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CONFIDENTIAL

CONFIDENTIAL ATTORNEY-CLIENT COMMUNICATION

April 4, 2003

Hon. Charles W. Turnbull, Chairman
U.S. Virgin Islands Public Finance Authority
Government Development Bank Building
1050 Norre Gade #5, Suite 102
St. Thomas, Virgin Islands 00802

Re: Due Diligence Report/Paul Golden Entities

Honorable Sir:

As you know, the U.S. Virgin Islands Public Finance Authority ("VIPFA") has undertaken preliminary investigations into the development a conference center/resort hotel/casino (the "Project") on the island of St. Croix. Depending on the results of feasibility studies currently underway, it is contemplated that the Project would be developed by means of a public/private partnership.

Public/private partnerships are designed to encourage the business community to participate in both the costs and economic benefits of a development project. VIPFA requires that potential private partners for the Project be evaluated based, in part, on Due Diligence Questionnaires ("Questionnaire") submitted to VIPFA and the results of due diligence investigations.

As requested by VIPFA, this office has performed due diligence investigations regarding the joint Questionnaire submitted by Golden Resorts LLLP, Golden Gaming LLC and individually, Mr. Paul Golden of Bergen County, New Jersey (collectively, "Golden"). Golden seeks to be considered as a private partner in the Project. Golden proposes to bring \$100 million in private investment to the Project.

The information that we are providing to you was obtained from public records. This report is not intended to serve as a conclusion, legal or otherwise, about the quality of Mr. Golden's character. Rather, it is our intention to limit our report to information upon which VIPFA may evaluate Golden's ability to construct, develop and operate hospitality facilities, and the viability of the Project as proposed by Mr. Golden.

I. Golden's Experience in the Hospitality Industry

The "Golden" label is utilized by several hospitality companies. For purposes of clarity, we examined public information relating to established "Golden" branded hospitality operators/developers, to determine if any was associated with Mr. Golden.

We have determined that Mr. Golden has no principal or management affiliation with:

- a. "Golden Resorts International" is an incorporated enterprise formed in New Zealand, which invests in and manages resort accommodations in the South East Asian region. It is a subsidiary of Takiron Holdings.
- b. "Golden Resorts Inc.," is the Beneficial Owner of more than 10% of Chicago Pizza & Brewery, Inc., a well established guest services organization, which includes several branded restaurants and taverns.
- c. "Golden Colorado's Golden Resorts" is a service mark for a group of hospitality and leisure destination facilities located in Golden, Colorado.
- d. The "Golden Hotels" is a branded category of hotels owned by the Radisson Development Group, Inc.

In the course of our research, we were unable to find any indication whatsoever, that Golden has operated a single hospitality facility or conference center.

Golden Gaming appears to be a rather freshly minted company, with virtually no infrastructure. Its corporate address of 522 Route 9 North, Suite 297, Manalapan, New Jersey 07726, appears to be the location of a UPS Store retail mailing center.¹ While Mr. Golden has given us telephone numbers for his companies, neither Golden Resorts or Golden Gaming is listed in New Jersey telephone directories.

Mr. Golden's expertise in the hospitality field appears to be limited to the ownership of an eatery called "Roughriders" Steakhouse" and a nude dancing club called "Virgo's."

According to public information, Mr. Golden has been twice convicted of burglary.² A review of court records indicates that these burglary convictions were the basis of Mr. Golden being denied a liquor license for his nude dance club.³

Further, published reports indicate that Mr. Golden was charged with three counts of charging admission fees at Virgo's, in violation of New Jersey state law, and with allowing a dancer to perform in a "lewd" manner. Apparently, Virgo's caused significant civil concern in the town of its operation, and was demolished approximately a year ago.⁴

¹ See, www.MBE.com/locator

² Mr. Golden revealed the burglary convictions in the second submission of his Questionnaire to VIPFA. It was, however, not mentioned in his first submission.

³ See, *In The Matter Of The Application Of Virgo's, Inc.*, A1503-0112, The New Jersey Law Journal, December 23, 2002, Vol. CLXX No. 12, Index 1001.

⁴ See, Newark Star Ledger, Friday July 21, 2000.

II. Construction Industry Experience

We have found no evidence that Golden has successfully built or managed a major construction project of any sort.

Mr. Golden experience in construction appears to be limited to his role as the principal of a demolition company called Alcon Demolition. According to corporate records, Alcon Demolition was incorporated in November of 1990.⁵ By 1994, Mr. Golden filed for bankruptcy on behalf of the company.⁶ Prior to Alcon Demolition's bankruptcy, several lawsuits were brought against it and Mr. Golden personally, for breach of contract. In many of these lawsuits, judgments were entered against both Mr. Golden and Alcon.⁷

III. Casinos/Golden Gaming

As was the case with our research into the hospitality and construction industries, no information was found which gave us any basis for concluding that Golden Gaming, LLC, or Mr. Golden has had any notable success in the gaming arena. He has, however, had some personal difficulties in that same industry.

According to published reports, Paul Golden was arrested based upon a national warrant issued against him, alleging that he defrauded Las Vegas casino Caesar's Palace out of \$30,000. According to these reports, Mr. Golden allegedly cashed a \$30,000 check at Caesar's Palace, left the casino with the funds and then immediately stopped payment on the check.⁸

We found no record of Mr. Golden actually being convicted of the charges filed against him by Caesar's Palace.

Mr. Chairman should note, however, that a substantial record exists concerning a lawsuit filed on October 24, 2002, against Mr. Golden personally, and Golden Gaming, LLC. That lawsuit has been brought by Linda Golden, who according to the pleadings, is Paul Golden's mother.⁹

Linda Golden's lawsuit accuses her son, Paul Golden, of deception, fraud, a pattern of racketeering activity ("RICO"), embezzlement from her bank accounts, filing of false instruments, and misappropriation of funds. The pleadings assert that Mr. Golden has defrauded his mother of over \$1.3 million.

⁵ Domestic Business filing, Albany County, NY. Company ID Number 1490474

⁶ See, Golden v. Golden, Superior Court of New Jersey, Docket No. MON-L-2812-01, pg. 6

⁷ See, for example: Special Civil Suits, Monmouth, NJ: SC 1994 00000823 DC; SE 1994 00011533 DC; SC 1993 00477058 DC; SC 1994 00007046 DC; DC-009882-1999; DC-010925-2001.

⁸ See, Newark Star Ledger, Friday July 21, 2000.

⁹ See, Golden v. Golden, Superior Court of New Jersey, Docket No. MON-L-2812-01.

Linda Golden's lawsuit includes a rather troubling claim that a portion of the \$1.3 million embezzled from her, was used to finance Golden Gaming, LLC, a co-applicant on the VIPFA Due Diligence Questionnaire.

Perhaps our greatest concern regarding the lawsuit asserted by his mother against Paul Golden, arises from the following claim:

"Paul Golden's use of funds which belong to Linda Golden, to acquire Golden Gaming LLC's casino license, and the Estate Hartmann's property [on St. Croix], constitutes wrongdoing which entitles plaintiff Linda Golden to a constructive trust on Golden Gaming, LLC's assets, and on the Estate Hartmann's property, and on Paul Golden's interest in the entities he has established to own the Estate Hartmann's assets and property."

The Estate Hartmann property is made up of a certain parcel of land acquired by Golden Gaming on the island of St. Croix, presumably for development purposes.¹⁰

We cannot offer and do not purport to offer any opinion as to whether Mr. Golden actually defrauded his mother out of over \$1.3 million, or embezzled funds from accounts owned by her. You should, Mr. Chairman, be aware, that Linda Golden seeks a judgment transferring ownership of Golden Gaming, LLC and the Estate Hartmann's property to her. The outcome of this action may greatly impact Mr. Golden's ability to utilize Golden Gaming, LLC or the Estate Hartmann's property for any development purpose whatsoever.

While Mr. Golden has provided VIPFA with a lease which declares Golden Gaming a lessee, but not an owner of the Estate Hartmann's property, Linda Golden's claim, at a minimum, will cloud the title on the parcel.

If the allegations in Linda Goldman's lawsuit are true, Mr. Golden's Questionnaire, as well as his application for a U.S. Virgin Islands casino license, contain material misstatements about his ownership of Golden Gaming.

IV. Credit References

Upon our current information, the application submitted by Paul Golden and Golden Gaming to the Virgin Islands Casino Control Commission, lists Amboy National Bank as a credit reference. Amboy National Bank is named as a co-defendant with Mr. Golden and Golden Gaming in the lawsuit brought by Linda Golden, wherein it is alleged that Mr. Golden wrongfully utilized certain loan funds held by Amboy National Bank on behalf of Mr. Golden's mother.¹¹ We were unable to confirm Amboy National Bank's

¹⁰ Golden v. Golden, Superior Court of New Jersey, Docket No. MON-L-2812-01, page 9.

¹¹ Golden v. Golden, Superior Court of New Jersey, Docket No. MON-L-2812-01, page 6.

status as a credit reference for Mr. Golden. When we contacted the bank to obtain the reference, they declined to provide us with any information, either positive or negative.

V. Responses the VIPFA's Due Diligence Questionnaire

As VIPFA has directed us to do with each due diligence applicant, we have compared the application responses to public information available about the applicant. Please note the following:

- Golden's first submission of a supposedly complete Questionnaire failed to disclose Paul Golden's burglary convictions.
- Neither the first Questionnaire submitted by Golden, nor the second, supposedly complete Questionnaire disclosed Mr. Golden's violation of administrative charges arising from the illegal operation of the Virgo's nude dance club. This information was required by section 9B of the Questionnaire.
- Golden was required by the Questionnaire to provide details of the criminal investigation and charges asserted against him in connection with the illegal operation of Virgo's and the alleged criminal lewdness charges. He did not do so.
- Golden's submission provides absolutely no information with regard to the source of the \$100 million in private funding, which Golden supposedly has access to.

VI. Viability of the Project

You may be aware of recent public outcry at the proposed scope and budget proposed by Golden for the conference center portion of the Project. As has been recently reported in the territorial press, design and construction professionals in the U.S. Virgin Islands are both baffled and stunned by the proposed cost of the conference center, given that Golden has proposed a 12,000 square foot facility.¹²

Golden proposes that VIPFA contribute \$32 million in costs, to be expended on the conference center. At 12,000 square feet, Golden apparently expects to construct the facility at a cost of \$2,666 per square foot.

According to members of the Virgin Islands design and construction community, the finest, most luxurious and high end projects of this sort, would *perhaps* cost \$250 per square foot... less than one tenth of what Mr. Golden proposes to spend.¹³

In summary, we suggest that VIPFA to consider the likelihood that the proposed Project will be completed on time, on budget and on schedule by any developer who:

¹² See, Virgin Islands Daily News, April 2, 2003 edition.

¹³ See, Virgin Islands Daily News, April 3, 2003 edition.

- Is unable to identify a single source of private funding for the Project.
- Has never constructed, developed or operated a casino, conference center or hotel or any other major commercial project.
- Has multiple criminal convictions.
- Is a defendant in a lawsuit in which it is alleged that the developer does not hold rightful title to the development entity or site for the Project.
- Has demonstrated a continuing pattern of behavior which tends to show financial irresponsibility.
- Has been accused of defrauding a casino.
- Is a defendant in an action wherein he is alleged to have defrauded his mother of over \$1.3 million.
- Has failed to disclose information requested and required by VIPFA.
- Intends to have VIPFA spend ten times the typical square foot cost for a conference center.
- Appears to have no physical offices.
- Has provided no verifiable credit references.

We hope this information has been useful to you. Please do not hesitate to call should you have any questions.

Sincerely,
Roger M. Quinland
Roger M. Quinland

cc: Hon. Kenneth E. Mapp, VIPFA
William M. O'Connor, Esq.