

## Casino company to pay \$38 million settlement

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Station Casinos Inc. has agreed to pay \$38 million to settle a civil lawsuit alleging it used improper contacts to acquire its Missouri gaming license in 1997.

The lawsuit centered on \$500,000 in bonus payments made by Station to now-disbarred St. Louis lawyer Michael Lazaroff, who represented the gaming company in Missouri and pleaded guilty to mail fraud in June 2000.

The Missouri Gaming Commission ordered Station to pay a record \$1 million fine in 2000 after information emerged that Lazaroff sought to influence Robert L. Wolfson on Station's behalf when Wolfson was the commission's chairman.

The lawsuit was filed by Fitzgeralds Sugar Creek Inc., one of four casino operators that applied to operate a casino in Sugar Creek in 1993. Fitzgeralds' owner, Philip D. Griffith, and the city of Sugar Creek later joined the lawsuit.

The lawsuit alleged that Lazaroff's contacts with Wolfson gave Station an unfair advantage over Fitzgeralds, rigging the application process in its favor and depriving Fitzgeralds of its "business expectancies."

The settlement proceeds will be divided among Griffith, who will receive more than \$25 million; the city of Sugar Creek, which will receive \$2.83 million; and the Edgar Law Firm, which represented the plaintiffs.

The \$2.83 million payment represents 70 percent of the \$4 million annual budget of Sugar Creek, which has about 4,000 residents. The city's mayor, Stan Salva, said most of the

money will be used for road improvements.

"We're very, very pleased with the settlement," Salva said. "It will help us take care of some immediate needs."

Station officials could not be reached for comment, but in filings with the Securities and Exchange Commission, the Las Vegas-based casino operator said it will take a \$24.7 million post-tax charge against income to account for the settlement.

Attorneys for both sides declined to comment, other than saying the lawsuit had been settled "on terms mutually satisfactory to the parties."

Fitzgeralds filed the lawsuit four years after Station received approval for its casino in Kansas City and Fitzgeralds failed to gain approval for its planned operation in Sugar Creek.

Fitzgeralds had proposed to spend \$145 million on a casino, hotel, 18-hole golf course, restaurants and other amenities near La Benite Park, on the south bank of the Missouri River just east of Missouri 291.

Simultaneously, Station sought permission to build a casino at Interstate 435 and Missouri 210. At the time, four casinos had been approved for licenses in the Kansas City area, and the Gaming Commission said it would approve only one more.

The commission selected Station for pre-licensing investigation and granted it a gaming license in January 1997. Fitzgeralds did not get a license, and its parent company, Fitzgeralds Gaming Corp. of Las Vegas, later filed for Chapter 11 bankruptcy.

After the Lazaroff episode, Station sold its Kansas City and St. Louis casinos to Ameristar Casinos Inc. for \$488 million.

Fitzgeralds filed its lawsuit one day

after the Gaming Commission approved the sale to Ameristar and just weeks after Station paid the \$1 million fine. As part of its agreement with the commission, Station admitted no wrongdoing but agreed to surrender its Missouri licenses. The agreement came after a long inquiry by the commission into the relationship between Lazaroff and Wolfson and the \$500,000 in bonus payments Station made to Lazaroff between 1994 and 1996.

Although the commission found no wrongdoing in connection with the payments, it uncovered more than 200 undisclosed phone calls between the two men. Wolfson, who stepped down from the commission in 1998, acknowledged the contacts but denied that Station had received special treatment.

Lazaroff, formerly a senior partner at Thompson Coburn, one of St. Louis' biggest law firms, pleaded guilty in June 2000 to two counts of mail fraud for defrauding his clients and law partners and to one count of causing false reports to be filed with the Federal Election Commission.

He was sentenced to 30 days in jail on a work-release program and 90 days of house arrest. He also agreed to surrender his law license.

Settlement documents filed with the city of Sugar Creek indicate that Station has reserved the right to sue Lazaroff and Thompson Coburn. Tom Minogue, chairman of Thompson Coburn, said the firm would "vigorously defend" any lawsuit filed by Station.

"Thompson Coburn always acted properly in terms of its relationship with Station Casinos and in the Lazaroff matter," he said.