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**SUITABILITY REPORT
BY HENRY W. JACKSON
REGARDING
BANGOR HISTORIC TRACK, INC.**

Pursuant to the Rules of the Department of Agriculture, Maine Harness Racing Commission Chapter 19, Section 4(8), I have supervised and participated in the compilation of the following statistical and background information with respect to pending licensing application of Bangor Historic Track, Inc. This information is being presented in report form, with the attached documentation marked as separate exhibits, for the convenience of the Commission. The entire report is submitted to the Commission as an exhibit in this proceeding pursuant to Rule Chapter 19, Section 4(8).

INTRODUCTION

As Executive Director of the Harness Racing Commission, I have directly participated in and supervised the staff of the Maine Harness Racing Commission, including representatives of the Office of the Attorney General, in conducting the suitability investigation of Bangor Historic Track, Inc., necessitated by its new ownership structure involving Shawn Scott and Capital Seven, LLC. The investigation reviewed Mr. Scott's business activities in Nevada, South Carolina, Louisiana and New York. As a result of the investigation, I have concluded that the Commission's attention should be directed to several concerns.

My concerns regarding Bangor Historic Track, Inc.'s suitability for licensure arise from the following facts and issues that have developed during the course of this investigation:

1. Capital Seven, LLC, owned by Shawn Scott has paid 96% of the purchase price for Bangor Historic Track, but Mr. Scott continues to maintain that Capital Seven owns less than 50 % of Bangor Historic Track, Inc.
2. Mr. Scott and his associated companies have not provided many of the documents requested during the course of this investigation. This has frustrated the attempts by Christian Smith, the CPA hired by the Commission, to verify the net worth claims of Mr. Scott. It is reported that he demonstrated a similar lack of cooperation during investigations conducted by the New York Racing and Wagering Board and the Louisiana State Police.
3. Hoolae Paoa, the CEO of Capital Seven and V.P. of Bangor Historic Track, Inc., has a history of convictions beginning in 1978 and through 1997.
4. Mr. Scott and his associated companies have been involved in 37 lawsuits between 1992 and 2000 in Louisiana, New York, South Carolina and Nevada. The most recent suit was initiated in United States District Court for the Southern District of New York by a complaint dated November 19, 2003, and was brought

by shareholders in Vernon Downs complaining about mismanagement of Vernon Downs by Mr. Scott. They have also been subject to 13 liens, four tax liens and one bankruptcy.

5. Mr. Scott owns, holds or has held ownership interests in dozens of companies, which have demonstrated sloppy, if not irresponsible, financial management and accounting practices over several years.
6. A business associate of Mr. Scott's appears to exercise a degree of managerial and financial control over Mr. Scott's companies and business dealings.¹

These facts and issues will be more fully outlined in the balance of this Report and in the testimony of witnesses, including but not limited to Detective Mike Pulire of the Maine Office of the Attorney General, Lt. Rhett Trahan of Louisiana State Police; Christian Smith, an independent accountant retained by the Dept. of Agriculture to examine financial documents relevant to this investigation; and the undersigned Executive Director of the Maine Harness Racing Commission.

APPLICABLE LAW

Pursuant to 8 M.R.S.A. § 263-A, the Commission licenses racetracks in reliance on the factors listed in 8 M.R.S.A. § 271 and applicable rules of the Maine Harness Racing Commission. Under section 271, the Commission is required "to determine that the applicant, its members, directors, officers, shareholders, employees, creditors and associates are of good moral character; that the applicant is financially responsible; and that the award of racing dates to the applicant is appropriate." Exhibit 1C.

Pursuant to 8 M.R.S.A. § 263-C, the Executive Director of the Commission has responsibility for managing the work of the Commission and Department of Agriculture, Food and Rural Resources ("Department") regarding licensing racetracks and harness racing. Management responsibilities include conducting investigations of applicants and licensees, and enforcement of harness racing statutes and rules. Exhibit 1D.

In order to grant Bangor Historic Track, Inc. ("BHT") a license to conduct live racing and receive race dates under section 271 the Commission must be

satisfied that all of this chapter and rules prescribed by the commission have been substantially complied with during the past year and will be fully complied with during the coming year by the person, association or corporation applying for a license; that the applicant, its members, directors, officers, shareholders, employees, creditors and associates are of good moral character; that the applicant is financially responsible; and that the award of racing dates to the applicant is appropriate under the criteria contained in subsection 2

¹ Due to time and resource constraints, this aspect of the investigation has not been fully developed.

The extent of Mr. Scott's ownership of Bangor Historic Track has been somewhat disputed. See *infra*, Ownership of Bangor Historic Track, Inc. However, because the relationship of Mr. Scott and his associated corporations as shareholders and creditors of Bangor Historic Track, Inc. is such that Mr. Scott and his business associates exercise substantial control over the track's current and future operation, analysis of the information concerning Mr. Scott's business entities is essential for the Commission's determination as to suitability and licensure of Bangor Historic Track, Inc. Accordingly, As part of the continuance of this matter in September 2003, Mr. Scott stipulated that, regardless of the ownership structure reflected in the paperwork of the corporation, he would be considered by the Commission to be in control of the applicant at the time of the Commission's consideration of the application.

PROCEDURAL HISTORY OF BHT'S APPLICATION

On October 18, 2002, a Notice of Hearing and Pre-hearing Conference for licensing to conduct live harness racing and the assignment of race dates for calendar year 2003 was sent to applicants, including Bangor Historic Track, Inc., d/b/a Bangor Raceway ("BHT"). Exhibit 2C and 2D. The licensing and race date assignment hearing was held before the Maine Harness Racing Commission ("Commission") on November 13, 2002. An order granting licenses and assigning race dates to the applicants was drafted for the Commission's final approval and signature at the next regular Commission meeting, scheduled for December 18, 2002. This meeting was cancelled because of a snowstorm, and was rescheduled for January 16, 2003.

On January 2, 2003, Fred Nichols, General Manager of BHT, notified the Commission staff that on December 31, 2002, Capital Seven, LLC purchased 17,900 shares of stock in BHT, which amounted to 49.86 % of the voting stock in BHT. Exhibit 2E. Shawn Scott owns 100 % of Capital Seven, LLC. Exhibit 11, Ownership and Funding Model submitted by Mr. Scott.

On January 7, 2003, Henry W. Jackson requested that the Office of the Attorney General initiate a background investigation of Capital Seven, LLC and Shawn Scott on behalf of the Department and the Commission Staff. Exhibit 2F. At the January 16, 2003, Commission meeting, Henry W. Jackson filed a Request to Reopen the November 13, 2002, licensing and race date assignment hearing regarding BHT's application because there was new evidence that the Commission could not have considered pertaining to Capital Seven, LLC's/Shawn Scott's purchase of 49.86 % of the voting stock of BHT.

On January 16, 2003, the Commission granted the Commission staff's request to reopen the hearing to take additional evidence on BHT's application and approved a conditional license in the interim. Exhibit 2G. The conditional license was granted pending hearing pursuant to 8 M.R.S.A. § 271 ("suitability hearing") regarding Capital Seven, LLC's recent acquisition of BHT. The suitability hearing was originally scheduled for March 6, 2003. A motion to continue the hearing was filed due to the extent of the investigation

required. On March 15, 2003, the Commission ordered that BHT's conditional license continue in effect for the purpose of permitting BHT "to run the race dates awarded to it under the Licensure Order (Exhibit 2H1) unless some other basis exists for suspension or revocation of the license." In addition, the Commission ordered, "BHT shall submit a new license application prior to Capital Seven, LLC acquiring a controlling interest in BHT." The Commission also retained the "authority to revoke or deny BHT's conditional license as a result of the investigation." Commission Order, Exhibit 2L. The hearing was continued until May 6, 2003.

On May 2, 2003, the Commission ordered that, "Shawn Scott shall provide a release of information to the Department and the Commission for the purpose of obtaining all the investigative materials, marked confidential or otherwise currently in the possession of the gaming regulatory agencies in the States of Nevada, Louisiana and New York. The releases provided by Mr. Scott shall be in a form necessary to immediately effectuate the release of information from the entities pertinent to the investigation. The fully executed releases shall be delivered to the Office of the Attorney General by May 5, 2003." Commission Order, Exhibit 3L.

The releases were not provided by May 5, 2003. On May 19, 2003, The Department and the Commission staff petitioned the Commission to deny BHT's conditional license because Shawn Scott and Capital Seven, LLC failed to cooperate with the suitability investigation and failed to provide the releases previously ordered by the Commission on May 2, 2003. Exhibit 3L. On June 6, 2003, the Commission again ordered that Mr. Scott provide the releases and set a deadline of June 9, 2003. The Department and the Commission staff received the appropriate releases on June 9, 2003. On June 6, 2003, the suitability hearing was continued to allow additional time to conduct the investigation. Final hearing on the application was set for September 18, 2003.

On June 15, 2003, Assistant Attorney General Laura Yustak Smith, Assistant Attorney General Jack Richards, and the undersigned traveled to Albany, N.Y. to meet with the investigative staff of the New York State Racing and Wagering Board. Over three days, we reviewed 18 boxes of documents that the New York investigators gathered during the course of their suitability investigation of Shawn Scott. The New York information identified over 100 corporations owned by Mr. Scott. Because of the time constraints of our investigation we narrowed the scope of our investigation to the companies that Mr. Scott had identified as having some connection to the Capital Seven, LLC and to companies related to the proposed funding model for the purchase and operation of BHT. Exhibits 11, 13 and 14. We requested three boxes of information from New York. We received the information on July 7, 2003.

On July 8, 2003, Jack Richards, Assistant Attorney General, traveled to Baton Rouge, Louisiana on behalf of the Commission staff to meet with investigators at the Louisiana State Police gaming division. In the course of four days Mr. Richards reviewed 20 boxes of documents gathered during the Louisiana suitability investigation of Mr. Scott. Mr. Richards requested two boxes of information, which were received in our office during the last week of July.

The undersigned started the State approval process for hiring an accountant during the last week of June. The Department entered into a contract with MacDonald Page Schatz Fletcher & Co. on July 23, 2003, to provide an accountant to analyze the financial documents made available to the Commission staff and the Office of the Attorney General during the investigation. The firm was hired to provide an independent opinion regarding the financial viability and responsibility of Bangor Historic Track, Inc. and its major stockholder, Shawn Scott/Capital Seven, LLC. Exhibit 12, Resume of Christian A. Smith.

On June 3, 2003, Mr. Scott offered financial information to the Department of Audit that identified 38 corporations that had a relationship to the funding model Mr. Scott proposed for BHT. This information was returned to Mr. Scott by the Department of Audit and Mr. Scott subsequently provided that information to the Department and Commission staff. On July 1, 2003, the Department and the Commission staff made written requests of BHT, Shawn Scott and Capital Seven, LLC to provide financial and other information regarding Mr. Scott and the entities that Mr. Scott identified in his "Ownership and Funding Model" for BHT. Exhibits 11 and 14. The July 1 request sought to substantiate the limited information that Mr. Scott himself previously identified as relevant when he submitted the information on June 3, 2003. Exhibits 11, 14 and 15.

BHT has complied with the July 1, 2003 request for information by the staff and continues to provide additional information. However, Shawn Scott and Capital Seven, LLC have failed to comply with the July 1, 2003 request for information by staff.

OWNERSHIP OF BANGOR HISTORIC TRACK, INC.

On June 7, 2002, Capital One, LLC negotiated a purchase and sale agreement with the BHT Stockholders to buy BHT. Exhibit 4C. One hundred thousand (\$100,000.00) dollars was paid up-front for the cost of the options to purchase the stock of BHT. Exhibit 4D. Capital One, LLC designated Capital Seven, LLC as its nominee to purchase BHT's stock and the purchase and sale agreements were executed on October 5, 2002. Capital Seven, LLC exercised the First Option Agreement to purchase 17,900 shares of common stock in BHT on December 31, 2002. The total purchase price, including the initial option payment of \$100,000.00, would total \$1,100,000.00. Exhibits 4E and 4F.

On December 31, 2002, Mr. Scott, as owner of Capital Seven, LLC, became the largest stockholder in BHT, paying \$450,000 and acquiring 17,900 shares of common stock, gaining 49.86 % of the voting stock. The next largest stockholder has 5000 shares (14 %) and the remaining nine stockholders hold between 1000 and 4000 shares. Exhibit 4G.

When Mr. Scott acquired his 49.86 % ownership in BHT, he also acquired a "super majority" voting status, which requires a 70 % vote of the stockholders to make significant decisions in the operation of BHT. Exhibit 4E, Stock Purchase Agreement.

On January 23, 2003 a subpoena was served on Fred Nichols, General Manager of BHT, requesting corporate records, financial records and the transactional documents regarding the purchase and sale of BHT stock to Capital Seven, LLC/Shawn Scott. The transactional agreements dated October 5, 2002 for the purchase sale of BHT consist of:

1. Joint Motions of the Shareholders and Directors of Bangor Historic Track, Inc.
2. Stock Purchase Agreement
3. First Option Agreement
4. First Escrow Agreement
5. Second Option Agreement
6. Second Escrow Agreement
7. Share Repurchase Agreement
8. Share Repurchase Escrow Agreement
9. Consent Certificate of Action of the Bangor Historic Track Directors

These documents outline a process for Capital Seven, LLC to acquire BHT outright through a series of transactions, summarized below. Exhibits 4D-4F.

On February 28, 2003, Mr. Scott exercised the Second Option Agreement. Mr. Scott paid the BHT stockholders \$270, 000, but requested an extension until May 28, 2003 to pay the balance of the monies owed in full performance of the Second Option payment. The parties agreed that the \$270,000 partial payment would be the consideration for the May 28, 2003 extension. The partial payment of \$270, 000 made toward the Second Option and the payment for the First Option of \$450,000 were immediately paid to the BHT stockholders upon their receipt. Exhibit 13. The stockholders have no obligation to escrow the funds paid by Mr. Scott or pay them back under any circumstance. Exhibit 4F, Mutual Agreement for Extension of Performance Date of Second Stock Option Agreement and Stock Purchase Agreement. The money paid by Mr. Scott to BHT as of February 28, 2003 accounts for 69.54 % of the purchase price of \$1,100,000.00 for BHT.

A letter to the stockholders from BHT's attorney dated June 7, 2003 advised the stockholders that the sale of BHT through this series of option agreements "*might be considered a transfer of 50 % or more of the equitable ownership of the corporation, resulting in the potential revocation or nonrenewal of the harness racing license.*" Exhibit 4C, June 7, 2002, Correspondence of George Kurr, Esq.

In June 2003, Mr. Scott and the BHT stockholders entered into a Second Extension Agreement on the Second Option Agreement, extending it to December 16, 2003. For consideration of the Second Extension to extend the deadline for the final payment, Mr. Scott paid an additional \$225,000.00 toward the original agreed price of \$540,000.00 second option price. This payment was nonrefundable and was again credited toward the full purchase price. The \$225,000 was immediately paid out to the BHT stockholders. Exhibit 4H, Amendment and Restatement of Second Stock Option and Stock Repurchase Agreement.

The Commission Order dated March 15, 2003, which was agreed to by Mr. Scott, ORDERED Mr. Scott “to submit a new license application prior to Capital Seven, LLC acquiring a controlling interest in BHT.” Exhibit 2L, Commission Order.

As of June 2003, Mr. Scott had paid \$1,045,000.00 to the BHT stockholders. These payments amount to 96 % of the total purchase price of \$1,100,000.00 for BHT. Exhibit 13. The only remaining payment to be made on the second option is \$45, 000.00.

The above facts support the conclusion that Mr. Scott/Capital Seven, LLC is? the majority legal and/or equitable owner of BHT. According to Christian Smith, CPA, CFE of Macdonald Page Schatz Fletcher, the accountant who examined the above series of transactions, “No rational business person would pay 95 % of the purchase price for 49 % of the stock.” Exhibit 13.

At least one employee of Mr. Scott viewed him as the owner of Bangor Historic Track, Inc. On August 19, 2003 at approximately 1:20 pm, the undersigned received a telephone call from Barbara Daley, who identified herself as an employee of Capital Seven, LLC of Las Vegas, Nevada. She requested a copy of the 2003 license issued to Bangor Historic Track Inc. She indicated that Capital Seven, LLC was the majority owner of Bangor Historic Track Inc. and that Capital Seven, LLC was solely owned by Shawn Scott. She asked if I would fax the copy to her at 702-891-9401 rather than mailing it. I informed her that I would do so as soon as possible. I discovered that a license was not printed nor forwarded to Bangor Historic Track Inc. because of its conditional status pending the suitability investigation of Shawn Scott. Ms. Daley called me again on August 20, 2003 at approximately 11:30 AM asking why the license had not been forwarded to her the previous day. I informed her that a license did not exist due to the conditions placed on it by the Commission. However, the Commission had allowed BHT to operate on an Order that had been signed in March. I then informed Ms. Daley that she needed to contact Capital Seven, LLC's legal counsel to make the request to this office.

To conclude that Mr. Scott, though Capital Seven, is the majority owner of BHT is in keeping with Mr. Scott/Capital Seven, LLC’s expressed intention to acquire all of BHT. At the March 6, 2003 Commission hearing in this matter, Chris Howard, attorney for Mr. Scott and Capital Seven, requested that the scope of the investigation anticipate that Mr. Scott would soon become the sole owner of BHT. Mr. Howard stated, “With respect to the issue of minority ownership versus majority ownership, in the interest of full disclosure, we do expect to be exercising an option to acquire additional shares in Bangor Historic Track within the next ninety days. So we have encouraged Jack and the Commission Staff to do a complete investigation, understanding that it would make a lot of sense for them to do sort of a partial investigation based on minority interests, and a larger investigation based on majority interests since the expectation is that we are going to acquire more than 50 % interest within the next 90 days anyway.” Exhibit 4J, Agency Record in Davric Maine Corporation v. Bangor Historic Track, Inc., Docket No. AP-03-25, Transcript of March 6, 2003, pp. 40. According to Chris Howard, “I have tried to be very up-front with you about the exercise of the option or not exercising the option. It is

our intention that within the next 90 days, we will own 98 % of the stock of this entity.” Exhibit 4J, Agency Record, Transcript of March 6, 2003, pp. 45-46.

In light of the above, it appears that Mr. Scott and Capital Seven, LLC have violated the Commission Order of March 15, 2003, that Capital Seven, LLC “*submit a new license application prior to Capital Seven, LLC acquiring a controlling interest in BHT.*” Exhibit 2L, Commission Order.

LEASE STATUS AT BASS PARK

The lease agreement dated July 2, 2002 between the City of Bangor and Bangor Historic Track, Inc. for use of the harness racing facility at Bass Park expired on October 15, 2003. As of August 29, 2003, the renewal of the lease has not been negotiated. Under the existing lease BHT does not gain a priority for leasing Bass Park after October 15 above any other entity. Exhibit 2D.

On or about October 31, 2003, Capital Seven, LLC and the City of Bangor entered into a lease agreement for the Bass Park facility for a term from October 1, 2003 to September 30, 2004 with possible extensions thereafter. That lease is assignable by Capital Seven, LLC to Bangor Historic Track, Inc. Exhibit 30, Lease Agreement.

REPORT BY CHRISTIAN SMITH, C.P.A.

The Department of Agriculture retained the services of Christian Smith, who is a certified public accountant with the accounting firm of Macdonald Page Schatz Fletcher & Co. Mr. Smith has provided two reports that are separate exhibits in this proceeding. Exhibit 13 (correspondence of September 3, 2003) and Exhibit 13B (correspondence of October 30, 2003).

Mr. Smith found that Bangor Historic Track, Inc. has incurred operating losses for each year since 1997, the average loss being of \$54,095. Mr. Smith found that Bangor Historic Track, Inc. has been insolvent for three successive years, being 2001, 2002 and through July 31, 2003. Mr. Smith found that through July 31, 2003, Bangor Historic Track, Inc. had negative equity and working capital and could voluntarily file for bankruptcy or be called into bankruptcy by creditors, in spite of Capital Seven, LLC’s investments in and loans to Bangor Historic Track, Inc. up to that time. Mr. Smith also raised a question concerning financial responsibility of Bangor Historic Track’s management, citing several payments made by the company to individuals. These issues are outlined in greater detail in the September 3, 2003 correspondence. Exhibit 13.

Mr. Smith also noted that the difficulty of substantiating the information provided by Shawn Scott shown on his Statement of Assets and Liabilities as of December 31, 2002, given the nature and extent of the information provided by Mr. Scott. Mr. Smith determined that as of September 2003, the question of “whether or not Mr. Scott, through

his ownership of 38 companies, has the financial viability to operate the Bangor Racetrack is indeterminable.” Exhibit 13, p. 5.

When this matter was continued with the agreement of the parties in September 2003, Mr. Scott was to provide additional information. Mr. Smith’s second report, dated October 30, 2003, documents his conclusions based on any information provided by Mr. Scott. Mr. Smith reiterated that Bangor Historic Track, Inc. “does not have adequate financial resources to operate the Bangor Racetrack.” Exhibit 13B, p. 4. Mr. Smith concluded that the only company of Mr. Scott’s shown as having cash was DDRA Capital, Inc. “and the accounting records do not support that this company has the cash as reported in the financial statement.” Exhibit 13B, p. 4.

Mr. Smith’s September 3, 2003 report also addresses the financial responsibility of Mr. Scott. Mr. Smith noted areas of concern, including the November 5, 1997 Nevada Gaming and Control Board proceeding on one of Mr. Scott’s licenses. Exhibit 13. That proceeding is also referenced infra.

Mr. Smith also raised questions concerning the involvement by an associate of Mr. Scott in his companies and indicates that the interrelationship are so strong and the associate “is so closely tied to Shawn Scott and Shawn Scott’s companies that they should be considered as one entity.” Exhibit 13, p. 7.

Mr. Smith also refers to a June 20, 2002 New York State Racing and Wagering Board interview with Mr. Scott as providing numerous examples demonstrating a lack of knowledge by Mr. Scott of the dealings of his own companies. Mr. Smith concluded that it “is not financially responsible for an owner to be this much in the dark regarding his own business dealings.” Exhibit 13, p. 6.

This pattern appears to have continued. The most recent such conduct occurred after employees of Mr. Scott apparently registered “Good Morals for Maine” and took out several full-page ads in the Portland Press Herald opposing the approval of a racino in southern Maine. See Exhibit 21. Scott initially asserted that he had no relationship with the political action committee, and then denied knowledge of his associates’ actions. “Scott admits company has ties to PAC opposing Downs project,” Exhibit 27, Bangor Daily News, December 2, 2003. Ironically, after disavowing his associates’ efforts, media reports indicate that Mr. Scott has embarked on a similar course of action: “There is also an outside group opposing Scarborough Downs. Maine Opportunities is funded by Capital Seven, a company owned by Shawn A. Scott, a Las Vegas investor who wants to operate a racino in Bangor.” Exhibit 29, “Racino foes, advocates face quick campaign,” Portland Press Herald, December 4, 2003.

SHAWN A. SCOTT

PERSONAL BACKGROUND:

The Louisiana State Police, Bureau of Investigations, Gaming Division, conducted an extensive background investigation of Shawn Scott and Delta Downs Enterprises as a result of Scott's and Delta Downs' applications for gaming licenses in Louisiana. According to the report of Louisiana State Police Trooper First Class Esteban I. Quispe, dated April 5, 2001, Shawn Andre Scott was born on April 24, 1966 in Riverside, California. Exhibit LA 1/1, Quispe Report, page 2.

According to the report, Shawn Scott has had several residences. One residence was a residence owned by a business associate of Mr. Scott's. Commission Staff and the Department have only started to investigate this associate's degree of managerial and financial control over Mr. Scott's companies and business dealings.

EDUCATION:

According to Trooper Quispe's report, Shawn Scott attended Polytechnic High School in Riverside, California from 1981 to 1984. Mr. Scott graduated from the University of California at Riverside on June 13, 1987. He received a Bachelor of Arts degree in Psychobiology. He also graduated from the California State University at San Bernardino on June 16, 1990 with a Master of Science degree in Biology. Exhibit LA 1/1, Quispe Report, page 3.

SHAWN SCOTT'S EMPLOYEES AND ASSOCIATES:

Hoolea Paoa has been identified in the New York and Louisiana investigations as a business associate and/or employee of Mr. Scott. He has stated that he is the CEO of Capital Seven and has represented Capital Seven at most meetings in Bangor concerning Capital Seven's dealings with the City of Bangor. He is also the CEO of Capital One, LLC and listed as the vice president of Bangor Historic Track, Inc. in the BHT Bangor Raceway racing program of 2003. However, according to the Bangor Daily News Martin Gersten, an attorney for Mr. Scott, indicated that "Paoa represented Scott at several Bangor City Council meetings in his capacity as a consultant." "Bangor racino developer faces suit," Bangor Daily News, November 21, 2003, Exhibit 22.

Name: **Hoolea Paoa**

Date of Birth: **September 21, 1950**

Place of Birth: **Honolulu, Hawaii**

Title/Position/Relationship: **Chief Executive Officer
Capital Seven, LLC,
Capital One, LLC
V.P. BHT**

Mr. Paoa has a history of involvement with law enforcement authorities in Hawaii as outlined below.

Criminal History: Hawaii, Exhibit 9, Criminal History and Exhibits 9A, 9B and 9C, portion of Hawaii penal Statutes.

Date	Crime	Sentence
1. August 11, 1997	Assault in the third degree	1-day jail, 1-year probation, Attend Anger Management Class
2. Sept. 14, 1993	Criminal Contempt of Court	Unknown
3. April 22, 1992	Abuse of a family member	5-days incarceration
4. Feb. 17, 1984	18 Thefts in the first degree (Class B Felony)	14 Guilty pleas, 5-years probation Restitution - \$10,340.44
5. Feb. 17, 1984	7 Thefts in the second degree (Class C Felony)	2 Guilty pleas, 1-year probation
6. Feb. 17, 1984	2 Thefts in the third degree (Misdemeanor)	1 Guilty plea, 30-days incarceration
7. Nov. 2, 1978	Reckless Driving	Guilty, Sentence Unknown
8. Nov. 2, 1978	(No Description)	Guilty, Sentence Unknown

Tax Liens:

Hoolae Paoa had two-2 Federal Tax liens entered on June 21, 1996 in the State of Hawaii. The amounts of the two-2 Federal Tax liens were \$43,387.00 and \$23,544.00. Exhibit 9D.

LITIGATION INVOLVING SHAWN SCOTT

RECENT DEVELOPMENTS

In a 33-page verified complaint dated November 19, 2003, Carrie A. Greenberg, John Signorelli, and Vernon Downs Acquisition, LLC, filed suit against Shawn Scott, Hoolae Paoa, Victoria Scott and others in the United States District Court for the Southern District of New York. Docket No. __-CV-2003. The plaintiffs are shareholders of Mid-State Raceway, Inc. Exhibit 28, Verified Complaint.

Count II alleges a violation of federal law, the Exchange Act and an SEC Rule with the intention to defraud Mid-State Raceway, Inc. Count II alleges common law fraud in inducing Mid-State Raceway, Inc. to enter into a variety of loan transactions benefiting Scott-related entities. Count III alleges violation of New York business corporation law in issuing stock warrants without obtaining the approval of a majority of the Mid-State Raceway shareholders. Count IV alleges that the board of directors breached their fiduciary duties to the corporation, and that Shawn Scott and others “induced and/or knowingly participated in such breaches.” There are two counts relating to a request for an injunction and for damages from actions not allowed under the various corporate authorizations. Finally there is a claim that the interest charged on some of the loans to Scott related entities amounted to criminal usury under New York law.

At the time of this report, undersigned has not been able to confirm whether an answer has been filed or obtain a copy of any answer that defendants may have filed in this matter.

POTENTIAL LITIGATION INVOLVING SHAWN SCOTT

David Nealley, an executive vice-president of Capital Seven, LLC, as well as a Bangor City Councilor, is quoted in the Bangor Daily News as follows: “ ‘ If Mayor Tremble, Councilor Palmer and Councilor Allen continue their attempt to undermine and discredit Bangor Historic Raceway and Capital Seven’s efforts to become licensed, then Capital Seven will be forced to file suite against them,’ Nealley said Monday.” Exhibit 23, “Bangor panel at odds over racino deal,” Bangor Daily News, December 3, 2003. See also Exhibit 24, “Capital Seven’s hirings debated,” Bangor Daily News, December 7, 2003 regarding the potential suit.

LITIGATION INVOLVING SHAWN SCOTT: OVERVIEW

Exhibits LA 6/9, 7/9, 8/9, 7/10, 8/10 and 9/10

Case	Filing date	Docket No.	Jurisdiction	Synopsis	Status as of April 2001 unless otherwise noted
Shauna Johnson v. Delta Downs, Inc. LA 8/10 N(1); LA8/9 f.30	8/1/00	270A01832	Equal Employment Opportunity Commission	Discrimination charges	Pending
Allen & Olive Hebert and Jackpot Novelty, Inc. v. Toomey Stocks, LLC LA 6/9 f.1	7/26/00	994862	14 th Judicial District Court, Calcasieu Parish, LA	Suit over matter of partition by licitation about property owned by the parties listed in suit. Toomey Stocks allegedly refused to make conventional partition of the property	Open Joint stipulation to judgment See LA Lit. Supp. B
Cope Express, LLC v. NBS Investments, Inc.; Unlimited Holdings, Inc.; David Ferradino Investments and Jeanne Ebner LA 6/9 f.5	7/14/00	A421662	District Court, Clark County, NV	Pl filed civil suit for partition of real property	Order for dismissal of the suit w/ prejudice issued re Unlimited Holding, Inc. & David Ferradino. Documentation not located re status w/ suit re NBS Investments & Jeanne Ebner
Ada Mae Gore v. Delta Downs, Inc.; Delta Downs Racing Assoc., Inc. & Gaming Resources, Inc. LA 8/9 f.25	6/29/00		14 th Judicial District Court, Calcasieu Parish, LA	Personal injury	Settled and Compromised dismissed w/ prejudice. Costs to be paid by defendants See LA Lit. Supp. B
Whitbeck Advertising Inc. v Delta Downs Inc LA 8/9 f.24	6/27/00		14 th Judicial District Court, Calcasieu Parish, LA	Pl claims Def owes \$150,474.25 for services rendered. Pl alleges Def tries to negotiate a price for services, signs contract, after service is provided Def holds out paying and offers settlement at lower price (80 cents to the dollar)	Dismissal with prejudice and with reservation of cause of action See LA Lit Supp. B
Arcadia Racing, LLC v. Chun Kung Cho; Jin Ho Cho; Equus Investments, LLC and Jasper	6/23/00	A420784	District Court, Clark County, NV	Breach by Defs Chun King Cho, HunYuk Lee and Jin Ho Cho (owner of Equus) of promised financial contributions towards purchase of Delta Downs	After purchase of Equus' 49%, Arcadia Racing and Equus entered into a stipulation and settled their case (Mr. Scott

Case	Filing date	Docket No.	Jurisdiction	Synopsis	Status as of April 2001 unless otherwise noted
Hawaii Investments, Inc. LA 8.10 N(1)					owned remaining 51%) (Arcadia Racing owned 100% by Scott) See LA Lit. Supp. F
Hunter, Blazier & O'Dowd v. Delta Downs Racing Assoc., Inc. LA 8/10 N(1)	6/9/00	00-3091	14 th Judicial District Court, Calcasieu Parish, LA	Pl alleges Def maintained open acct and owes \$9,007.67	Dismissed 9/5/01 See LA Lit Supp. B
Hunter, Blazier & O'Dowd v. Delta Downs Racing Assoc., Inc. LA 8/10 N(1)	6/9/00	00-3092	14 th Judicial District Court, Calcasieu Parish, LA	Pl alleges Def maintained open acct and owes \$71,062.74	Dismissed 9/5/01 See LA Lit Supp. B
Floyd J. Stanley d/b/a Stanley Construction v. Delta Downs Racing LA 8/9 f.26	6/8/00	2000-003066	14 th Judicial District Court, Calcasieu Parish, LA	Pl alleges Def failed to pay for services rendered (\$17,515.99)	Dismissal w/ prejudice at plaintiff's costs and against defendants See LA Lit Supp B
Floyd J. Stanley (Stanley Construction) v. Shawn Scott, Delta Downs, Inc. & Delta Downs Racing Assoc., Inc. LA 8/10 N(1)	6/8/00	2000-003701	14 th Judicial District Court, Calcasieu Parish, LA	Failure to pay for services rendered (\$22,000.00 +)	Settled – dismissal with prejudice. Costs to be paid by defendants See LA Lit Supp B
Dr. Nancy Shepard v. Delta Downs Racing Assoc., Inc LA 8/9 f.21	6/6/00	2000-003006	14 th Judicial District Court, Calcasieu Parish, LA	Dr Shepard issued press release opposing slot machines @ Delta Downs. Delta Downs press release was defaming and caused her great mental pain & suffering	Joint dismissal with prejudice See LA Lit Supp B
Madeleine, LLC v. Desert Golden	4/28/00	009V3272 (RCC)	U.S.District Court, Southern District of	Failure to meet obligations under a demand promissory note of	Stipulation and Order for dismissal w/

Case	Filing date	Docket No.	Jurisdiction	Synopsis	Status as of April 2001 unless otherwise noted
Sun, LLC & Shawn Scott LA 6/9 f.4			NY	\$500,000. Request sum of \$432,559.04 (\$400,000 accrued interest & fees & exp.)	prejudice whereby parties agreed Mr. Scott to pay \$200,000 and the matter would be considered settled and dismissed w/ prejudice
Elda Massey v. Delta Downs	4/28/00	270A01374	Equal Employment Opportunity Commission	Discrimination charges	Still active
Mary Reynolds v. Delta Downs, Inc. LA 8/9 f.20	3/21/00	2000-001536	14 th Judicial District Court, Calcasieu Parish, LA	Personal injury claim	Dismissed w/ prejudice. Defendants to bear costs. See LA Lit Supp. B
Nedra Jenkins v. Delta Downs, Inc LA 6/9 f.16	3/1/00	270A01030	Equal Employment Opportunity Commission	Alleging discrimination	Still Active
Louisiana Racing, LLC v. Calvin O. McKerley, Nathaniel McKerley, MD & Kathryn Berwick LA 7/9 f.17, f.17A, f.18, f.19	2/7/00	2000-000671/672/673	14 th Judicial District Court, Calcasieu Parish, LA	Suit states Pl entered into option to purchase properties owned by individual. The option granted Pl right to purchase certain property located in Calcasieu Parish. Pl requested Def be restrained, etc from acting in his behalf from selling, etc. interest in subject property which will delay or prevent property from being transferred to Pl. Defs claim they also had option to purchase property. Pl feels Def option to purchase is null and void because up front money not paid until 6 mos later.	10/4/02 3 cases all dismissed w/ prejudice See LA Lit. Supp. D
Calvin Geyen Jr. v. Delta Downs, Inc. & Shawn Scott LA 6/9 f.15	1/10/00	00-154	City Court of Lake Charles, Calcasieu Parish, LA	Pl alleges Def failed to pay wages of \$650.	Judgment dismissing all claims by Pl issued in favor of Def.
Delta Downs	10/26/9	99-6643	14 th Judicial District	Pl filed Pet for Temp Restraining	Decision found no

Case	Filing date	Docket No.	Jurisdiction	Synopsis	Status as of April 2001 unless otherwise noted
Racing Assoc., Inc. v. Players' Lake Charles Riverboat, Inc. and St. Charles Gaming Co., Inc. d/b/a Isle of Capri Casino LA 6/9 f.14	9		Court, Calcasieu Parish, LA	Order re Retention of Documents for Injunction against Def. Pl alleges Def engaged in concerted intentional acts for the purpose of or having the effect of intimidating employees...voters in...special referendum on the issue of having slot machines	force or intimidation to have been used. Open/last activity 1999. See LA Lit Supp B
Delta Downs, Inc. v. Doyle Hinds LA 6/9 f.13	9/30/99	99-6235	14 th Judicial District Court, Calcasieu Parish, LA	Pl alleges Def refused to allow it the right of ingress. Def alleges right of servitude exists due to Act of Sale	Still active
Desert Golden Sun, LLC v. Pete Cladianos Trust LA 6/9 f.6	2/19/98	CV98-01203	2 nd Judicial District Court, Washoe County, NV	Pl alleges Trust had not returned \$500,000 escrow deposit	Stipulation and order for dismissal w/ prejudice issued.
Nevada Dept. of Transportation v. Banter, Inc. LA 6/9 f.3	9/10/97	A378187	District Court, Clark County, NV	DOT sought to condemn real property rights of Def.	Still active
Nevada Dept. of Transportation v. Banter, Inc. LA 6/9 f.2	7/15/97	A375884-C	District Court, Clark County, NV	DOT sought to condemn real property rights of Def.	A final judgment of condemnation issued
Allied Building Products, Inc. v. National Roof, Inc.; Michael A. Long and Star Insurance Co. LA 6/9 f.8	5/20/97	A-373740-C	District Court, Clark County, NV	Def deposited \$9,415.32 w/ court – funds disbursed to individuals by court. Mr. Scott reported suit was dismissed and default judgment issued	No documentation could be located to substantiate dismissal and judgment
Marty Clark v. Delta Downs Racing Assoc., Inc. LA 7/10 N; LA 6/9 f.12	1/10/97	97-153	14 th Judicial District Court, Calcasieu Parish, LA	Allegation of unauthorized release of horse by Def to County Sheriff who then released same animal to another individual w/o authorization. Sheriff received teletype of arrest warrants for Pl.	Still Active See LA Lit Supp. B

Case	Filing date	Docket No.	Jurisdiction	Synopsis	Status as of April 2001 unless otherwise noted
Dennis Farmer v. Delta Downs, Inc.; Waste Management of LA, Inc. & State of LA through the LA State Racing Commission LA 6/9 f.11	12/21/95	95-18957	Civil District Court, Orleans Parish, LA	Pl alleges personal injuries incurred while working as jockey	Still active
Frank Silver V. Shaw Scott d/b/a Banter, Inc., John Mulder d/b/a TPM Financial Inc. LA 6/9 f.7; LA 7/10 N	6/28/95	A347718	District Court, Clark County, NV	Pl alleged entitlement to possession of certain personal property	Case dismissed w/ prejudice
Cheyenne Gambling Hall, Inc. v. Desert Gaming, Inc., et al. LA 6/9 f.9	1/31/95	A-342363	District Court, Clark County, NV	Breach of lease for space to be used for non-restricted gaming operation – damage \$25,000+	Cheyenne Gambling filed and received judgment of dismissal
Louisiana Horseman's Benevolent & Protective Assoc. 1993, Inc. v. Fair Grounds Corp., et al. LA 9/10 N(2)	11/8/94	411-508	19 th Judicial District Court, East Baton Rouge Parish, LA	Pl claimed tracks withheld amounts of video gaming revenue...Judgment on Exceptions of Prematurity & Lack of Subject Matter Jurisdiction granted – suit dismissed w/o prejudice. Pl appealed dismissal – Def filed Writ of Certiorari &/or Review – denied as untimely – HBPA appeared for show cause re summary judgment – Def (Scott) stated case is still active	Plaintiff's motion for summary judgment granted. See LA Lit. Supp. C
Zapopa Mei Santos v. Shawn Scott LA 7/10 N	4/25/94	CIV075045	Superior Court of CA, Indio Branch	Breach of contract	Dismissed – Records from civil action not complete
Sheila Everage v. Shawn Scott	11/29/93	SCLSCP71527	Superior Court of CA, Indio Branch	Breach of contract \$5,000 – appealed by Def.	Init Judgment reversed – neither

Case	Filing date	Docket No.	Jurisdiction	Synopsis	Status as of April 2001 unless otherwise noted
LA 7/10 N					party "takes nothing" – transferred to Palm Springs Municipal Court for enforcement
Roxie Startzman v. Shawn Scott LA 7/10 N	8/18/92	I67742	Superior Court of CA, Indio Branch	Breach of contract amt of \$35,000+	Dismissed
Celia Gonzales v. Shawn Scott d/b/a Desert Synergy Realty, Inc. LA 6/9 f.10	6/3/92	66840	Small Claims Court, Desert Judicial District, County of Riverside	Mr. Scott refusing to pay real estate commission to Pl. for \$5,000	Default for \$5,000 plus costs of \$33.00
Delta Incorporeals v. Louisiana Racing, LLC				Contract dispute with prior owners of Delta Downs	See LA Lit. Supp E
FHR Corp. v. Capital One LLC				Contract dispute regarding assumption of certain lease obligations	See LA Lit. Supp E
JAAS Enterprise, Inc. v. VVLV, LLC				Contract Dispute regarding sales of Vacation Village	See LA Lit. Supp E
Kayla Rea v. DDI Ventures				Wrongful termination	See LA Lit. Supp E

SHAWN SCOTT – LITIGATION LIENS

Case	Filing date	Docket No.	Jurisdiction	Synopsis	Status as of April 2001
Neff Rental Corp. v. Lake Charles Construction Inc. & Delta Downs Inc. LA 6/9 f.40	9/19/00	2518339	15 th Judicial District Court, Lafayette Parish, LA	\$4,475.70+ owed Pl for services provided	Pending

Case	Filing date	Docket No.	Jurisdiction	Synopsis	Status as of April 2001
Thomas Shoemake, Delta Downs, Inc. LA 8/9 f.39	9/18/00	2518047	14 th Judicial District Court, Calcasieu Parish, LA	\$1,000 owed PI for services rendered	Pending
Harmon's Construction v. Troy Frick Construction; Delta Downs Racing Assoc., Inc.; Delta Downs, Inc. LA 8/9 f.38	9/13/00	2517552	14 th Judicial District Court, Calcasieu Parish, LA	\$1,283.40 owed PL for materials and labor rendered	
Harmon's Construction v. Lake Charles Construction Co., Inc. & Delta Downs, Inc. LA 8/9 f.33, f.37	9/1/00	2516392	14 th Judicial District Court, Calcasieu Parish, LA	\$11,692.66 owed PI for materials and labor rendered	Pending
Angelle Concrete, Inc./Angelle Concrete of LA, Inc. v. Lake Charles Construction & Delta Downs, Inc. LA 8/9 f.35	8/18/00	2514649	14 th Judicial District Court, Calcasieu Parish, LA	\$78,949.62 owed to PI for materials and services rendered	Pending
Red Dot Corp. v. Lake Charles Construction, Inc. & Delta Downs, Inc. LA 8/9 f.29	8/18/00	2514776	14 th Judicial District Court, Calcasieu Parish, LA	\$25,371.66 owed to PI – breach of contract for materials	Pending
Star Concrete Pumpers, Inc. v. Lake Charles Construction Inc. & Delta Downs Racing Assoc Inc. LA 8/9 f.34	8/16/00	2514466	14 th Judicial District Court, Calcasieu Parish, LA	\$6,427.50 owed to PI for materials	Pending
Stine, Inc. d/b/a Stine Lumber Co. v. Jim Iatiolais d/b/a Lake Charles Construction Inc. & Shawn Scott d/b/a Delta Downs Racing Assoc., Inc. LA 8/9 f.32	8/8/00	2513543	14 th Judicial District Court, Calcasieu Parish, LA	\$1,174.82 owed to PI for material & services rendered	Pending
Building Specialties v. Lake Charles Construction, Inc.; Delta Downs Racing Assoc., Inc; Delta Downs, Inc. LA 8/9 f.31	8/7/00	2513405	14 th Judicial District Court, Calcasieu Parish, LA	\$17,483.41 owed to plaintiff for materials purchased by Def.	Pending

Case	Filing date	Docket No.	Jurisdiction	Synopsis	Status as of April 2001
Construction Materials, Inc. v. Delta Downs Racing Assoc., Inc. & Delta Downs, Inc. LA 8/9 f.28	7/28/00	2511868	14 th Judicial District Court, Calcasieu Parish, LA	\$7,000.24 owed to PI for materials	Pending
Pousson's Tools & Fasteners Co., Inc. v. Delta Downs, Inc. LA 8/9 f.29	7/28/00	2511930	14 th Judicial District Court, Calcasieu Parish, LA	\$1,971.62 owed to PI for services rendered	Pending
Tab's Hackberry Service & Supply Inc v. Delta Downs Inc. LA 8/9 f.27	7/27/00	2511929	14 th Judicial District Court, Calcasieu Parish, LA	\$17,285.25 owed to PI for services rendered	Pending

TAX LIENS

Scott Tax Liens: The following tax liens were filed in Horry County, South Carolina.

Shawn A. Scott Individual Income Tax	12/97-12/97	\$15,422.05
Shawn A. Scott Individual Income Tax	12/98-12/98	\$32,793.49

Note: Bridge Capital, Inc. paid these two tax liens with interest and penalties in the amount of \$48,023.91 on January 31, 2001. Bridge Capital, Inc. is a Nevada Corporation owned by John K. Baldwin. Exhibit No. NY 101

John K. Baldwin Individual Income Tax	12/97-12/97	\$15,422.05
John K. Baldwin Individual Income Tax	12/98-12/98	\$32,529.37

On June 28, 2002 David Jensen, Chief Financial Officer for Vernon, LLC, a company owned entirely by Shawn Scott, reported to the New York State Racing & Wagering

Board that the following taxes and penalties were outstanding in South Carolina: Exhibit NY 106.

Taxing Authority	Corporation	Type Tax	Years	Amount
Dept. of Revenue	Bugsy's at Surfside	Withholding (payroll taxes)	1998	\$3,282.00
Horry County	Tycoon's LLC	Personal Property Tax	2000	6,261.50
Horry County	Tycoon's, LLC	Real Property Tax	2001	3,459.21
Richland County	Bugsy's at Spring Valley	Personal Property Taxes	1998-2000	26,773.76

Merchant Taxes: Exhibit LA Volume 5 of 10.

The Board of Assessment, Richland County, South Carolina reported on November 6, 2000, that Chubby's Amusement, Inc d/b/a Chubby's located in Columbia, South Carolina had 22 bills outstanding for Merchant Taxes totaling 17,979.09.

It was also noted by the Board of Assessment that its records show that the businesses that were assessed the merchant taxes had operated without business licenses. The City of Columbia was the agent for the County of Richland for the issuance of the business license tax. A warrant was to be issued, but the businesses with the above outstanding merchant taxes closed prior to the issuance of the warrants.

Tax Liens: See Exhibit LA 5 of Volume 10

On October 30, 2000, Louisiana State Police Trooper Quispe inquired at the Register of Deeds for Richland County Judicial Center, Columbia, SC to determine whether any tax liens had been filed against the above video poker corporations. The search disclosed a total of 22 tax liens on file at the Register of Deeds dating from 1997 to 1999. Those liens are as follows:

<u>Corporation</u>	<u>Period Covered</u>	<u>Amount Due</u>
1. Action Unlimited Amusement, Inc. Corporate Income Tax	12/97-12/97	\$511.52
2. Action Unlimited Amusement, Inc.	12/98-12/98	\$512.11

Corporate Income Tax

3. Buggy's at Spring Valley, Inc. Employer Withholding Tax	12/98-12/98	\$485.38
4. Buggy's at Spring Valley, Inc. Employer Withholding Tax	9/98-9/98	\$579.53
5. Buggy's at Spring Valley, Inc. Buggy's Two Sales Tax	1/98-1/98	\$619.51
6. Buggy's at Spring Valley, Inc. Buggy's Two Sales Tax	12/99-12/99	\$620.46
7. Buggy's at Spring Valley, Inc. Buggy's Three Sales Tax	1/98-1/98	\$619.51
8. Buggy's at Spring Valley, Inc. Buggy's Four Sales Tax	1/98-1/98	\$619.51
9. Buggy's at Spring Valley, Inc. Buggy's Five Sales Tax	1/98-1/98	\$619.51
10. Buggy's at Spring Valley, Inc. Buggy's Six Sales Tax	1/98-1/98	\$619.51
13. Buggy's at Spring Valley, Inc. Buggy's Seven Sales Tax	1/98-1/98	\$619.51
14. Buggy's at Spring Valley, Inc. Buggy's Eight Sales Tax	1/98-1/98	\$619.51
NOTE: The above fourteen tax liens, interest and penalties relative to Buggy's at Spring Valley, Inc. were satisfied on 2/24/99. (Nos. 1-14)		
15. Buggy's at Surfside, Inc. Employer Withholding Tax	3/98-9/98	\$2,364.63

16. Chubby's Amusement, Inc. Employer Withholding Tax	12/98-12/98	\$1,512.07
17. Chubby's Amusement, Inc.	Tax Periods Ending 6/30/98 & 3/31/98	\$10,017.61

NOTE: The date of filing the federal tax lien, interest and penalties on Chubby's Amusement, Inc. was November 30, 1999.

18. Chubby's Amusement, Inc. Chubby's III Sales Tax	12/99-12/99	\$620.46
19. Chubby's Amusement, Inc. Sales Tax	1/98-1/98	\$2,371.70
20. Chubby's Amusement, Inc. Chubby's II Sales Tax	1/98-1/98	\$619.51
21. Chubby's Amusement, Inc. Chubby's III Sales Tax	1/98-1/98	\$619.51

Note: The above tax liens, interest and penalties, No.s 19-21 were satisfied on 9/28/98.

22. Carolina Equities Bedrock Grading Employer Withholding Tax	6/98-6/98	\$3,078.97
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NOTE: The tax lien, interest and penalties, No. 22 was satisfied on April 30, 1999.

SHAWN SCOTT - BUSINESS BANKRUPTCY

See a description of Carolina Equities, LLC bankruptcy under the South Carolina licensing history section, of this Report.

LICENSING HISTORY OF SHAWN SCOTT

Mr. Scott and his companies have pursued gambling and racing licenses in Nevada, South Carolina, Louisiana, New York and New Mexico. Details regarding those licenses are provided below.

NEVADA: Exhibits 5, 5A, 5B 5C, 5D, 8 and 8A.

Date	Location/Type	Position
8/94 – 2/95	U.S. Funding, Inc. Water Street Casino, Inc. d/b/a Post Office Casino Licensed as a Landlord to receive 50 % of Gaming Revenue from another Licensee who was authorized for gaming Henderson, Nevada	President/ Sole Share- holder

2/95 – 9/95	U.S. Funding, Inc. d/b/a Post Office Casino Licensed as a Landlord to receive 50 % of Gaming Revenue from another Licensee who was authorized for gaming Henderson, Nevada	President/ Director/Sole Shareholder
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NOTE: Both U.S. Funding, Inc., Water Street Casino, Inc. d/b/a Post Office Casino and U.S. Funding, Inc. d/b/a Post Office Casino described above are in the same suite.

2/95 Denied Application	Post Office Casino (3)	President/ Director/Sole Shareholder
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NOTE: The application for licensure for Post Office Casino (3) was denied by the Nevada Gaming Control Board and referred back to staff by the Nevada Gaming Commission because the location was unsuitable. Exhibit 5.

2/95 –	U.S. Funding, Inc. d/b/a Post Office Casino Restricted License Henderson, Nevada	President/ Director/Sole Shareholder
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NOTE: This application was approved for 15 slot machines, however, Mr. Scott never activated his license and sold Post Office Casino. Some of Mr. Scott’s “applications are for restricted locations. These are small operations that have 15 or less slot machines.” Exhibit 5.

12/95 – 12/96	American International Trade & Development, Inc. d/b/a Cheyenne Hotel & Casino Licensed to Run Tavern Restricted License (15 Slots) North Las Vegas, Nevada	President/ Director/Sole Shareholder
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NOTE: This restricted license was approved on December 21, 1995.

12/96 – 12/97	Desert Gaming, Inc. d/b/a/ Cheyenne Hotel & Casino (American International Trade & Development, Inc. – owns 100 %) Limited License for 25 slots	President/ Director/Sole Shareholder
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NOTE: On December 10, 1996, Mr. Scott met with the Nevada Gaming Control Board on this application (under American International Trade & Development, Inc.) for a nonrestricted license. The Gaming Control Board was hesitant to approve Mr. Scott’s application for a nonrestricted license because of a history of “poor record keeping practices” and the occurrence of a similar violation that occurred under his restricted license that was approved in December of 1995. Mr. Scott inappropriately deposited gaming revenue from American International Trade & Development, Inc. (“AITD”) into an unlicensed corporation, Banter, Inc. The Gaming Control Board considered this to be “a pretty fundamental area of regulation.” Exhibit 5C, pages 78, 80-81, 84-85 and 94, Transcript of December 10, 1996 meeting. Banter, Inc. is a company owned equally by John Baldwin and Shawn Scott. Exhibit 5C, page 72.

The Board ultimately voted (2 to1) to recommend to the Nevada Gaming Commission a Limited License for 11 months for AITD’s with conditions on a vote. Mr. Scott was limited to 25 slot machines and he was required to hire a key employee as “a general manager of the operation with full responsibility on a day-to-day basis.” See Exhibit 5C,

pages 86, 95 and 97. Mr. Scott also assured the Board that “he retained Kafoury Armstrong who will deal with our in-house CPA’s on a monthly basis to make sure we’re in compliance . . .” Exhibit 5C, p. 79 and Exhibit 5D, pp. 99-100. On December 19, 1996, the Nevada Gaming Commission approved the recommendation of The Gaming Control Board on a 3 to 1 vote. Exhibit 5D.

Cheyenne Hotel & Casino and Desert Gaming, Inc. are located in the same building. ON November 5, 1997, the Gaming Control Board took their last action regarding any gaming application filed by Mr. Scott. The application by Cheyenne Hotel & Casino and Desert Gaming was referred back to staff. Mr. Scott eventually withdrew this application. Exhibit 5B, November 5, 1997 Transcript of Nevada Gaming Control Board.

In a separate action on November 5, 1997, the Nevada Gaming Control Board met regarding Mr. Scott’s application for AITD to be registered as a holding company for Desert Gaming Inc. d/b/a Cheyenne Hotel and Casino. The application was for nonrestricted gaming and the hearing concerned the suitability of Shawn Scott as the sole officer, director and shareholder. Exhibit 5B, November 5, 1997 Transcript of the Nevada Gaming Control Board.

During the November 5, 1997 meetings, members of the Gaming Control Board expressed several concerns regarding Mr. Scott’s applications. Banter, Inc. received a loan from [Madeleine] Cerberus in the amount of \$5,500,000.00 for the purpose of restoring Cheyenne Hotel and Casino (“Cheyenne”). The Board was concerned that a large part of the loan proceeds (approximately \$3,000,000.00) were used for intercompany loans to other companies owned or controlled by John Baldwin and/or Mr. Scott. In addition, a portion of the money was used for loans made to Mr. Baldwin and Mr. Scott’s personal friends. With the exception of a note from Desert Gaming, Inc. to Banter, Inc. no other security or promissory notes were obtained for any of the loans. In some cases, Mr. Scott did not know what certain businesses did or what the money was being used for. Furthermore, Mr. Scott used some of the loan proceeds to pay for investigative fees resulting from an application for a gaming license in Mississippi. Mr. Scott also disclosed that Cheyenne had also claimed a loss of \$167,000.00 during 1997. Exhibit 5B, pages 44-50, 52, 53-54, 70, 72-74, 81

The Board’s other concerns centered on the conditions placed on his limited license. Contrary to earlier representations by Mr. Scott, the accounting firm of Kafoury Armstrong & Company was not involved with Cheyenne’s accounting on monthly basis. The Accounting firm was only involved through occasional telephone conversations. The general manager that was hired quit because Cheyenne was not profitable. Exhibit 5B, pp. 78-81.

The Board’s final concerns involved Mr. Scott’s inability to answer questions and provide financial information to the Board and its investigative agents. One Board member characterized Mr. Scott’s accounting practices as “smoke and mirrors.” The Board also had a question of who was being licensed and whether John Baldwin needed

to be licensed because of commingled monies and the operation of AITD. Exhibit 5B, pages 74-75.

All three Board members expressed that they were prepared to deny Mr. Scott's gaming applications for Desert Gaming, Inc. d/b/a Cheyenne Hotel and Casino and American International Trade & Development, finding him financially unsuitable, however they gave Mr. Scott the opportunity to withdraw his application or have the application referred "back to staff". Mr. Scott chose to have the application referred back to staff. Exhibit 5B, pages 85-90.

Mr. Scott eventually withdrew the gaming application for Desert Gaming, Inc. d/b/a Cheyenne Hotel. In addition, Mr. Scott had two other gaming applications pending with the Nevada Gaming Control Board, the Reno Ramada in Reno, Nevada and Travel Lodge in Las Vegas, Nevada. On January 22, 2003, Carl Hoffman, Senior Agent, Investigations Division corresponded with the undersigned and provided information that the applications for Reno Ramada, Travel Lodge and a 3rd application, The Sands Regent were never acted upon by the Board. Exhibits 5 and 5A.

SOUTH CAROLINA

Video Poker Machines: Exhibit LA Volume 5 of 10, Mr. Scott's South Carolina Gaming History and Exhibits 8.

To obtain a video poker license in South Carolina, the corporation applying must be registered in the state of South Carolina for two years prior to the date of application, and the corporation applying cannot have any outstanding liabilities to the state. No other background investigation is conducted. Licenses are renewable every two years. Exhibit LA Volume 5 of 10.

Date	Location/Type	Position
6/97 – 2/99 Sold 2/99	Bugsy's at Spring Valley, Inc. d/b/a Bedrock, Columbia, South Carolina	Shareholder
6/97 – 2/99 Sold 2/99	Chubby's Amusement, Inc. d/b/a Chubby's, Columbia, South Carolina	Shareholder
10/97 – 2/99 Closed	Bugsy's at Surfside, Inc. d/b/a Bugsy's Surfside, Columbia, South Carolina	President/ Shareholder

NOTE: On March 11, 1998 Buggy's of Surfside was issued a citation by the South Carolina Department of Revenue for violation of the Video Game Machines Act, S.C. Code Ann. Section 12-21-2804(A) (Supp. 1998). The citation was for maintaining more video poker licenses than were authorized for one location a violation of Section 12-21-2804(A) and Regs. 117-190. Buggy's of Surfside was also charged with a violation of Section 12-21-2748, for "failure to affix owner/operator identification" to video poker machines. Exhibit NY 100.

The violation for failure to affix owner/operator identification was dismissed. The remaining charge resulted in a revocation of five-5 video poker Licenses. The remaining five-5 Licenses were suspended for a period of six-6 months and a fine of \$500.00 was imposed. Exhibit NY 100.

6/97 – 11/00 Closed 4/30/00 Sold 11/00	Carolina Buggy's, Inc d/b/a Buggy's Myrtle Beach, Myrtle Beach, South Carolina	Shareholder
10/97 - ?? Closed 6/30/00	Tycoon's, LLC d/b/a Tycoon's Gallery of Games	Shareholder

NOTE: The year 2000 application for seven-7 licenses were denied at Tycoon's because of delinquent property taxes. See Exhibit LA Volume 5 of 10.

NOTE: Carolina Equities, LLC Bankruptcy. All the above corporations are wholly owned subsidiaries of Carolina Equities, LLC. Shawn Scott, John Baldwin and Michael Newell each owned 1/3 interest in Carolina Equities, LLC. Action Unlimited Amusement, Inc. another subsidiary of Carolina Equities, LLC was the route operator for the above video poker locations. Exhibit LA Volume 5 of 10.

Carolina Equities, LLC was organized on June 4, 1997. Shawn Scott had a 33 % membership interest in Carolina Equities, LLC. Carolina Equities, LLC filed for Chapter 11 bankruptcy in Las Vegas, Nevada in June 11, 1999. In December 1999 the Chapter 11 bankruptcy was transferred to South Carolina and was converted to a Chapter 7 bankruptcy. The documents filed with the court listed Carolina Equities, LLC as having liabilities of \$2 million dollars and no physical assets. Some of the creditors included IRS (\$14,350.00), South Carolina Department of Revenue (\$3,764.83), Richland County Treasurer, South Carolina (\$1,590.00 - taxes), an insurance company, an accounting firm and a individual creditor in the amount of \$790,000.00 (litigation was pending when the bankruptcy was filed). Exhibit NY 102.

In June of 2002, Patrick Wade, Investigator with the New York State Racing and Wagering Board contacted the attorney representing the plaintiff in a South Carolina Lawsuit, Frederick C. McCary v. Carolina Equities, LLC. In this case Carolina Equities, LLC purchased Mr. McCary's video poker operation for \$1,200,000.00. Carolina

Equities defaulted on their purchase payments, removed the machines from the premises and destroyed the businesses' cash flow. Mr. McCary had to repossess the premises and then filed suit against Carolina Equities. Exhibit NY 102, and Exhibit NY 102 B and C, Wade Memos.

On April 6, 1999, the South Carolina Court of Common Pleas for the Fifth Circuit found that Carolina Equities, LLC breached the contract with Mr. McCary and granted a Summary Judgement in favor of Frederick C. McCary in the amount of \$800,000.00 with interest. Exhibit NY 102. Court Order. As of June 2002 Carolina Equities, LLC, had not paid the judgment and the judgment was estimated to be worth in excess of \$1,300,000.00. Exhibit NY 102A, Letter from Mr. McCary's attorney dated June 6, 2002.

LOUISIANA

Slot Machines: Exhibit 1/1, page 98 LA Report; Exhibits 6P and 6Q, pages 228, 230, 233, 235-238, 240, 242, 252, 259, 261 and 264-265.

On July 10, 2000, Shawn Scott, owner of Delta Downs Enterprises, LLC submitted a gaming application to operate slot machines at Delta Downs located in Vinton, Louisiana.

The Louisiana State Police started a suitability investigation pertaining to the above application, but as a result of Mr. Scott's lack of cooperation, discontinued their investigation in February 2001. Exhibit LA 13, Final Notice letter dated January 16, 2001.

He sold all of his interest in Delta Downs Racing Association to Boyd Gaming. Hoolae Paoa, who described himself as the "CEO" of Delta Downs, explained that the inability to secure "conventional" lenders to replace existing lenders led to Scott accepting the offer from Boyd Gaming. Delta Downs was also immersed in substantial financial difficulties.² Exhibit NY-105A, Transcript of Interview of Hoolae Paoa before the New York Racing and Wagering Board, June 13, 2002, pages 45, 47-49, 57-61, 78-81.

Racing: Exhibit 8B and Exhibit 6P and 6Q, pages 228, 230, 233, 235-238, 240, 242, 252, 259, 261 and 264-265.

Mr. Scott was licensed from 6/30/99 to 6/16/01 by the Louisiana Racing Commission as the owner and staff person of Delta Downs Racing Association located in Vinton, LA. Exhibit 8B.

² According to Mr. Paoa, financial difficulties resulted from the failure to budget sufficient money to finance a referendum to allow slot machines at the racetracks ("I think more money was spent in that campaign than a governor election."); an unanticipated three million dollars required to bring the building "to code"; the general contractor filing for bankruptcy; the subcontractors filing liens; and Mr. Cho, an original investor in Delta Downs, "decided that he needed—he wanted to be bought out" Exhibit NY-105A, Transcript of Interview at pp. 45, 47-49, 57-61.

The Commission had concerns regarding the financial viability of Delta Downs to continue racing because it was operating at a loss, it had increasing debt and numerous lawsuits were filed against Mr. Scott and Delta Downs as a result of construction costs associated with the track and the preparation for slot machines. Mr. Scott was undergoing a suitability investigation pertaining to his application for a gaming license to operate slot machines at Delta Downs. The Commission requested Mr. Scott to provide an “audited unbiased financial opinion . . . as of June 30, to be submitted by August 10 . . .” before his 2002 racing license would be granted. Exhibit No. 6Q, pages 237-238. Mr. Scott sold the track to Boyd Gaming, and therefore, did not provide the audited financial information to the Commission. See footnote 2, regarding CEO Hoolae Paoa’s assertions the reasons for these financial problems.

Video Draw Poker: Exhibit 8

Date:	Type/Location:	Position:
2/97-9/02 Sold	Rodney Burch Enterprises, Inc. Vinton, LA	President/ Director
8/97-10/01 Sold	Krawdaddy’s Deli and Restaurant Port Allen, LA	President/ Director
2/97-6/02 Sold	PLDC, Inc. d/b/a Delta Downs Motor Inn Truck Stop Vinton, LA	President/ Director
4/98- 6/02 Sold	Vegas Magic #2 Vinton, LA	Partner

NEW YORK

In 2002, Mr. Scott purchased a 4.8 % interest (19,549 shares of common stock) in Mid-State Raceway, Inc. Over the course of his involvement with this corporation, he extended credit to Mid-State Raceway and negotiated with Mid-State Raceway an agreement that would give him the authority to appoint a majority of the corporation’s directors. Exhibit 7D and Exhibit NY 103. As is referred to in the Litigation Section of this report, litigation was filed recently by shareholders of Mid-State Raceway challenging various actions that were taken by Mr. Scott’s appointees to the corporation’s board of directors. The lawsuit alleges a variety of fraud and mismanagement by the directors.

On March 26, 2002, Mr. Scott filed an application with the New York State Racing and Wagering Board (“NYRWB”) to be licensed as track management. On the 2nd page of the application, Mr. Scott swore under oath that the information provided on the

application was true and correct. On the 2nd page of the application Mr. Scott answered question no. 9 in the negative, "Have you ever had any permit or license of any type denied, suspended or revoked by any Federal, State or local government agency? Exhibit NY 7C, NYS Racing License Application. This response failed to disclose information regarding seven license applications for video poker licenses Mr. Scott submitted in South Carolina that were denied as a result of delinquent property taxes. Exhibit LA volume 5 of 10 and Exhibit 8. Mr. Scott also failed to disclose that on March 11, 1998, Bugsy's of Surfside was found in violation for maintaining more video poker licenses than were authorized for one location and for "failure to affix owner/operator identification" to video poker machines. This resulted in a revocation of five-5 video poker licenses. The remaining five licenses were suspended for a period of six months and a fine of \$500.00 was imposed. Exhibit NY 100 and Exhibit 8.

The undersigned is not aware whether the NYRWB has dealt with this issue.

Mr. Scott has been undergoing a suitability investigation in New York since March 26, 2002. The New York investigation has expanded to over 100 corporations associated with Mr. Scott and several other associates, including John Baldwin. Mr. Baldwin is under investigation in New York to determine whether he has any undisclosed ownership and/or exercises financial or managerial control over Mr. Scott's corporations. Exhibit 7A, Stipulation of Settlement dated April 10, 2003.

On April 21, 2003, the New York Racing And Wagering Board granted a temporary license to Mid-State Raceway, Inc. The temporary license allows Mid-State Raceway to conduct pari-mutuel wagering in 2003. The license was granted in accordance with the Settlement Agreement marked as Exhibit 7A. Mr. Scott was granted a "valid receipt," which allows Mr. Scott to participate in racing. Exhibit 7, Letters to Henry Jackson dated April 23, 2003 and August 14, 2002.

NEW MEXICO

According to the news media, Mr. Scott's application for a horse-racing track license in Hobbs, New Mexico was denied in favor of that of another applicant. Exhibit 25, "Behind Bangor racino: Backer known for quick resale," Bangor Daily News, November 21, 2003. According to an industry newsletter, Mr. Scott may be challenging the racing commission's decision. Exhibit 26, "Today's Scott Report," Harness Tracks of America, December 3, 2003.

AREAS OF CONCERN AND DEVELOPING INVESTIGATIONS

SHAWN SCOTT'S BUSINESS TIES TO ANOTHER BUSINESS ASSOCIATE WHO APPEARS TO EXERCISE A DEGREE OF MANAGERIAL AND FINANCIAL CONTROL OVER MR. SCOTT'S COMPANIES AND BUSINESS DEALINGS

This issue has not been fully explored in the Maine investigation due to Mr. Scott's failure to provide additional information regarding his companies, as well as time and resource constraints. However, available information from New York and Louisiana indicates that both states were concerned that other associates exercise substantial managerial and financial control over Mr. Scott's financial interests, as outlined below. The Commission should consider the extent that others may exercise financial and managerial control over Shawn Scott/Capital Seven's interest in Bangor Historic Track to be an open issue. The Department of Agriculture, Food and Rural Resources will further investigate this issue regarding direct or indirect ownership and control pursuant to 8 M.R.S.A. § 279.

The issue remains relevant because several of the companies that Mr. Scott has offered as relevant to the financing of the Bangor Historic Track project, e.g., DDRA, Capital, LLC and Vinton Racing LLC, were found by the New York investigators to be closely linked to at least one other person. See Exhibit 11, Ownership and Funding Model submitted by Shawn Scott. The New York Racing and Wagering Board has granted permission to use its work product, including memoranda outlining such financial and managerial connections, in this proceeding. Depending on the nature of the relationship between Scott, his companies holding Bangor Historic Track shares, and others, it may be necessary in the future to review the other associates' moral character and financial responsibility pursuant to 8 M.R.S.A. § 271.

Louisiana Investigation

The State of Louisiana conducted an investigation of Shawn Scott, then President/Director of Delta Downs Enterprises, LLC and Delta Downs Enterprises, to determine Scott's suitability for a gaming license to conduct slot machine gaming at Delta Downs Race Track in Vinton, Louisiana. The investigation conducted by the Louisiana State Police, Bureau of Investigations, Casino Gaming Division, discloses numerous ties and extensive business dealings between Shawn Scott and another business associate.³ Louisiana's findings regarding these connections are summarized in the Initial Suitability Investigation of Shawn Scott dated April 4, 2001. Exhibit SS-1, Quispe Narrative, pp. 4-10. According to Louisiana Trooper Esteban I. Quispe's Narrative, Scott and one associate first met in 1988, and interacted regularly when Scott started buying land owned by a company with which other person was associated. Exhibit SS-1, Quispe Narrative, p. 5.

The Louisiana investigation determined that Scott and his associate have or had joint ownership in 13 Nevada-based companies, and six other gaming-related companies based in South Carolina and Nevada. Exhibit SS-1, Quispe Narrative, pp. 5-6. The Louisiana investigation dates this gaming relationship to January 1996, when the two men jointly owned a real estate company named Banter, Inc. Scott, who at the time held a restricted

³ These reports are being disclosed pursuant to the Harness Racing Commission's Order of September 5, 2003.

gaming license in Nevada and owned the Cheyenne Hotel & Casino, deposited gaming revenues from the Cheyenne Hotel & Casino into a Banter, Inc., account. Exhibit SS-1, Quispe Narrative, p. 6-7. Scott and his attorney acknowledged at a hearing before the Nevada State Gaming Control Board that the gaming proceeds were deposited to Banter and gaming license fees were paid by Banter “inappropriately. According to Scott, “I understand it’s not the way to do it.” Exhibit 5C, Transcript of December 10, 1996 meeting of the Nevada Gaming Control Board, pp. 81, 86.⁴

Mr. Scott and an associate lived together in Louisiana at the time of the Louisiana investigation. White Deer LLC, a company owned by Scott, bought the house and property. The address for White Deer, LLC is 1055 East Tropicana, Las Vegas, Nevada. The same address is used for 111 of Shawn Scott’s businesses. Exhibit SS-1, Quispe Narrative, p. 8.

Scott’s associate also used the 1055 East Tropicana address for several of his businesses, including Sunset Management, LLC. According to the Louisiana investigation, Delta Downs, Inc., borrowed approximately 15.4 million dollars from Sunset Management, LLC. Nine million of this loan was used for the purchase of Equus’s 49% interest in Louisiana Racing. The other 6.4 million was used for construction at Delta Downs Inc. in the preparation of Delta Downs Enterprises Casino. Exhibit SS-1, Quispe Narrative, p. 8.

The Louisiana investigator concluded that an associate might have a “heavy influence” on Delta Downs Enterprises as a result of his close business relationship with Mr. Scott. The Louisiana investigation also noted the fact that a company owned an associate had filed for bankruptcy in February 1999. Exhibit SS-1, Quispe Narrative, p. 8.

As part of the Louisiana investigation, Louisiana State Trooper Richard Parker interviewed Chin Ho Cho, who was Mr. Scott’s original partner in the Delta Downs purchase. Part of the interview concerned an associate’s interest in Delta Downs Race Track. Cho indicated that an associate of Mr. Scott’s was the decision maker within the business. Mr. Cho stated that if he and Mr. Scott made any decisions, those decisions did not matter, as an associate had the final say in all matters. According to the summary of the Cho interview, an associate had “say” in all of Scott’s businesses. Cho explained that an associate of Mr. Scott’s did not have any documented ownership or formal position at the Delta Downs track because he knew he would not be found suitable to own or operate a casino in Louisiana. Exhibit SS-1, Quispe Narrative, p. 9.

Louisiana State Racing Commission

⁴ Despite chastising Mr. Scott for his business practices, the Commissioners of the Gaming Control Board, on a split vote, issued Shawn Scott a license. Exhibit 5C, Transcript of December 19, 1996, p. 103. See, e.g., Transcript of December 10, 1996 at p. 80: “But you are not a new licensee, Mr. Scott. We have talked to you before about your poor record keeping practices. Here you do it again. Now you want a nonrestricted license” and Transcript of December 19, 1996 at p. 99: “I’m interested in kind of how you do business because it seems to me that you always get in trouble when you are on your own. And from what has been mentioned to you here, you have been before us many times.”

A letter obtained from the Louisiana Racing Commission by Maine Investigator Michael Pulire also speaks to this connection. The letter, dated January 16, 2001, was written by Paul Bonin, of Bonin Law, attorney for the Louisiana Racing Commission, to Albert M. Stall, Chairman of the Louisiana State Racing Commission.⁵ Mr. Bonin advised Chairman Stall that he had concluded that Delta Downs Racing Association, Inc. (the Louisiana licensee) was 100% owned by Vinton Racing, LLC, whose sole member of record was Shawn Scott. Mr. Bonin concluded,

However, the Commission should be cautioned that there does appear from the materials already submitted that a possibly inordinate interconnectedness may exist between a lender, its apparently controlling party, [an associate] and Vinton Racing, LLC. Before any transfer is approved, the Commission may wish to explore the involvement of an associate of Mr. Scott's, and, if appropriate, his eligibility for licensing if there develops a concern about "hidden ownership."

Exhibit SS-2, Correspondence of January 16, 2001, Bonin to Stall.

Other materials from Louisiana obtained by Investigator Pulire indicate that an associate of Mr. Scott exercised control over Scott's businesses. On August 30, 2000, Jinho Cho, sole member of Equus Investments, LLC, apparently transferred his interest in Louisiana Racing, LLC to Arcadia Racing, LLC. Exhibit SS-3, Assignment of Membership Interest and Cover Correspondence. With this transfer, Scott purportedly became the "*sole member of Louisiana Racing, LLC* which is the sole shareholder of Delta Downs Racing Association, Inc." Exhibit SS-3, Cover Correspondence, Moreno to Gardner, Executive Director, Louisiana State Racing Commission (emphasis added). However, on August 30, 2000, an associate of Mr. Scott's authorized the transfer of eight million dollars (\$8,000,000.00) from "*our Louisiana Racing LLC-Money Market Account*." An associate thus had authorized the transfer of eight million dollars from a company represented as Scott's. SS-4, Bank Records and Associate Authorization.

New York Investigation

Staff of the New York Racing and Wagering Board, in the course of conducting its investigation of Shawn Scott for the purposes of licensing Mid-State Raceway, Inc. to operate live harness racing, pari-mutuel wagering and simulcasting at Vernon Downs, reached the conclusion that an associate of Mr. Scott's exercised managerial and financial control with Mr. Scott over his companies. As a result, the New York Racing and Wagering Board had requested that this associate submit a license application, so that staff could review the fitness of Mr. Scott's associate for licensure. See Exhibit SS-5, Correspondence dated May 21, 2002, Martin to Goodell.

A conditional license was eventually issued, requiring Mr. Scott's associate to submit a license application. When he failed to do so, the New York Board denied licensure

⁵ Although this letter is marked "Confidential," AAG Jack Richards confirmed with the Louisiana Gaming Commission that it had not been disclosed inadvertently.

pending license applications. Mid-State Raceway filed suit challenging the Board's right to impose the condition and to deny the licenses. The litigation was eventually resolved by agreement. The "Stipulation of Settlement," while it allowed the issuance of temporary licenses to Mid-State Raceway, it also required Mr. Scott's associate to submit extensive financial materials to the Board, which has the right "to continue its investigation as to whether Mr. Scott's associate exercises managerial and financial control over Scott and his companies." Exhibit SS-6, Stipulation of Settlement dated April 9 and April 10, 2003.⁶

Investigative Staff for the New York Racing and Wagering Board based their conclusions regarding the Scott—associate connection and the associate's financial or managerial control on a number of factors, including those outlined in memoranda developed by the Board's staff accountants/investigators. Those memoranda dated May 14, 2002 and June 28, 2002 are attached as Exhibit SS-7.

The initial conditional license was issued by New York in July 2002. Exhibit SS-6, Stipulation of Settlement. Based on undersigned Executive Director's discussions with the New York investigators, the investigation into Shawn Scott's and his associate's suitability for licensure in New York is still underway.

Dated: December 8, 2003

HENRY W. JACKSON
Executive Director
Maine Harness Racing Commission

⁶ The Stipulation of Settlement recounts the history of Mid-State Raceway's application process and the litigation leading up to the Settlement.

EXHIBIT LIST
Bangor Historic Track Licensing Hearing
Updated January 8, 2004

Statutes and Rules:

1. 8 M.R.S.A. § 271
- 1A. Maine Harness Racing Rule - Chapter 21.
- 1B. Maine Harness Racing Rule – Chapter 19.

Historical Documents:

2. Notice of Hearing for Licensing and Race Date Proceedings for 2003; Notice of Pre-Hearing Conference for the Licensing and Race Date Proceedings for 2003; and, Newspaper Notice of Hearings.
- 2A. Oct. 30, 2002 - MHRC Agenda re: pre-hearing conference.
- 2B. Maine Harness Racing Commission Minutes of the October 30, 2002 Meeting.
- 2C. Nov. 13, 2002 - MHRC Agenda re: the Licensing and Race Date Proceedings for 2003.
- 2D. Bangor Historic Track Inc.'s (BHT) Application for Licensing and Race Date Assignments for 2003 dated Oct. 2, 2002.
- 2E. Jan. 3, 2003 - Letter from Fred Nichols, General Manager of BHT dba Bangor Raceway to Henry Jackson, Executive Director, Maine Harness Racing Commission re: Sale of 49.86 % of stock of BHT to Capital Seven, LLC on December 31, 2002.
- 2F. Jan. 7, 2003 – Letter from Henry Jackson to Department of the Attorney General to initiate Investigation of pursuant to 8 M.R.S.A. § 271 re: stock transaction and new stockholder.
- 2G. Jan. 16, 2003 - Request to Open the licensing and Race Date assignments to BHT because of new evidence (the Stock Transaction). On Jan. 16, 2003 the Request to Open was Granted.
- 2G1. Jan. 16, 2003 – MHRC Agenda re: Request to reopen BHT's license hearing to take additional evidence.
- 2H. Jan. 23, 2003 – Subpoena served on Fred Nichols to provide BHT records re: stock sale to Capital Seven, LLC.

- 2H1. Jan. 31, 2003 – MHRC’s Decision on Pari-Mutuel Harness Racing Licenses and Date Assignments for Year 2003.
- 2K. March 6, 2003, MHRC Agenda re: Commission hearing on the condition upon BHT 2003 license, and the March 5, 2003 – MHRC Staff’s Motion to Continue.
- 2L. March 15, 2003 – MHRC’s Order on the Motion to Continue. The Motion to Continue was Granted and the matter was continued until May 6, 2003.

Request To Release Information:

- 3L. May 2, 2003 MHRC Order re: Releases and Hearing Date.
- 3M. May 2, 2003 @ 5:14 PM e-mail from SS/PA to Office of the Attorney General. re: releases.
- 3N. May 5, 2003 @ 4:54 PM e-mail from SS/PA to Office of the Attorney General re: releases.
- 3O. May 5, 2003 @ 5:07 PM e-mail from SS/PA to Office of the Attorney General re: releases.
- 3P. May 5, 2003 @ 6:06 PM e-mail from SS/PA to Office of the Attorney General re: releases.
- 3Q. May 6, 2003 @ 8:33 AM reply e-mail from Office of the Attorney General to SS/PA re: releases.

Bangor Historic Track , Inc.’s Financial Records and Purchase Sale Agreements With Capital Seven, LLC:

- 4. Bangor Historic Track, Inc.s (BHT) dba Bangor Raceway Articles of Incorporation.
- 4A. BHT’s 2001 U.S. Corporate Income Tax Return.
- 4B. BHT’s Bylaws as amended Sept. 2, 1998.
- 4C. June 7, 2002 – Letter from BHT’s attorneys, Gross, Minsky & Mogul, P.A. to Shareholders of BHT re: potential sale to **Capital One, LLC**.
- 4D. BHT Resolution authorizing negotiations with **Capital Seven, LLC** for sale of BHT stock.

- 4E. Oct. 5, 2002 – Transactional Agreements for the purchase sale of BHT to **Capital Seven, LLC**:
- First Option Agreement
 - First Escrow Agreement
 - Second Option Agreement
 - Second Escrow Agreement
 - Share Purchase Agreement
 - Share Purchase Escrow Agreement
 - Consent Certificate of Action of BHT Directors
- 4F. April 11, 2003 – Contract between BHT and Capital Seven, LLC re: Mutual Agreement for Extention of performance Date of Second Option Agreement and Stock Purchase Agreement.
- 4G. BHT Stock Register
- 4H. June, 2003, Amendment and Restatement of Second Stock Option and Stock Purchase Agreement.
- 4J. Agency Record—Davric Maine Corporation v. Bangor Historic Track, Inc., et al., 80C Appeal—Dismissed.

State of Nevada: Gaming Activities of Shawn Scott:

5. Jan. 23, 2003 letter from Carl D. Hoffman, Senior Agent, Investigations Division with the Nevada Gaming Control Board re: Shawn Scott’s gaming activities.
- 5A. NV Gaming Control Board licensure information re: Shawn Scott’s gaming license applications from the years 1994 to 2000.
- 5B. Transcript of the November 5, 1997 Gaming Control Board hearing on Shawn Scott’s application and suitability for licensure in Nevada.
- 5C. Transcript of the December 10, 1996 Gaming Control Board meeting on Shawn Scott’s application and suitability for licensure in Nevada.
- 5D. Transcript of the December 19, 1996 Nevada Gaming Commission meeting on Shawn Scott’s application and suitability for licensure in Nevada.
- 5E. Correspondence dated March 31, 2003 from Robert N. Grozenski, special agent, State of Nevada Gaming Control Board regarding request for information—license history of Shawn Scott.

Louisiana State Racing Commission Gaming Information regarding Shawn Scott:

- 6. Louisiana State Racing Commission (LSRC) certification of documents.
- 6.P. October 17, 2001 print media article by the American Press entitled “Suitability issue involving former owner could stall Delta Downs gaming license”.
 - 1. Reporter Hector San Miguel wrote that Boyd Gaming purchased Delta Downs from Scott earlier in 2001 for between \$115 and \$125 million. Scott received \$60 million up front.
 - 2. Scott’s suitability had become an issue in the LA Gaming Control Board consideration of any potential license for Boyd.
- 6Q. Undated transcript of a meeting of the LSRC.
 - 1. Scott’s offered explanation of financial issues surrounding failure of Lake Charles Construction and liens filed against Delta by third party sub-contractors.

State of New York: Gaming Activities of Shawn Scott:

- 7. April 23, 2003 letter from Office of the Attorney General to NY Racing and Wagering Board requesting information re: New York’s suitability investigation of Shawn Scott and New York’s reply with the attached December 20, 2002 Memorandum to the NY Racing and Wagering Board re: the 2003 license application for Vernon Downs.
- 7A. April 23, 2003 Stipulation and Settlement from the NY Racing and Wagering Board regarding the status of Shawn Scott’s temporary License pending completion of the suitability investigation of Shawn Scott and his associates.
- 7C. Shawn Scott’s application for track management licensure for Vernon Downs Raceway, New York.
- 7D. Correspondence dated August 14, 2002 from the State of New York Racing and Wagering Board to Henry Jackson, Executive Director, Maine Harness Racing Commission regarding Shawn Scott’s application for licensure in the State of New York for track management.

Shawn Scott Gaming Licenses in the State of Nevada:

- 8. Shawn Scott’s representation of his State of Nevada gaming licenses.
- 8A. State of Nevada Gaming Control Board’s documentation of Shawn Scott’s gaming licenses.
- 8B. State of Louisiana Racing Commission document regarding record license information of Shawn Scott.

Shawn Scott Gaming History in South Carolina:

LA Volume 5 of 10. South Carolina Gaming History.

Hoolae Paoa, CEO of Capital Seven, LLC, Capital One, LLC, Coe and President of Mid-State Raceway, Inc dba Vernon Downs

9. Department of the Attorney General Investigations Division, State of Hawaii FAX dated May 23, 2003 to Investigator Mike Pulire re: Hoolae Paoa's criminal record.
- 9A. Hawaii Penal Code statute regarding offenses against a person
- 9B. Hawaii Penal Code statute regarding offenses against property and theft.
- 9C. Hawaii Penal Code statute regarding abuse of family and household members.
- 9D. Correspondence dated June 20, 2002 from the State of New York Racing and Wagering Board regarding Hoolae Paoa's criminal record and tax liens.

Nevada Secretary of State – Corporate Information and Shawn Scott Associates:

10. Shawn Scott's Corporations registered in the State of Nevada.
- 10A. Corporate information regarding Shawn Scott's corporations registered in the State of Nevada.
- 10C. Definitions of terminology regarding corporate status in the State of Nevada.
- 10D. John Baldwin's corporations registered in the State of Nevada.

Capital Seven, LLC's Ownership and Funding Model regarding its Acquisition of 49 % Interest in Bangor Historic Track, Inc.

11. Ownership and Funding Model of Capital Seven, LLC relative to the purchase of Bangor Historic Track, Inc.
- 11A. State of Nevada corporate information regarding Capital Seven, LLC.
- 11B. State of Nevada corporate information regarding Capital One, LLC.
- 11B1. Invoice dated December 4, 2002 from Cianbro to Capital One, LLC, Mr. Hoolae Paoa regarding a construction project at Bangor Raceway, Bangor Historic Track, Inc.

- 11B2. Correspondence dated February 6, 2003 from Fred Nichols, General Manager of Bangor Raceway regarding capital improvements.
- 11C. Bangor Raceway general ledger regarding account with Capital One.
- 11D. Fax transmission dated May 20, 2003 from Barbara Daley, employee of Capital One, LLC, to Henry Jackson regarding a \$500,000 promissory note from Flamingo Palms, LLC, a Nevada company owned by Shawn Scott.
- 11D1. State of Nevada corporate information regarding Flamingo Palms, LLC.
- 11D2. State of Nevada corporate information regarding L. Flamingo, LLC.
- 11E. State of Nevada corporate information regarding Vinton Racing, LLC.
- 11F. Corporate funding model for Delta Downs Enterprises, LLC—Vinton, Louisiana.
- 11G. State of Nevada corporate information regarding DDRA Capital, Inc.
- 11H. State of Nevada corporate information regarding Maine Racing, LLC.
- 12. Resume of Christian A. Smith, CPA, CFE.
- 13. Financial Report and Analysis dated September 3, 2003 by Christian Smith, CPA, CFE of Macdonald, Page, Schatz & Fletcher.
- 13A. Correspondence dated October 17, 2000 from the Department of Public Safety and Corrections regarding Shawn Scott's Part B application for the licensing of Delta Downs.
- LA13. Correspondence dated January 16, 2001 from the Department of Public Safety and Corrections for the State of Louisiana regarding request for information from Delta Downs Enterprises, LLC.
- 13B. Financial Report and Analysis dated October 30, 2003 by Christian Smith, CPA, CFE of Macdonald, Page, Schatz & Fletcher.
- 14. Correspondence from Pierce Atwood June 3, 2003 regarding financial documents pertaining to Shawn Scott and Shawn Scott's companies.
- 15. Correspondence dated July 1, 2003 to Pierce Atwood requesting additional information from Shawn Scott and 38 of his companies.
- 15A. Correspondence dated July 1, 2003 to Attorney George Kurr requesting additional financial information from Bangor Historic Track, Inc.

16. Dollar amounts indicating the amounts returned to the public from wagers made at Bangor Raceway for 2000, 2001 and 2002.
17. April 1, 2003 request for information to the State of Maine Department of Secretary of State, Bureau of Corporations, Elections & Commissions regarding the registration of Bangor Historic Track, Inc., Capital Seven, LLC, DDRA Capital, LLC and Vinton Racing, LLC.
- 17A. Information summary from the Maine Department of Secretary of State, Bureau of Corporations, Elections & Commissions regarding the Bangor Historic Track, Inc. dated May 29, 2003.
- 17B. Maine statute Title 13-A M.R.S.A. § 1201 regarding authorization of foreign corporations to do business in this State; certain activities not deemed doing business.
18. Official race program of Bangor Raceway for July 12, 2003 indicating Hoolae Paoa as Vice President of Bangor Historic Track, Inc.
19. Correspondence dated February 26, 2003 from Pierce Atwood regarding information pertaining to Capital Seven, LLC, which includes an index of documents provided including pending legal actions.
20. Releases of information signed by Shawn Scott for the States of Nevada and New York.
21. Good Morals for Maine
22. "Bangor racino developer faces suit," Bangor Daily News, November 21, 2003
23. "Bangor panel odds over racino deal," Bangor Daily News, December 3, 2003.
24. "Capital Seven's hirings debated," Portland Press Herald, December 7, 2003.
25. "Behind Bangor racino: Backer known for quick resale," Portland Press Herald, November 21, 2003.
26. "Today's Scott Report," Harness Tracks of America Executive Newsletter, December 3, 2003.
27. "Scott admits company has ties to PAC opposing Downs project," Bangor Daily News, November 27, 2003.
28. Verified Complaint, Docket No. _____-CV-2003, United States District Court, Southern District of New York, November 19, 2003.

29. "Racino foes, advocates face quick campaign," Portland Press Herald, December 4, 2003.

30. Development Agreement, Development of a Portion of Bass Park, October 31, 2003 [lease].

LA1/1. Louisiana investigative report regarding personal background including education, professional licensing and criminal and civil inquiries of Shawn Scott.

NY100. Consent Order dated January 21, 2000 Consent Order in the State of Carolina in the Administrative Law Division regarding Bugsy's Surfside 3.

NY101. South Carolina Department of Revenue memorandum dated February 6, 2001 regarding Shawn A. Scott.

NY102. Bankruptcy records regarding Carolina Equities, LLC, d/b/a Carolina Equities Gaming Company.

NY102A. Fax dated June 6, 2002 from attorneys Finkel and Altman, LLC regarding Shawn Scott, Carolina Equities, LLC.

NY102B Memo dated May 23, 2002 from Patrick Wade to Tom Casaregola regarding Carolina Equities, LLC.

NY102C Memorandum dated June 28, 2002 from Patrick Wade regarding Shawn Scott's suitability investigations/Carolina Equities, LLC.

NY103 Correspondence dated July 9, 2002 from Martin J. Gersten, Esq. to Robert Feuerstein, Esq. regarding the Board Directors of Mid-State Raceway, Inc.

NY104 News article from The Post-Standard regarding Vernon Downs' license.

NY105 Transcript of interview of Hoolae Paoa before the New York Racing and Wagering Board dated June 13, 2002.

NY105A Portion of the transcript of interview of Hoolae Paoa before the New York Racing and Wagering Board dated June 13, 2002.

NY106 Correspondence dated June 28, 2002 from David Jensen, Chief Financial Officer of Vernon, LLC, a company owned entirely by Shawn Scott regarding outstanding taxes and penalties in the State of South Carolina.

SS-1 Quispe narrative.

SS-2 Correspondence dated January 16, 2001 regarding Delta Downs Racing Association, Inc. licensee and question regarding hidden ownership.

- SS-3 Memorandum dated September 5, 2000 regarding Shawn Scott purchase of the minority interest in Delta Downs Racetrack.
- SS-4 Bank records and associate authorization.
- SS-5 Correspondence dated May 21, 2002 from State of New York Racing and Wagering Board regarding Shawn Scott license application.
- SS-6 Stipulation and settlement dated April 9 and April 10, 2003 regarding Mid-State Raceway, Inc.
- SS-7 Memorandum dated May 14, 2002 from Patrick Wade regarding licensing of Mr. Scott's associate

Litigation Exhibits Regarding Shawn Scott Litigation:

LA6/9, 7/9, 7/10, 8/9, 8/10 and 9/10

Additional Litigation Information Regarding Shawn Scott:

Supplements A, B, C, D, E and F

The following exhibits were offered during the hearing as part of the presentation by Commission staff.

5/10 Supp. 12/12/03 Supplemental South Carolina licensing history documents.

Status: ? Should we give this a number ?

31. Complaint, Docket No. CV-03-661, Cumberland County Superior Court, State of Maine. **Admitted.**
32. Notice of Refusal of License, New York Racing and Wagering Board to Shawn Scott, December 12, 2003. **Admitted.**
33. Notice of Refusal of License, New York Racing and Wagering Board to Hoolae Paoa, December 12, 2003. **Admitted.**
34. Correspondence, Douglas D. Gerrard, Esq. on behalf of John Baldwin to Rhett Trahan, December 5, 2003. **Objection, not admitted.**
35. Complaint, John J. Peters and Carol Westcott Peters v. City of Westbrook, Docket No. CV-03-683, December 9, 2003. **Withdrawn**
36. Mark Scalzo N.Y. violation record. **Status: ?**
37. Hoolae Poaa documents. **Admitted.**

Exhibits Not Yet Offered

6. **This is in already** – attached to Staff Report. Louisiana State Racing Commission (LSRC) certification of documents.
- 6A. March 25, 1999 John Baldwin bridge loan document.
- 6B. April 9, 2000 LSRC notice to Scott of complaints:
- 6C. April 15, 2000 Delta Downs info to LSRC.
 1. Correspondence from “VP&GM David Wilson with enclosures.
 2. Delta Downs ownership table w/ Scott 51%, Jin Ho Cho 49%.
 3. Delta Downs balance sheet 12/31/99. Net income loss of \$770.656.
- 6D. 2000 Delta correspondence to LSRC dated 7/25, 7/25, 8/15 & 8/15.
 1. Correspondence pertain to race dates and other matters.
 2. Copy of bank check for \$5K from Delta to Dept. of Economic Devl.
 3. 7/31/00 balance sheet. Claims \$6,855,287.31 total assets, \$10,462,752.15 lia.
 4. 7/31/00 income statement. \$4.1 mil income YTD, \$6.2 mil exps YTD.
 5. Undated ownership table with Scott 100% Vinton Racing, Vinton 100% Delta

- 6E. June 23, 2000 civil complaint filed in Clark County Nevada.
Arcadia Racing LLC (Scott) v. Chun Kung Cho aka C.K. Cho (et,al).
- 6F. March 20, 2001 summary judgment order in *Louisiana Horseman's Benevolent and Protective Association v. Delta Downs*.
- 6G. March 23, 2002 correspondence from Mississippi attorney Keith Turner to LSRC.
- 6G1. March 27, 2001 correspondence from Attorney Turner to the LSRC in regard to the MPACT issue.
- 6H2. April 17, 2001 print media article in the American Press of Lake Charles, LA.
April 18, 2001 article in The Advocate of Baton Rouge, LA.
April 19, 2001 article in the American Press.
April 20, 2001 article by the American Press
April 20, 2001 print media article by the Daily Courier of Homer, LA.
April 20, 2001 print media article by The Daily Advertiser of Lafayette, LA.
April 23, 2001 print media article by The Daily Review of Morgan City, LA.
- 6I. April 23, 2001 Letter, LSRC Special Counsel Paul Bonin to Louisiana Attorney C. Eston Singletary representing Angelle Concrete and Equus Investments LLC.
- 6J. May 10, 2001 correspondence from the Louisiana Horsemen's Benevolent & Protective Association to the LSRC.
- 6K. May 14, 2001 Petition on Open Account filed by Fontenot's Business Forms against Delta Downs Inc.
- 6L. May 15, 2001 print media report by The Times-Picayune concerning Boyd Gaming receiving a license from the LSRC to operate Delta Downs.
- 6N. July 31, 2001 correspondence from attorney Richard Moreno representing Delta to the LSRC.
- 6O. May 14, 2001 and August 1, 2001 correspondence from Paul Bonin, special counsel to the LSRC concerning the establishment and release conditions of the \$225,000.00 escrow account.
- 6P. **This is in already – attached to Staff Report.** October 17, 2001 print media article by the American Press.
- 6Q. **This is in already– attached to Staff Report.** Undated transcript of a meeting of the LSRC.
- 38. Bangor Daily News online article, "City considers 'racino' request," 1/27/2003.

39. Bangor Daily News online article, "Bangor council sets June 10 'racino' referendum," 3/25/2003.
40. Scott Transcript
41. Jensen Transcript
42. Mottern Transcript
43. Paoa Transcript
44. NY statute § 309
45. Auditors' Correspondence and Financial Reports for Years ending 2000, 2001, 2001
- 46.. Mid-State Raceway, Inc. v. Gural, et al.
47. Capital One GL pages re payroll January-June 2003
48. BHT Website
49. "Scott: No link to anti-racino PAC efforts" BDN November 26, 2003
50. "Statement by Shawn Scott" Press Release from Christen Graham, Warner Communications November 26, 2003.
51. "Racino Investor Sues Downs" PPH, November 27, 3002
52. PAC Registration, Maine Opportunities
53. Temporary Restraining Order
54. Ad (enjoined)
55. "Scott Behind Westbrook lawsuit," PPH December 12, 2003
56. Purchase Agreement
57. "Scott denies report he will sell company" PPH, January 1, 2004
58. "Bangor racino to change owners" PPH, January 8, 2004
59. "Penn National agrees to buy Capital Seven," MaineToday.com, January 8, 2004