

Sunday, Dec. 08, 2002

Dirty Dealing

Indian casinos are making millions for their investors and providing little to the poor

By DONALD L. BARLETT AND JAMES B. STEELE

Imagine, if you will, Congress passing a bill to make Indian tribes more self-sufficient that gives billions of dollars to the white backers of Indian businesses and nothing to hundreds of thousands of Native Americans living in poverty. Or a bill that gives hundreds of millions of dollars to one Indian tribe with a few dozen members and not a penny to a tribe with hundreds of thousands of members. Or a bill that allows select Indian tribes to create businesses that reap millions of dollars in profits and pay no federal income tax at the same time that the tribes collect millions in aid from American taxpayers. Can't imagine Congress passing such a bill? It did. Here's how it happened and what it means.

Maryann Martin presides over America's smallest tribe. Raised in Los Angeles in an African-American family, she knew little of her Indian ancestry until 1986, when at age 22 she learned that her mother had been the last surviving member of the Augustine Band of Cahuilla Mission Indians. In 1991, the Bureau of Indian Affairs (BIA) certified Martin and her two younger brothers as members of the tribe. Federal recognition of tribal status opened the door for Martin and her siblings to qualify for certain types of government aid. And with it, a far more lucrative lure beckoned: the right to operate casinos on an Indian reservation.

As Indian casinos popped up like new housing developments across Southern California, Martin moved a trailer onto the long-abandoned Augustine reservation in Coachella, a 500-acre desert tract then littered with garbage, discarded household appliances and junk cars, about 25 miles southeast of Palm Springs. There she lived with her three children and African-American husband William Ray Vance. In 1994, membership in the tiny tribe dwindled from three adults to one when Martin's two brothers were killed during separate street shootings in Banning, Calif. Police said both men were involved in drug deals and were members of a violent Los Angeles street gang.

Subsequently, Martin negotiated a deal with Paragon Gaming, a Las Vegas company, to develop and manage a casino. Paragon is headed by Diana Bennett, a gaming executive and daughter of Vegas veteran and co-founder of the Circus Circus Casino William Bennett. Martin's Augustine Casino opened last July. With 349 slot machines and 10 gaming tables, it's the fifth and by far the most modest casino in the Palm Springs area. But it stands to make a lot of non-Indian investors and one Indian adult rich.

And get this: Martin still qualifies for federal aid, in amounts far greater than what many needy Native Americans could even dream of getting. In 1999 and 2000 alone, government audit reports show, she pulled in more than \$1 million from Washington \$476,000 for housing, \$400,000 for tribal government and \$146,000 for environmental programs.

It wasn't supposed to be this way. At the end of the 1980s, in a frenzy of cost cutting and privatization, Washington perceived gaming on reservations as a cheap way to wean tribes from government handouts, encourage economic development and promote tribal self-sufficiency. After policy initiatives by the Reagan Administration and two U.S. Supreme Court rulings that approved gambling on Indian reservations, Congress enacted the Indian Gaming Regulatory Act in 1988. It was so riddled with loopholes, so poorly written, so discriminatory and subject to such conflicting interpretations that 14 years later, armies of high-priced lawyers are still debating the definition of a slot machine.

Instead of regulating Indian gambling, the act has created chaos and a system tailor-made for abuse. It set up a powerless and underfunded watchdog and dispersed oversight responsibilities among a hopelessly conflicting hierarchy of local, state and federal agencies. It created a system so skewed only a few small tribes and their backers are getting rich that it has changed the face of Indian country. Some long-dispersed tribes, aided by new, non-Indian financial godfathers, are regrouping to benefit from the gaming windfall. Others are seeking new reservations some in areas where they never lived, occasionally even in other states solely to build a casino. And leaders of small, newly wealthy tribes now have so much unregulated cash and political clout that they can ride roughshod over neighboring communities, poorer tribes and even their own members.

The amount of money involved is staggering. Last year 290 Indian casinos in 28 states pulled in at least \$12.7 billion in revenue. Of that sum, TIME estimates, the casinos kept more than \$5 billion as profit. That would place overall Indian gaming among Fortune magazine's 20 most profitable U.S. corporations, with earnings exceeding those of J.P. Morgan Chase & Co., Merrill Lynch, American Express and Lehman Bros. Holdings combined.

But who, exactly, is benefiting? Certainly Indians in a few tribes have prospered. In California, Christmas came early this year for the 100 members of the Table Mountain Rancheria, who over Thanksgiving picked up bonus checks of \$200,000 each as their share of the Table Mountain Casino's profits. That was in addition to the monthly stipend of \$15,000 each member receives. But even those amounts pale beside the fortunes made by the behind-the-scenes investors who bankroll the gaming palaces. They walk away with up to hundreds of millions of dollars.

Meanwhile, the overwhelming majority of Indians get nothing. Only half of all tribes which have a total of 1.8 million members have casinos. Some large tribes like the Navajo oppose gambling for religious reasons. Dozens of casinos do little better than break even because they are too small or located too far from population centers. The upshot is that a small number of gaming operations are making most of the money. Last year just 39 casinos generated \$8.4 billion. In short, 13% of the casinos accounted for 66% of the take. All of which helps explain why Indian gaming has failed to raise most Native Americans out of poverty. What has happened instead is this:

A LOSING HAND. Revenue from gaming is so lopsided that Indian casinos in five states with almost half the Native American population Montana, Nevada, North Dakota, Oklahoma and South Dakota account for less than 3% of all casino proceeds. On average, they produce the equivalent of about \$400 in revenue per Indian. Meanwhile, casinos in California, Connecticut and Florida states with only 3% of the Indian population haul in 44% of all revenue, an average of \$100,000 per Indian. In California, the casino run by the San Manuel Band of Mission Indians pulls in well over \$100 million a year. That's about \$900,000 per member.

THE RICH GET RICHER. While federal recognition entitles tribes to a broad range of government benefits, there is no means testing. In 2001, aid to Indians amounted to \$9.4 billion, but in many cases more money went to wealthy members of tribes with lucrative casinos than to destitute Indians. From 1995 to 2001, the Indian Health Service, the agency responsible for looking after the medical needs of Native Americans, spent an average of \$2,100 a year on each of the 2,800 members of the Seminole tribe in Florida. The Seminoles' multiple casinos generated \$216 million in profits last year, and each tribe member collected \$35,000 in casino dividends. During the same six years, the health service spent an annual average of just \$470 on each of the 52,000 members of the Muscogee (Creek) Nation in Oklahoma, whose tiny casinos do little more than break even.

BUYING POLITICIANS. Wealthy Indian gaming tribes suddenly are pouring millions of dollars into political campaigns at both state and federal levels. They are also influencing gaming and other policies affecting Native Americans by handing out large sums to influential lobbying firms. In 2000 alone, tribes spent \$9.5 million on Washington lobbying. Altogether they spend more to influence legislation than such longtime heavyweights as General Motors, Boeing, AT&T or even Enron in its heyday.

GAMING TRIBES AS EXCLUSIVE CLUBS. Tribal leaders are free to set their own whimsical rules for admission, without regard to Indian heritage. They may exclude rivals, potential whistle-blowers and other legitimate claimants. The fewer tribe members, the larger the cut for the rest. Some tribes are booting out members, while others are limiting membership. Among them: the Pechanga

Band of Mission Indians in Riverside County, Calif., whose new Las Vegas style gaming palace, the Pechanga Resort & Casino, is expected to produce well over \$100 million in revenue.

GOLD RUSH. Since only a federally recognized tribe can open a casino, scores of groups including long-defunct tribes and extended families have flocked to the BIA or Congress seeking certification. Since 1979, as gambling has boomed, the number of recognized tribes on the U.S. mainland has spiked 23%, to a total of 337. About 200 additional groups have petitioned the bureau for recognition. Perhaps the most notorious example of tribal resurrection: the Mashantucket Pequots of Connecticut, proud owners of the world's largest casino, Foxwoods. The now billion-dollar tribe had ceased to exist until Congress re-created it in 1983. The current tribe members had never lived together on a reservation. Many of them would not even qualify for government assistance as Indians.

THE IMPOTENT ENFORCER. Congress created the National Indian Gaming Commission (NIGC) to be the Federal Government's principal oversight-and-enforcement agency for Indian gaming and then guaranteed that it could do neither. With a budget capped at \$8 million, the agency has 63 employees to monitor the \$12.7 billion all-cash business in more than 300 casinos and small gaming establishments nationwide. The New Jersey Casino Control Commission, by contrast, has a \$59 million budget and a staff of 720 to monitor 12 casinos in Atlantic City that produce one-third the revenue. The NIGC has yet to discover a single major case of corruption despite numerous complaints from tribe members.

THE WHITE MAN WINS AGAIN. While most Indians continue to live in poverty, many non-Indian investors are extracting hundreds of millions of dollars sometimes in violation of legal limits from casinos they helped establish, either by taking advantage of regulatory loopholes or cutting backroom deals. More than 90% of the contracts between tribes and outside gaming-management companies operate with no oversight. That means investors' identities are often secret, as are their financial arrangements and their share of the revenue. Whatever else Congress had in mind when it passed the regulatory act, presumably the idea was not to line the pockets of a Malaysian gambling magnate, a South African millionaire or a Minnesota leather-apparel king.

FRAUD, CORRUPTION, INTIMIDATION. The tribes' secrecy about financial affairs and the complicity of government oversight agencies has guaranteed that abuses in Indian country growing out of the surge in gaming riches go undetected, unreported and unprosecuted. Tribal leaders sometimes rule with an iron fist. Dissent is crushed. Cronyism flourishes. Those who question how much the casinos really make, where the money goes or even tribal operations in general may be banished. Indians who challenge the system are often intimidated, harassed and threatened with reprisals or physical harm. They risk the loss of their jobs, homes and income. Margarite Faras, a member of the San Carlos Apache tribe, which owns the Apache Gold Casino in San Carlos, Ariz.,

was ousted from the tribal council after exposing corruption that led to the imprisonment of a former tribal leader. For three years, Faras says, those in control mounted nighttime demonstrations at her home, complete with loudspeakers. They initiated a boycott of her taco business, telling everyone she used cat meat. They telephoned her with death threats. Says Faras: "I don't know what else to say, other than it's been a nightmare."

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ROBBIE MCCLARAN, LYLE BERMAN: The champion poker player has backed four Indian casinos, and he's got five more in the cards

Who Gets the Money?

Needy Native Americans, you'd think. But Indian casinos are making millions for their investors and providing little to the poor

By Donald L. Barlett and James B. Steele

Posted Sunday, December 8, 2002; 10:31 a.m. EST

Anita Hollow Horn, a bright, attractive member of the Oglala Sioux tribe, is a fairly typical beneficiary of Indian gaming. She lives in Pine Ridge, S.D., on her tribe's reservation, with its overcrowded dwellings, 88% unemployment and a school-dropout rate of almost 50%. Hollow Horn, 37, and her four children share a three-bedroom home, opposite a landfill, with her mother and stepfather—and seven other relatives. Fourteen people live in the one-story house with a single bathroom. Hollow Horn and her daughter, 9, sleep on a bed in a corner of the basement; her other children sleep on the floor upstairs. Her brother Reginald, 35, who has cancer, sleeps in another corner with his two sons, 10 and 15. It's toughest when the basement floods. "Sometimes the sewer backs up," says Hollow Horn, "and it just gets all over down there." Black mold has already consumed one wall underneath the staircase and is eating its way up the other.

So how, exactly, is Hollow Horn prospering from the \$12.7 billion Indian gaming industry? Like most Native Americans, not at all. Last year the Oglala's Prairie Wind Casino, housed in a temporary, white, circus-tent-like structure smaller than a basketball court, turned a profit of \$2.4 million on total revenue of \$9.5 million. Most of the money went to fund general programs, such as services for the elderly and young people, as well as education and economic development. But even if there had been profit sharing instead, the payout would have worked out to a daily stipend of just 16¢ for each of the 41,000 tribe members.

That's not to say that members of a few small tribes near big cities aren't doing very well from gaming. In Minnesota, 300 members of the Shakopee Mdewakanton Sioux community reportedly take home more than \$1 million a

year. But bands like that are the exception. Only 25% of gaming tribes distribute cash to their members, usually no more than a few thousand dollars each.

So if the overwhelming majority of Native Americans like Hollow Horn aren't benefiting from the Indian casino boom, who is? In many cases, the big winners are non-Indian investors, some of whom pocket more than 40% of an Indian casino's profits. Actually, calling these people investors understates their role. They often serve as master strategists who draw up the plans and then underwrite the total cost of bringing a casino online: ferreting out an amenable tribe, paying a signing bonus, picking up tribal expenses and paying the salaries of the tribe's officials, all of this before a spade of dirt is turned. If an Indian band isn't federally recognized as a tribe and is thus ineligible for a gaming venture, these full-service backers will bankroll genealogists to construct a family tree, then hire lawyers and lobbyists in Washington to help change the band's status. And if a reservation isn't prime real estate for a casino, the investors sometimes purchase a more suitable patch and instruct their lawyers and lobbyists to persuade the government to designate the land as a trust, as reservation property is called. Building the casino is the easiest step.

"Almost all tribes are utilizing consulting agreements to circumvent the regulatory and enforcement authority vested in the National Indian Gaming Commission."

— DEPARTMENT OF THE INTERIOR INVESTIGATION

THE MONEYMEN

There is almost no oversight of the backers. The National Indian Gaming Commission (NIGC), the understaffed, underfunded, underperforming and undersupervised agency that is supposed to police gambling on Indian reservations, knows little about most of the investors. Under its regulations, the agency must approve the management contracts between outside companies and tribes. But a billion-dollar loophole allows tribes to retain companies under consulting agreements without the NIGC's approval. Neither the companies, their investors nor the consulting terms are subject to the commission's review. A Department of the Interior investigation in June 2001 showed that there were 332 Indian gaming operations, from firehouse bingo games to full-scale casinos, but that only 31 were operating under management contracts approved by the NIGC. As the department's Office of the Inspector General later concluded, "Almost all tribes are utilizing consulting agreements to circumvent the regulatory and enforcement authority vested in the National Indian Gaming Commission."

As a result, tribes are pretty much free to cut financing deals as they like. Sometimes investors' names surface; sometimes they don't. Tribal leaders don't have to disclose executives' pay or management arrangements, report their profits, issue audited financial statements or divulge self-dealing contracts to the public or their tribe's members. Not all these deals work out for the moneymen,

but the ones that do yield spectacular returns. A few of the outside investors have distinctive—some would say controversial—pasts. Here are profiles of three:

THE POKER PLAYER

Say what you will about Lyle Berman—and people have called him a lot of things: a pit bull, an intimidator, a fearsome competitor—but no one has ever accused him of modesty. Of his casino-development company, Lakes Entertainment Inc., Berman once told reporters, "We're the most successful company in Indian gaming." Because of the secrecy surrounding gambling on Indian reservations, it's impossible to know whether that's true. But Berman has clearly done quite nicely since he began developing and managing Indian casinos more than a decade ago. Among his real estate holdings: a ranch in tony Telluride, Colo.; a house in Palm Springs, Calif.; an estate called Casa Berman Palmillia on the Mexican Riviera; a condo in Las Vegas; and a \$5 million estate in Wayzata, Minn. By his account, as of September 2001, he was worth almost \$69 million.

A born entrepreneur, Berman first revealed his flair when he turned the family wholesale-leather business into the nation's largest retailer of leather apparel, now known as Wilsons the Leather Experts Inc. But Berman's true passion is gambling: he has won three national poker titles, and is a member of the Poker Hall of Fame at Binion's Horseshoe in Las Vegas. At a poker table, *Gaming* magazine once wrote, Berman plays "with the insight of a psychiatrist and the determination of a club fighter."

Of all the bets Berman has placed, the smartest was to gamble on Indian gaming with his 1990 decision to join forces with a Minnesota tribe, the Mille Lacs Band of Ojibwe Indians, and build a casino on its reservation 70 miles north of Minneapolis. In return for managing the place, Berman and his partners got 40% of the profits for seven years, after which the tribe took over. Eager to duplicate the model, Berman backed three more Indian ventures: the Grand Casino Hinckley, also in Minnesota, and two casinos in Louisiana. In 1999 a predecessor company, Lakes Gaming Inc., which was publicly owned, earned \$54.7 million in management-fee income and had a net profit of \$28.8 million. Berman has done so well that in 1997 executive-compensation guru Graef Crystal called his compensation package for the previous year—which totaled \$18 million in salary and stock options—the "third most outrageous" in the U.S. But not everyone has fared well from Berman's business ventures. In the mid-'90s, his firm, then called Grand Casinos Inc., invested heavily in a hyped Las Vegas casino and resort, Stratosphere, that ended up in bankruptcy court nine months after a ballyhooed opening. Stockholders lost millions. As for Berman, he unloaded a block of stock before it plummeted. Disgruntled shareholders sued, claiming they had been misled over potential profits. The suit was settled for \$9 million, but in the agreement Berman denied the charges.

Today Berman has deals to develop five more Indian casinos: three in California, one in Massachusetts and one in Michigan at a prime spot just 70 miles east of Chicago.

THE AFRICAN CONNECTION

They don't make them more controversial than Solomon Kerzner. There's the over-the-top casino he built on a South African homeland, taking advantage of apartheid; the money scandal that linked him to a Prime Minister who had to resign; the succession of wives, including a former Miss World; and these days the Mohegan Sun, a billion-dollar Indian casino in Connecticut that he made happen.

Kerzner, 67, was ideally placed to make a killing as a financier in Indian gaming. He has succeeded in gaming systems with loose rules before. His native South Africa once banned gambling but allowed it in tribal areas carved out by the apartheid-era white government for blacks to inhabit. Kerzner, who began his career as an accountant, opened the first hotel-casino in 1977 in Mmabatho, the capital of the homeland of Bophuthatswana, about 150 miles from Johannesburg. That year he began planning what would become the opulent Sun City resort-casino-entertainment-theme-park complex. When it opened in 1979, Sun City—with four hotels, a 6,000-seat arena and a 46-acre manmade lake for water sports—became a favored destination for whites in Johannesburg and Pretoria who wanted to escape their nation's moral restrictions and gamble, view soft-porn movies and watch topless showgirls, white and black. Dubbed the richest man in South Africa, Kerzner got into trouble in 1986 when he won permission for a hotel and casino in another homeland, Transkei. To acquire an exclusive gaming license, he had paid more than \$900,000 to Transkeian Prime Minister George Matanzima, who was forced to resign and was later jailed for fraud. Kerzner maintained that Matanzima extorted the money, and the South African government declined to prosecute him. Kerzner moved his base of operations to Britain, and from there he expanded his hotel-and-casino empire to France, Morocco and the Bahamas, where he opened the very profitable Atlantis Casino and Resort.

In 1994, as soon as the Bureau of Indian Affairs (BIA) formally recognized the Mohegans as a tribe, Kerzner and several partners reached an agreement to develop and manage the tribe's proposed casino. Their fee: more than the legally allowed 40% of net revenues. The deal with the NIGC was negotiated in private, and then chairman Harold Monteau rubber-stamped it. The other two commissioners and several staff members objected, complaining that Monteau had worked out the generous package in secret. Monteau is now a lobbyist on casino issues for more than a dozen tribes.

The Mohegan Sun replicates the outrageous sensibility of Sun City. Its profitability is equally immoderate. This year it became Connecticut's and Indian country's second billion-dollar casino (after Foxwoods) when annual revenue hit 10 figures. The 32% increase over last year follows the opening of a second complex, which makes the Mohegan Sun's total gaming area larger than the combined area of the Mirage, Stardust and Tropicana casinos on the Las Vegas Strip. Kerzner, the Mohegans and the NIGC will not release details of the full management agreement, but based on financial data drawn from government records, Kerzner will ultimately walk away with an estimated \$400 million. His partners will split another \$400 million. And Kerzner is going after more. He and his partners have entered into an agreement with the Wisconsin-based Sockbridge-Munsee Band of Mohican Indians to develop a casino in the Catskills.

THE MALAYSIAN BILLIONAIRE

The biggest winner to date in Indian gaming is surely Lim Goh Tong, the 85-year-old Chinese-Malaysian businessman who bankrolled Foxwoods in northeastern Connecticut. Foxwoods, the country's largest gaming venue, is actually a constellation of five casinos about 10 miles down the road from the Mohegan Sun. On an average day, 40,000 people pass through what was a quiet, mostly rural patch of New England.

Lim knows how to compete for government favors. He earned his fortune as a contractor constructing huge infrastructure projects for the Malaysian government. In the mid-'60s while building a hydroelectric dam in the country's Cameron Highlands, he dreamed of developing a resort and casino in the area, which is easily accessible to Kuala Lumpur, the capital. Even though Malaysia is a predominantly Muslim country and Islam forbids Muslims to gamble, he secured the government's approval in less than a day. In the more than three decades since, his exclusive agreement for what is still Malaysia's only casino has been a license to print money.

His deal in 1991 to underwrite the development of Foxwoods for the Mashantucket Pequots, a tribe of fewer than 200 members at the time, has proved similarly lucrative. While financial details have not been made public, one can estimate the tycoon's windfall. Lim provided two loans, one for \$60 million, the other for \$175 million. His company, Kien Huat Realty Ltd., will receive interest on the loans for years to come. But Lim really hit the jackpot with a clause that reportedly gives him 10% of Foxwoods' net income until 2018. Foxwoods' gross revenue is more than \$1 billion a year. Assuming no downturn in the casino's fortunes, TIME estimates, Lim and his family will walk away with \$1 billion over the life of the agreement. The U.S. tax bite? As a foreign investor, Lim will pay at a steeply discounted rate—below that levied on an American family earning less than \$20,000 a year.

THE GREAT LAND RUSH

When gambling was first proposed as a tool for Indian economic development, it was expected that casinos would be confined largely to rural reservations where impoverished tribes had lived for generations. But as with any transaction involving real estate, it's all about location, location, location. Casinos on reservations near urban areas, with a ready supply of would-be gamblers, have tended to do well. The more remote ones, not surprisingly, have foundered. The result: a mad scramble by tribes and their non-Indian financial partners to find prime real estate that they can claim as "reservation" land—and then build on it a gleaming new casino. The choicest spots are near big cities and along major highways. It doesn't matter if the tribes have ever lived there. With the blessing of the BIA, these instant reservations are cropping up all over the country. The United Auburn Indian community's new reservation is in an industrial park in Roseville, Calif., just minutes from I-80, one of California's busiest highways. The heretofore landless Match-e-be-nash-she-wish Band—otherwise known as the Gun Lake Band of Potawatomi Indians—now has a reservation of 50 acres along busy U.S. 131 south of Grand Rapids, Mich. Further west, in Washington State, the BIA has set aside 56 acres along I-90 east of Seattle for the Snoqualmie tribe to develop a casino.

IN TRUST WE TRUST

To appreciate how frenetic investor activity has become, take a look at the action swirling around an otherwise unremarkable tract of land across the Sacramento River from the California state capital. The Upper Lake Band of Pomo Indians, a 150-member tribe, says in court papers that its ancestral homeland, two hours' drive from Sacramento, has "little economic value." So it wants to develop a casino on the river site, even though it neither owns the land nor has the money to buy it.

But the tribe does have friends with clout and deep pockets. A group of wealthy investors headed by Roy Palmer, a feisty onetime Chicago lawyer, has optioned the 67-acre tract in West Sacramento on behalf of the tribe and is footing the bill for trying to secure government approval for a reservation and casino. Palmer and two fellow Floridians, Robert Roskamp and Philip Kaltenbacher, onetime chairman of the New Jersey State Republican Party, formed a company called SRQ Inc. to develop and manage the casino. They envision it as a glitzy Las Vegas-style resort complex designed to replicate the state capitol building. If the BIA approves the plan and takes the land into trust, Palmer's group would convey the property to the Upper Lake Band. In return, SRQ would manage the casino for seven years and take 30% of its annual net profits.

For Palmer, who favors bow ties and loud sport coats, it could mean a replay of one of the most profitable chapters in his career. In the early 1990s, when Indian gaming was in its infancy, Palmer and a partner formed Buffalo Brothers Management Inc. to develop and manage two casinos for the St. Croix Chippewa

Indians in Wisconsin. The company negotiated an agreement to collect 40% of the casinos' total net revenue for running the operations. Then it recommended that the tribe lease slot machines from Interstate Gaming Services Inc., a company that Palmer and his associate happened to own. The fee: 30% of the gross take from each machine. Since slots account for most of the gaming revenue in Indian casinos, Buffalo Brothers was poised to take 70% of the profits—far in excess of the 40% maximum permitted by law. In one year alone, 1992, the two companies collected \$14 million.

Although the BIA had approved the St. Croix arrangements, some tribe members felt they were being gouged. Following an investigation, Michael Liethen, the director of the Office of Indian Gaming for the Wisconsin Gaming Commission, recommended in 1993 that the state revoke Buffalo Brothers' license. Instead, the state fired the director. (Some years later, the state paid him \$290,000 to settle a lawsuit over the dismissal.) The disgruntled tribe members sued Buffalo Brothers, and by 1994, amid the rancor, the St. Croix Band bought out its contract, reportedly for more than \$30 million. Palmer and his partner exited the state very wealthy men. "I was in the right place at the right time," he later told Sarasota magazine.

Palmer disputes the notion that he took advantage of the tribe and says he was the victim of tribal politics: "We did not do one thing wrong. They lost the case at every level, in every jurisdiction. It was just a smear job." As for the 30% his company received for supplying the slots, he says, "We used all that to pay for the slot machines."

Even in California, where tribes don't hesitate to make claims to land that was never theirs, the West Sacramento casino proposal is in a class by itself. Not only is a citizens' group in West Sacramento fighting it, but eight other tribes in Northern California are also opposed. In a joint letter written in April of this year, the tribes said that if Upper Lake were allowed to "move its land base to any area it wanted, [it] would make a mockery of our own California Indian history and demographics and damage the credibility and legitimacy of tribes across the state."

IN YOUR FACE

For sheer audacity, it's hard to beat the shared vision of a Florida developer and an Oklahoma Indian tribe to build a casino in Kansas. The developer is Alan Ginsburg, who heads North American Sports Management (Noram), which has already cut casino development deals with tribes in five states. The tribe is the 3,900-member Wyandotte tribe of Oklahoma, which has a reservation in the state's northeast corner. Oklahoma prohibits Las Vegas-style casinos, and that is why the Wyandottes want a satellite reservation in Kansas, which does permit big-time gaming.

Because the tribe's ancestors lived in Kansas in the 19th century, it had little trouble persuading the BIA to place in trust an abandoned Masonic temple next to an Indian cemetery in downtown Kansas City, Kans., just across the street from city hall. That makes the old lodge and the small parcel around it eligible for Indian gaming.

Not that the Wyandottes and Ginsburg wanted to build a casino there. But they certainly got the authorities' attention. What they really wanted was a large tract somewhere in the metropolitan area. When negotiations stalled, the tribe moved temporary buildings onto the downtown property and threatened to open a minicasino. They also filed a lawsuit against 1,300 property owners in a nearby industrial district, charging that they are occupying land improperly taken from the tribe 200 years ago.

The Wyandottes' not-so-subtle pressure apparently worked. Local officials agreed to let the tribe build a casino and hotel on a 52-acre parcel on Wyandotte County's western edge. U.S. Representative Dennis Moore, the area's Democratic Congressman, has introduced legislation to bless the deal in Congress, thus bypassing the BIA. If approved, the tribe would then have three reservations—in two states.

NO TRIBE, NO PROBLEM

The casino envisioned by the Lytton Band of Pomo Indians is poised to become one of the most profitable in the country. Not bad for a clan of Indians that not long ago had neither a tribe nor a reservation.

In the early '50s the Lyttons consisted of two extended families, the Steeles and the Myerses, who were the sole occupants of a 50-acre reservation for homeless Indians north of Healdsburg, Calif. The families sometimes feuded, but they ultimately shared a common dream: they wanted to be landowners, not tenants on a reservation. In 1952 John and Dolores Myers wrote the BIA asking "to secure a patent fee or a deed to this property." The Steeles sent a similar letter: they, too, wanted the reservation land deeded to them personally. For the next several years, the families wrote more letters to the bureau—and to members of Congress—pleading their case. Finally, in 1961, after a congressional act paved the way for reservation land to be divided among individual members of tribes, they got their wish and the BIA signed the property over to them. Within two years the families had sold off every parcel.

Two decades later, when high-stakes bingo halls were sprouting up across the state, the Lytton descendants decided to re-form and secure federal recognition, which is needed to own a casino. They bypassed the traditional regulatory process and piggybacked on a lawsuit filed by a group of Northern California Indians who claimed the Federal Government had improperly terminated their

tribes in the 1960s. When a judge ruled in the group's favor in 1991, the Lyttons were also formally recognized.

Obtaining reservation land on which to build the casino was even easier. Sam Katz, a Philadelphia financier who has arranged multimillion-dollar financing packages for sports stadiums from Denver to Miami, has become the Lyttons' guardian angel. Katz and his partners found and bought a 10-acre parcel of land for a casino amid the graying stores and modest homes of San Pablo on the East Bay, a 25-minute drive from San Francisco. You might call it a "gaming reservation" because the Lyttons do not intend to live there. Katz has acquired a second piece of property—near Windsor, 60 miles away—for the tribe's "residential" reservation. As Katz told TIME, "We've paid all the expenses of applying for and putting their applications into the Bureau of Indian Affairs for both pieces of property, which involved extensive environmental surveys and traffic surveys and archaeological surveys and historical surveys and you name it." Katz has done much more: he has also paid for tribal government staff, for the tribe's leases on property and equipment, and for its public affairs activities. He has paid its legal expenses and hired lobbyists, consultants and advisers.

So when it became clear that the petitions might languish at the BIA, the Lyttons and their backers had everything in place to take a new tack. They approached George Miller, longtime Congressman from the East Bay, whose district includes San Pablo. The ranking Democrat on the House Resources Committee, Miller did what only a senior member of Congress could: he plugged a three-sentence amendment into an unrelated bill that gave the Lyttons their reservation. Later, there would be outrage over the amendment. Frank Wolf, a Republican Congressman from Virginia, called it a disgrace. But for 200 Lyttons and their backers, it's an American success story.

—With reporting by Laura Karmatz/New York and research by Joan Levinstein, Mitch Frank and Nadia Mustafa

Family Feud Whose tribe is it, anyway?

Posted Sunday, December 8, 2002; 10:31 a.m. EST

One of the country's most lucrative Indian casinos is on the Table Mountain Rancheria in the foothills northeast of Fresno, Calif. It's a pot of gold for about 100 once impoverished Native Americans, a mixed group of Mono and Chukchansi Indians who have had family ties to the area for decades. The rancheria—a small reservation—was federally disbanded in 1959, then restored by court order in 1983. The tribe opened a bingo hall in 1988 and the full-scale Table Mountain Casino six years later. Annual revenue is estimated at more than \$100 million, and while the tribe doesn't release figures, each enrolled member averages an estimated \$350,000 a year. It may sound like an unmitigated success, but only about half of Table Mountain's Indians receive any money at all.

The council of tribal leaders that controls the official rosters simply won't enroll many tribe members.

At the heart of the matter is a battle over gaming spoils that is pitting brother against brother, cousin against cousin, father against daughter. Tribal leaders have traditionally had wide leeway in admitting members. But now the stakes are higher. Entry can mean the difference between a life of poverty and one of unimagined wealth. But every new tribe member means a smaller cut of the casino profits for those already in. So Indian country abounds with tales of tribes disenrolling legitimate members, refusing to let them in or changing their status—all to deny them a share of the pot.

Kathy Lewis is one of those left out. Her grandfather was born and raised at Table Mountain and was the tribe's chief in the 1950s. Lewis spent part of her childhood on the rancheria, living in a shack. Later she and other family members, like many of their tribe, left to live in nearby towns or work or go to school. None of her immediate family owned property on the reservation when it was restored in 1983. The tribe is using that as an excuse to deny her membership, just as it has done with others.

The result is two Table Mountain tribes: an affluent one that lives on the rancheria and a poor one that lives outside it. Those who get casino checks own expensive houses, drive new cars and have no money worries. Those who don't, live in shacks, trailers or cramped apartments, drive old cars and are buried in debt. Lewis lives off the reservation in a two-room trailer with her daughter, her mother and occasionally one of her three brothers. She doesn't get a penny from the casino profits, and both the tribal council that controls it and ordinary members have turned their backs on her. "It's disheartening because they're supposed to be your relatives," she says. The final blow came last year, when the council finally admitted Lewis' father, son of the former chief. (Tribal members declined to talk to TIME.) Since then, Lewis says, her father has cut off all communication with her and her brothers, none of whom are members. "It's all because of greed, selfishness, setting them apart," she says.

Laura L. Wass, who heads the Fresno branch of the American Indian Movement, has been working with families trying to obtain tribe membership. She says the 1983 court order restoring the tribe declared that all those on tribal rolls in 1958 should have their status restored. The tribe's constitution holds similar criteria. But, says Wass, "they still will not let them in." The Bureau of Indian Affairs (BIA) says it's up to the tribes to decide who is a member. So no one is enforcing the 1983 court ruling. Wass says the BIA's refusal to act has left many on the outside of the tribe with nowhere to turn.

Getting It Right This tribe plays for keeps

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Less than a decade ago, the Prairie Band Potawatomi Nation, a reservation in the rolling countryside 15 miles north of Topeka, Kans., suffered from 70% unemployment. About 85% of its members living on the reservation were on some form of public assistance. That all changed in 1998, when the tribe opened Harrah's Prairie Band Casino, which has become the most popular tourist destination in Kansas. TIME estimates its gross revenue at more than \$100 million a year.

For a few tribes like the Potawatomi, gaming has been what advocates had hoped it would be: an economic tool to improve the lives of Native Americans. "Today you'd have to have a disability to not be working," says Steve Ortiz, the tribal secretary. "There are more jobs than people out here."

The Potawatomi puts most of its profits into reservation programs, especially child care and education. It has invested in infrastructure (upgrading roads and bridges) and safety (a state-of-the-art fire station). It has constructed housing for low- and middle-income families and apartments as well as a center for seniors. The tribe distributes 24% of the casino's annual profits to its 5,000 members—including those not living on the reservation. That worked out to about \$2,000 each last year.

All this has helped create a sense of pride on a reservation that once depended largely on federal handouts. And the tribe is returning the favor. The Potawatomi contributed \$200,000 last year to the nearby Royal Valley School District, which some of the tribe's children attend. "The casino has given a new life for all of us," says Ortiz. "It has changed us in a good way. A dramatic way."