

Major companies of Gambling, Inc.

“We annually compare gambling to large-scale American corporate business through U.S. Gambling, Inc. (USGI), a fictional holding company for the nation’s lotteries and casinos and other commercial games,” Christiansen/Cummings Associates stated in its 1995 *Gross Annual Wager*. “Consumers spent \$44.4 billion on gambling in 1995. . . . Had those gross revenues been booked by U.S. Gambling, Inc. the holding company would have ranked 11th in the 1995 Forbes Sales 500, up a notch from last year and its highest comparison since we began these comparisons in 1982.” That would, it continued, put Gambling, Inc. above DuPont, which had \$36.5 billion in sales, and below Philip Morris, which had \$53.1 billion. Gambling, Inc.’s 11.4% gross revenue gain in 1995, compared to 1994, outperformed the Forbes Sales 500, which as a group reported an average sales gain of 10%.

Gambling, Inc. has indeed become a big business, but it remains just one facet of an even larger enterprise, Dope, Inc., whose revenues *EIR* estimated in 1996 to be \$521 billion (and would be much higher, were not Dope, Inc. cutting its drug prices significantly in order to spread its tentacles even deeper into the population). The only businesses that compare in size to Dope, Inc. are its sister international cartels: food, energy, munitions, and finance, all of which are controlled by the British Empire.

The corporate host of Gambling, Inc. today, includes a significant chunk of what used to be the hotel business (**Table 1**). In 1995, the leading corporate gambler, in terms of gambling revenues, was Harrah’s Entertainment, a company that began its corporate life as Holiday Inns. Second on the list is ITT Corp., the former International Telephone & Telegraph, whose Sheraton division owns the Caesar’s World casinos. Bally’s Entertainment, number three on the list, is now a part of Hilton; Hilton bought Bally’s in 1996, to become the largest corporate gambling company in the world, and it intends to grow even more, launching a hostile takeover bid in early 1997 for ITT Corp. Hilton also has what it terms a “strategic alliance” with Ladbroke, the British gambling company. The fourth major hotel company in the top ten is Aztar, which used to be known as Ramada, until it sold its hotel division in 1989 to concentrate on gambling.

After the big hotel chains, come the giant casino companies: Trump, which controls one-third of the Atlantic City casino market; and Mirage Resorts and Circus Circus Enterprises, which operate multiple casino/resorts in Las Vegas and elsewhere, and which moved into the big time thanks to funding from the Drexel Burnham Lambert money machine.

What follows, are profiles of some of the major gambling companies that are not covered in detail elsewhere in this *Feature*.

Harrah’s Entertainment, Inc.

1023 Cherry Road
Memphis, TN 38117

What is known today as Harrah’s Entertainment, Inc., began in 1952 as Kemmon Wilson’s Holiday Inns of America. The company went public in 1957, and opened its 1,000th hotel in 1968. Holiday Inns moved into casino gambling in 1979, buying a 40% stake in the River Boat Casino in Las Vegas (and bought the remaining 60% in 1983). In 1980, it bought Harrah’s, the Nevada casino company which had begun as a bingo parlor in Reno, Nevada, in 1937. In 1985, Holiday Inns changed its name to Holiday Corp., and the following year, faced with a hostile takeover attempt by Donald Trump, with whom the company was building a second casino in Atlantic City, Holiday restructured, selling its inns to Bass, the British ale company, in 1988, and renaming itself Promus. In 1995, Promus split itself into two separate companies: Harrah’s Entertainment (the successor to Promus), which contains the casino business; and Promus Hotel Corp., which runs the hotels.

At the end of 1996, Harrah’s operated 16 gambling facilities, including casinos in Las Vegas, Reno, Lake Tahoe, and Laughlin, in Nevada, and Atlantic City, New Jersey; riverboat casinos in Joliet, Illinois; dockside casinos in Vicksburg and Tunica, Mississippi, Shreveport, Louisiana, and North Kansas City, Missouri; casinos on two Indian reservations, one near Phoenix, Arizona, and the other near Seattle, Washington; and a land-based casino in Auckland, New Zealand. As of Dec. 31, 1996, Harrah’s operated approximately 701,200 square feet of casino space, 19,011 slot machines, 941 table games, 6,478 hotel rooms or suites, approximately 131,400 square feet of convention space, 56 restaurants, six showrooms, and six cabarets. Harrah’s owns 14% of Sodak Gaming, a distributor of gambling equipment, primarily to Indian gambling operations.

Harrah’s owns 47% of Harrah’s Jazz, formed to develop, own, and operate a casino in New Orleans. Harrah’s Jazz filed for bankruptcy in November 1995. Harrah’s expects to open the casino, with a minority position.

As of the end of 1996, Massachusetts Financial Services Company of Boston owned 9.8% of Harrah’s; Oppenheimer Group, Inc., owned 8.5%; the Capital Group of Companies, Inc., owned 8.0%; and the Harrah’s pension fund owned 6.6%.

The company shares two directors with First Tennessee National Corp., and one each with Riggs National Bank of Washington, D.C. and Gannett Group, Mutual of New York. The board also includes Walter J. Salmon, the Stanley Roth Sr. Professor of Retailing, Harvard University.

TABLE 1

Public gaming companies, 1995

(thousands \$, except employees)

Company	Gaming revenues	Other revenues	Total revenues	Gambling as % of total revenues	Net income	Total debt	Market cap.	Total employees
Harrah's Entertainment	\$1,159,808	\$390,268	\$1,550,076	0.748	\$78,846	\$755,743	\$2,760,655	22,000
ITT Corp.	1,068,000	302,000	1,370,000	0.78	54,340	1,536,000	6,500,000	14,000
Bally Entertainment	789,863	233,997	1,023,860	0.771	59,899	1,289,601	1,000,000	13,200
Trump Casinos	696,519	172,013	868,532	0.802	-35,735	1,192,484	263,482	9,800
Mirage Resorts	659,840	670,904	1,330,744	0.496	163,163	249,063	3,567,731	16,800
Circus Circus	615,385	684,211	1,299,596	0.474	128,898	716,077	3,216,018	20,200
Hilton Hotels Corp.	511,000	429,600	940,600	0.543	87,100	666,500	3,100,000	12,000
Aztar Corp.	469,211	103,658	572,869	0.819	-4,994	496,905	289,490	9,900
Hollywood Casinos	453,309	86,090	539,399	0.84	-17,288	496,847	33,799	6,370
Boyd Gaming Corp.	401,187	259,153	660,340	0.608	36,249	624,304	302,493	11,500
MGM Grand	348,767	373,076	721,843	0.483	46,565	563,712	509,000	6,400
Showboat	339,701	88,891	428,592	0.793	13,175	392,391	342,272	7,675
Station Casinos	331,087	135,770	466,857	0.709	25,472	464,998	331,298	7,000
Griffin Gaming	267,757	33,983	301,740	0.887	15,899	217,945	73,936	3,800
Casino America	259,878	1,4671	274,549	0.947	58,231	144,169	176,507	5,440
Grand Casinos	251,828	121,044	372,872	0.675	53,008	466,529	1,088,276	4,500
Argosy Gaming	218,854	33,837	252,691	0.866	6,953	169,702	130,900	2,822
Players International	210,942	12,753	223,695	0.943	45,755	8,907	490,000	2,261
Boomtown	189,306	42,461	231,767	0.817	-2,877	109,496	48,495	3,840
Casino Magic	165,998	11,725	177,723	0.934	-102,92	140,436	83,890	2,225
Primadonna Resorts	158,984	80,813	239,797	0.663	23,307	145,509	352,562	3,834
Santa Fe Gaming	148,741	93,505	242,246	0.614	-2,2041	319,502	6,360	2,006
President Casinos	139,445	20,905	160,350	0.87	-20,232	117,815	9,3082	2,646
Lady Luck Gaming	129,591	21,136	150,727	0.86	6,718	182,597	47,731	2,850
Coast Resorts	113,087	61,669	174,756	0.647	8,957	84,392	57,979	3,000
Harvey's	105,775	68,157	173,932	0.608	9,345	133,143	67,416	4,950
Ameristar	88,947	34,920	123,867	0.718	8,438	101,323	17,290	3,055
Rio Hotel and Casino	86,736	105,802	192,538	0.45	18,745	110,202	222,537	3,074
Sands Regent	41,122	19,851	60,973	0.674	-11,428	28,714	12,160	1,429
Stratosphere Corp.	N/M	N/M	N/M	N/M	N/M	203,000	37,856	3,000
	10,420,668	4,706,863	15,127,531	0.689	824,176	12,128,006	25,223,215	211,577

Source: Economic Impacts of Casino Gaming in the United States, Volume 1: Macro Study, Arthur Anderson, December 1996.

Hilton Hotels Corp.

9336 Civic Center Drive
Beverly Hills, CA 90210

Conrad Hilton Got his start in hotel management by renting rooms in his family's New Mexico home, then served as a state legislator before leaving for Texas in 1919, hoping to make his fortune in banking. There, Hilton combined his \$5,000 savings with a \$20,000 loan and \$15,000 from partners, to buy his first hotel—in Cisco, Texas. Over the next decade, he bought seven more Texas hotels. While scathed by the Great Depression (he had only five hotels by 1994),

Hilton survived, in part because he had leased land for his hotels, instead of borrowing to buy it.

He began buying hotels again, moving into California (1938), New Mexico (1939), and Mexico (1942). In 1942, he met and married Zsa Zsa Gabor, whom he later divorced. He founded Hilton International to manage his foreign business (1948) and realized his ambition to run New York's Waldorf-Astoria (1949). Hilton's first European hotel opened in Madrid in 1953. He paid \$111 million for the 10-hotel Statler chain in 1954, in the biggest transaction in hotel history to date.

The company began franchising in 1965, to capitalize on the best-known name in the business, and by 1987 had

franchised 255 hotels. Conrad's son Barron became president in 1966. Barron persuaded his father to sell the 38-hotel Hilton International chain to TWA in 1967, in exchange for TWA stock. In 1970, Barron bought two hotels in Las Vegas, creating a gaming division.

Upon Conrad's death in 1979, Barron became chairman. He reentered the overseas hotel business with Conrad International Hotels in 1982, and opened a gaming hotel in Australia in 1985. The company spent \$1.2 billion to refurbish and expand its 12 most glamorous hotels in the 1980s, including the Waldorf-Astoria and Hilton's two Las Vegas hotels (making them the two largest hotels in the world).

Settlement of his father's will gave Barron control of 25% of Hilton stock. He put the company up for sale in 1989 after foreign investors made high offers for other U.S. hotels, but took it off the market after nine months, because bids did not meet his expectations. Meanwhile, the company opened the first Hilton Suites — all-suite hotels — and CrestHil, a chain of moderately priced country inns.

In 1992, Hilton bought Bally's Casino Resort in Reno, with 100,000 square feet of gambling space, for \$88 million (\$142 million less than Bally paid for it in 1986). That same year, Hilton joined forces with competitors Circus Circus and Caesar's World to propose a \$2 billion Vegas-style casino in Chicago, an idea which ran aground, in part due to opposition from the governor of Illinois. The same three companies linked up again in 1993, to build a casino in Windsor, Ontario; a temporary casino will open in 1994, followed by a permanent one in 1996.

Gaming provided about two-thirds of Hilton's revenues in 1993. The company operates, manages, or franchises over 250 hotels worldwide; its gaming operations include five casino hotels in Nevada, a riverboat casino (the Hilton Queen) in New Orleans, and other interests in Australia and Turkey. In 1994, the company launched the Hilton Queen of New Orleans riverboat, and plans to open two riverboats, including one in Kansas City; it is planning to build casino hotels in Australia and Uruguay, plus the Windsor joint venture.

In December 1996, Hilton completed its acquisition of Bally Entertainment Corp. In January 1997, it finalized its "strategic alliance" with Ladbrooke Group plc, whose wholly owned subsidiary Hilton International owns the rights to the Hilton name outside the United States. Also in January, Hilton made a \$10.5 billion takeover bid for ITT. As of Feb. 1, 1997, Hilton owned 41% of a class of Claridge debt, and is discussing a possible takeover.

The ownership of Hilton is as follows: Barron Hilton, 18.8%; Conrad N. Hilton Fund, 6.6%; FMR Corp., 6.6%; The Prudential Insurance Company of America, 5.5%; Highbridge Capital Corporation, 8.2%; and Angelo Gordon & Co. L.P., 6.0%.

Hilton subsidiary Bally's Entertainment was founded in 1931 as Lion Manufacturing, and built its first slot machine in 1938. In 1963, Lion sales manager William O'Donnell and partners bought the company with money, the New Jersey

Casino Control Commission would later allege, from organized crime. By 1968, the year the company was renamed Bally Manufacturing, it was the leading maker of slot machines, and in 1969, it went public. Bally launched its first casino hotel in 1977, but the New Jersey casino commission forced O'Donnell to resign, before it would grant the company a casino license.

Business boomed at Aladdin's Castle in the early 1980s, when Bally introduced a new generation of video arcade games, including Space Invaders (1979) and Pac-Man (1980). Bally continued to diversify, buying Six Flags Corp. (1982), Health and Tennis Corp. of America (1983), Great American Theme Park (from Marriott 1984), Lifecycle (1984), MGM Grand Hotels in Las Vegas and Reno (1986), and the Golden Nugget Casino in Atlantic City (1987). Bally successfully fended off a takeover attempt by Donald Trump in 1987, funding the battle by selling its theme park business. Bally sold most of its amusement game manufacturing businesses in 1988 and 1989.

In 1990, the company missed an \$18.4 million interest payment on its Nevada casinos, and pulled out of a deal to buy London's Clermont casino.

In 1991, Bally spun off its gaming operations as Bally Gaming International, and disposed of its remaining 17% share of that company in 1993. That same year, Bally's Grand, Inc., the operating company for Bally's Las Vegas resort, under bondholder control since 1991, emerged from bankruptcy. Also in 1993, Bally opened a saloon and gambling hall on the Mississippi River, and secured an option to acquire riverfront property in Philadelphia for a similar facility, should that city legalize casinos.

In 1994, because it no longer makes gambling equipment, the company changed its name from Bally Manufacturing Corp., to Bally Entertainment Corp.

ITT Corp.

1330 Avenue of the Americas
New York, N.Y. 10019

Col. Sosthenes Behn founded the International Telephone and Telegraph Corp. in 1920, to manage Cuban and Puerto Rican telephone companies. It bought Western Electric from AT&T in 1925, making it a major international phone equipment manufacturer. It also bought phone systems in Spain, Argentina, and Romania.

Harold Geneen became CEO in 1959. Revenues broke the \$1 billion barrier in 1962; and in 1964, the company formed ITT Financial Services, by starting ITT Credit, and buying Aetna Finance, Kellogg credit, and 50% of Great International Life Insurance. ITT went on a buying spree, buying among other companies, Hartford Insurance (1969) and Sheraton Hotels (1968).

Rand Araskog took over in 1979, at which point the company was only marginally profitable, and began selling all or

part of 250 companies, slashing the workforce by two-thirds between 1984 and 1987.

In 1993, ITT Sheraton announced plans to build a riverboat casino in New Orleans, and in 1995, Sheraton, which already owned the Desert Inn in Las Vegas, bought Caesar's World, owner of the Caesar's casinos in Las Vegas and Atlantic City.

The major owner of ITT stock is Bankers Trust, which owns 12%.

The board is loaded with clout. Directors of note include: chairman, Rand Araskog, a director of Dow Jones & Co. and Shell Oil, and a member of the Trilateral Commission and the New York Council on Foreign Relations; Michel David-Weill, senior partner of Lazard Frères; S. Parker Gilbert, retired chairman of Morgan Stanley; Paul Kirk, chairman of the Democratic National Committee from 1985 to 1989, currently counsel to the law firm of Sullivan & Worcester; former U.S. Army Chief of Staff Gen. Edward Meyer; and Bette Anderson, former undersecretary of the Treasury (1977-81) and before that, an executive of Citizens & Southern National Bank of Savannah, now part of NationsBank.

In 1997, Hilton launched a hostile takeover bid for ITT, which the company is fighting by attempting to split itself up into three separate companies.

Mirage Resorts, Inc.

3400 Las Vegas Blvd. South
Las Vegas, NV 89109

Mirage Resorts, one of *Fortune* magazine's "America's Most Admired Companies" for 1996 and 1997, is known primarily for its large casino-resorts in Las Vegas, including the Mirage (which features a man-made volcano) and Treasure Island (including a pyrotechnic extravaganza which pits the British Navy against pirates), the 50% Mirage-owned Monte Carlo, and the Bellagio, scheduled to open in 1998. Mirage is building the \$550 million Beau Rivage casino in Biloxi, Mississippi, and has announced plans for a major resort in Atlantic City. Until 1991, the company was known as Golden Nugget, Inc.

The dominant individual at Mirage is Chairman Steve Wynn, who got his start in Las Vegas in 1967, when he bought a small interest in the Frontier Hotel casino, which was controlled by the Detroit mob. In 1972, Wynn, with the help of the Valley Bank (now part of BankAmerica), bought property from Howard Hughes then sold it to Caesar's Palace, using his million-dollar profit to buy 5% of the Golden Nugget. Wynn eventually took control of the Golden Nugget, then, with funding raised by Drexel Burnham Lambert, built the Golden Nugget casino in Atlantic City in 1980. Wynn then sold the Atlantic City casino to Bally's, using the proceeds and more money from Drexel, to build the Mirage in Las Vegas. Wynn, whose neighbor in Lake Tahoe is his old friend Michael Milken, is a major funder of the Anti-Defamation League, and has recently become an active environmentalist.

Wynn owns 15.6% of Mirage, FMR Corp. owns 10.5%, and Janus Capital Corp. of Denver owns 5.3%.

Directors of note include: Steve Wynn and his wife Elaine Wynn, and George J. Mason, senior managing director of Bear Stearns & Co. in Los Angeles. Mirage's senior vice-president for government and external affairs is Thomas L. Sheer, a former assistant director of the FBI, and former director of intelligence for W.R. Grace & Co.

Circus Circus Enterprises, Inc.

2880 Las Vegas Blvd. South
Las Vegas, NV 89109

Circus Circus is another of the big casino-resort combinations, operating three major casinos on the Las Vegas Strip: the Circus Circus (complete with an indoor circus), the Luxor (in the shape of a pyramid and sphinx), and Excalibur (with a King Arthur theme); it also owns 50% of the Monte Carlo, and is planning a big Shangri La-themed casino in Las Vegas, plus a casino in Atlantic City. Circus Circus opened in 1968, and was taken over by William Bennett and William Pennington in 1974; Bennett had got into the casino business in 1965, working for Del Webb, the developer and casino owner who built the Flamingo for Bugsy Siegel. In 1983, Circus Circus went public, using funds provided by Drexel Burnham Lambert, as recounted earlier in this feature.

Owners of significant stakes in the company are: FMR Corp., 12.5%; J.P. Morgan, 12.1%; vice-chairman Michael S. Ensign, 6.85%; and executive vice president William Richardson, 6.81%.

The directors are mostly insiders, with two notable exceptions: Richard Etter, the retired chairman of BankAmerica-Nevada, and former Drexel Burnham Lambert official Arthur Bilger. Bilger was president of New World Communications, a television broadcasting and production company, from 1995 until January 1997; prior to that, he had been a principal of Apollo Advisors LP and Lion Advisors LP, companies he set up with Leon Black. Black, son of former United Brands chairman Eli Black, had been the head of mergers and acquisitions at Drexel during the Milken era, who played a key role in organizing the "investors" in Drexel's junk-bond offerings. After leaving Drexel, Black set up a number of firms, including Apollo, to use junk bonds to take over and asset-strip troubled companies. One of Black's partners in this operation, was the bankrupt Crédit Lyonnais bank of France, a major funder of Hollywood movie productions.

MGM Grand, Inc.

3799 Las Vegas Blvd. South
Las Vegas, NV 89109

MGM Grand is controlled by Kirk Kerkorian, who owns 62% of the company, mostly through his Tracinda Corp. The board

is largely irrelevant, but includes former U.S. Secretary of State Gen. Alexander M. Haig, Jr.

Aztar Corp.

2390 E. Camelback Rd. Ste 400
Phoenix, AZ 85016-3452

Aztar, formerly known as Ramada, was created in 1989, as part of the restructuring in which Ramada sold off its hotel business. Aztar owns the Tropicana hotel/casinos in Vegas and Atlantic City; the Ramada Express in Laughlin; and the Casinos Aztar in Caruthersville, Missouri, and Evansville, Indiana.

Gabelli Funds, Inc. of New York owns 8.9% of Aztar's stock. Among the directors of the various Gabelli funds, is former German Bundesbank head Karl Otto Pöhl (1980-91).

Directors of note include: Edward M. Carson, the retired chairman of First Interstate Bancorp, who now sits on the board of Wells Fargo & Co.; and Richard Snell, chairman of Pinnacle West Capital, an Arizona electric utility, and a director of Banc One Arizona.

Carnival Corp.

3655 NW 87th Ave.
Miami, FL 33178

Carnival was founded in 1972, as a subsidiary of American International Travel Service, a company owned by Meshulum Riklis, one of the moneybags behind the Drexel Burnham Lambert operation. In 1974, co-founder Ted Arison took control of Carnival to bankroll the company. The company rapidly expanded, becoming the world's largest cruise line, featuring gambling on its ships, as well as land-based casinos. It changed its name to Carnival Corp. in 1994, and announced that it would merge its land-based gaming interests with The Continental Companies, to form a new company named Carnival Hotels and Casinos, owned 50% by each. Ted Arison owns 65% of the company, which is now run by his son Mickey.

Directors of note, besides Mickey Arison, include: Uzi Zucker, a senior managing director of Bear Stearns, and a director of the Jerusalem Economic Corp.; Stuart Subotnick of Metromedia Co.; James Dubin of the Paul, Weiss, Rifkind, Wharton & Garrison law firm; Maks L. Birnbach, owner of Fullcut Manufacturers Inc., a New York diamond wholesaler and importer, who is also a director of the Diamond Manufacturers and Importers Association, vice-chairman of the American Committee of the Weizmann Institute for Science and a governor of its Research Institute in Rechovot, Israel; and Ambassador Richard J. Capen, Jr., the former publisher of the *Miami Herald* and U.S. ambassador to Spain, who is also a director of the FBI-linked Wackenhut Corp.

Gambling: a timeline

1919-31: Prohibition

1931: Hoover Dam construction begins in Black Canyon, one of the great projects of the Depression; it is, ironically, the water and hydroelectric power from the Hoover Dam, which make the growth of Las Vegas possible.

1941: The Las Vegas casino business expands, with the opening of the El Rancho Vegas on the Strip, and the El Cortez Hotel downtown.

1942: Last Frontier Hotel opens.

1946: Bugsy Siegel opens Flamingo Hotel. State of Nevada levies first gaming taxes.

1955: Gaming control strengthened. Gaming Control Board created within the Nevada Tax Commission by the Legislature.

1959: The Nevada Gaming Commission is created by the state Legislature.

1964: The New Hampshire lottery is established.

1965: Caesar's World is built, the first new casino on the Strip in Las Vegas in nine years.

1966: Howard Hughes arrives to live at Desert Inn. Robert Maheu handled the purchase, from Moe Dalitz and friends. Hughes would eventually own seven casinos in Vegas.

1967: Nevada legislature passes a law allowing publicly traded corporations to obtain gambling licenses. The law is refined in 1969.

1968: Mary Carter Paint Co. becomes Resorts International.

1968: The Circus Circus, so-named because of the live circus it contains, opens.

1969: New Jersey voters approve a lottery; the first ticket is sold in 1970.

1970s: Royal Commission on gambling in the U.K., chaired by Lord Victor Rothschild.

1970: Hughes is moved to Paradise Island, on Nov. 25, by Intertel.

1970: Lansky's gambling referendum is defeated in Miami Beach, Florida.

1972: Meshulum Riklis and Ted Arison found Carnival Cruise Lines, as a subsidiary of Riklis's American International Travel Service.

1974: Bennett and Pennington buy Circus Circus.

Mid-1970s: FBI establishes a task force to clean the mob out of Las Vegas.

1975: Nevada gaming revenues first crack \$1 billion mark.

1976: Howard Hughes dies, on April 5, 1976, on his way from Mexico to Houston.

1977: The Stardust, supposedly the last mob-controlled casino, is stripped of its license.

1977: Clark County (Las Vegas) gaming revenues first crack