one in writing and one in person) as to both the unsupported legal basis for Chairman Golden’s position and the underlying regulatory policy issues. It is clear that

not only are there genuine legal and factual issues involved in this matter, but it is the opinion of those experts that the CCC is clearly acting improperly.

- In TBVI's informal meeting with the entire CCC on October 7, 2015, it was clear that Chairman Golden had been pursuing this position without the full knowledge or concurrence of the other commissioners.

With all due respect, we believe that TBVI had a right to due process before any threat of enforcement or closure was made. The CCC had never received a final forensic accounting report. The CCC had never taken the matter up nor taken formal action pursuant to the provisions of the Act. Chairman Golden took action on her own, in her capacity as Chairman.

Ironically, Chairman Golden's action and claims as to fees owed is based solely on her position and conclusion that the prior Chairmen did not have the power to act without a resolution of the full CCC. Yet, this conclusion itself undermines everything she, herself as Chairman, attempts to do without a CCC resolution – including her claims for the fees owed - as she is doing so without any authority from the full Commission. We have attempted to explain this to her multiple times without success.

If the full CCC chooses to adopt the findings and legal arguments set forth in the (yet undisclosed) forensic accounting report, it must do so with full disclosure to TBVI, affording TBVI the opportunity to be heard and present a defense at a hearing and allow TBVI to appeal any adverse decision to the appropriate court.

Although TBVI made a payment to the CCC following yesterday's meeting, it was done under the threat of closure, without due process, as if it were the law or a finding of the full CCC.

- **(b) Status of Employee Licenses**

- Not until our local counsel's call with you on the evening of October 14, 2015 was TBVI aware that Chairman Golden was still taking the position that any of TBVI's employees were improperly licensed.
- **At the CCC public meeting on October 9, 2015, the CCC passed a resolution granting temporary licenses to all employees as necessary.**
- The granting of temporary licenses made complete sense because, as you now know, to the extent that prior to that resolution any employee who did not have a current license, such status was not due to the acts or omissions of TBVI or such employee but due to the fact that **the CCC and/or DGE are years behind in processing employee license applications and investigations. The granting of the temporary licenses was the CCC's remedy to clean up the mess that had been created by the inaction of the CCC and the DGE.**
- As you also now know, before any employee is allowed to work for TBVI, that employee must be issued a Work Permit by the CCC. Beyond that Work Permit, the CCC and DGE are in complete control of the license process and TBVI has no way of monitoring that activity. TBVI has regularly inquired as to the status of the pending employee licenses to no avail. These inquiries were made to both the CCC and the DGE. TBVI has been diligent in maintaining that all employees hold valid work permit which are required to be renewed annually with the CCC.

- In reaction to your demand that TBVI pay all outstanding employee license fees and that TBVI “figure out what it owes”, TBVI immediately made inquiry to the CCC to obtain a list of licensees. The CCC was not able to produce such a list and as of today are still unable to do so.

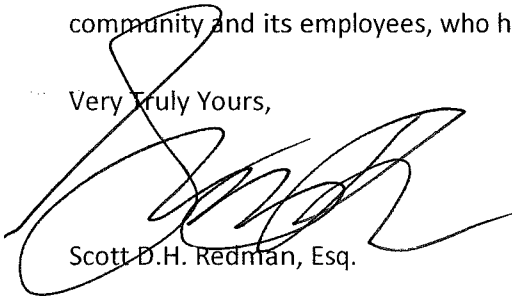
A.A.G. Walker, we applaud your zeal for pursuing wrongdoing in the Territory. In fact, we stand ready to assist you in any way we can. However, in this case you were misinformed.

To exacerbate this intense situation, last night’s (VI Consortium) and today’s (VI Daily News) press totally mischaracterized the situation. We note that you are quoted in today’s VI Daily News article under the headline “Divi casino pays \$1.4 million to correct errors in fees, taxes”. The first sentence of that article basically repeats the headline as a statement attributed to you and later the article specifically enumerates amounts paid by “Divi” to the VI Finance Department. We would appreciate any assistance you and your office could provide to correct these inaccuracies.

A basic tenet of the casino industry is that players must have faith that they are playing with a fair and honest operator. In fact, all of the licensing and investigation that much of this situation centers around is done to ensure that the operators are people who are trustworthy. In a few short days the reputation that many have spent years cultivating has been called into question by making grossly incorrect statements and leaving the impression that TBVI is something other than honest and apparently the Government is not interested in making sure the truth is made known to the public.

Again, we thank you for your reconsideration of the matter yesterday and feel confident that when all issues are fully investigated and brought to light through the formal processes, not only will TBVI be due a refund, it will become clear that TBVI has been and continues to be a business dedicated to the community and its employees, who has always been diligent in following all laws, rules and regulations.

Very Truly Yours,



Scott D.H. Redman, Esq.

cc: Deputy Attorney General Joseph Ponteen, Esq. (via Federal Express)
Treasure Bay V.I. Corp.
Todd H. Newman, Esq.