



Special Corporate Research Report
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February 25, 2000

<http://www.wegamble.com>

FOR HON. BILLY TAUZIN

PURPOSE

This report is the result of over five years of research and development by **Mardi Gras Holding Group, Inc.** and its founding participants. This information was compiled to clearly assess **Legalized Internet Gaming in the United States of America** and throughout the world.

Information contained herein is solely for informative purposes and has been compiled as a result of a team effort by the shareholders of Mardi Gras Holding Group, Inc. and their professional associates.

While facts and documentation on Internet gaming and all its aspects are easily found on the Internet and throughout the media, this report focuses on a clear and comprehensive view of the current industry with a totally non-partial attitude while examining two vivid realities: the pros and cons of Internet gaming.

For legal information regarding Internet gaming, we urge you to visit <http://www.gamblingandthelaw.com> to review the excellent public report prepared by Dr. I. Nelson Rose, Professor of Law, Whittier Law School, Costa Mesa, California. This report is available free of charge.

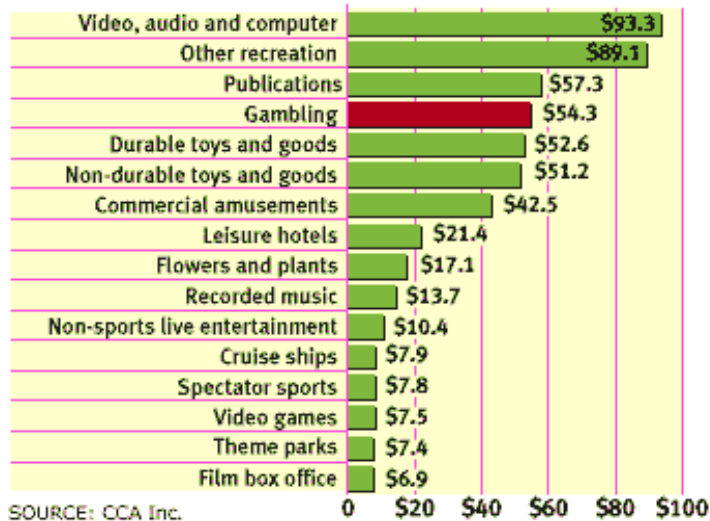
The information contained herein does not constitute any type of financial offering nor is any such offering being made.



Mardi Gras Holding Group, Inc. is a privately held International Business Corporation headquartered in Antigua, West Indies. All shareholders are American business people who recognize the tremendous impact and social consequences associated with Internet gaming and have invested their time, money and efforts to bring forth a clear, comprehensive method in which the entire United States of America may embrace and enjoy the benefits of legalized Internet gaming while fully addressing and providing solutions for the social problems associated with the gaming industry in general.

FACTS AND REVELATIONS

U.S. LEISURE EXPENDITURES, 1998 (billions of dollars)

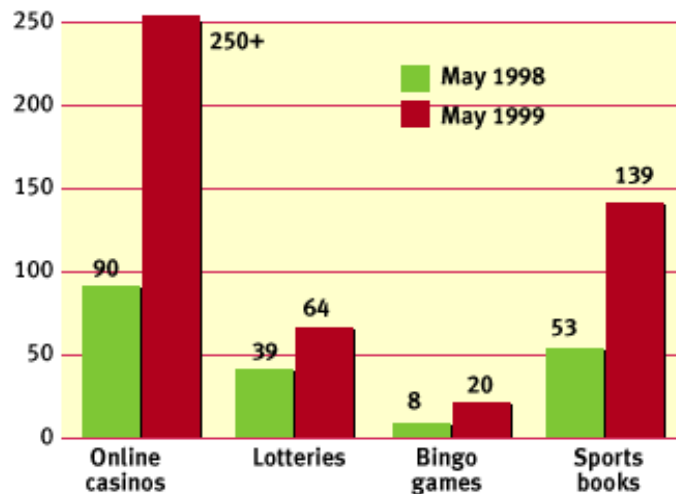


Legal gaming centers, such as Las Vegas, draw over 40 million "fly/drive/walk-in" visitors per year. Over \$50 Billion per year is generated in the USA from legal gaming centers. On the Internet, there exists a potential to draw 40 million visitors ("hits"), in a matter of days, from computer terminals.

Over 600 virtual computer casinos dot the Internet in all forms: legal and illegally, licensed and unlicensed, regulated and non-regulated; many successful, many not. Controversy is running rampant due to media coverage of various Federal, state and local

governments enacting various forms of legislation to either ban or make Internet gaming illegal. The business doubled in size from 1997 to 1998 and it is projected, by such luminaries as Bear Stearns and Christensen Capital Advisors, Inc. of New York, that Internet gaming will generate over \$3 Billion dollars per year by 2003. Gambling has become one of the top entertainment industries in the world and is accepted in most countries globally. From all aspects, whether in the form of a church sponsored bingo game to a desert casino to a state run lottery, there is a clear prevailing re-occurrence: **the greater majority of people around the world love to gamble.**

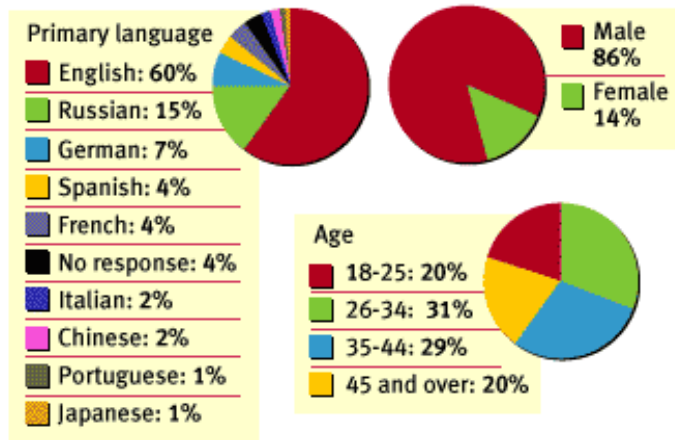
NUMBER OF GAMING SITES BY CATEGORY



SOURCE: Rolling Good Times Online

Gamblers enjoy the latest technologies whether in bricks and mortar casinos, on cruise ships, at Indian reservations, visiting their neighborhood café, purchasing government lottery tickets at local convenience stores or, most recently, on the Internet. The Internet is the most powerful communications medium since the discovery of voice. Unlike bricks and mortar casinos, the Internet provides a global populace with immediate access to gamble on a 24 hour per day basis, non-stop.

WHO'S GAMBLING ONLINE?



SOURCE: Inland Entertainment Corp. survey of nearly 500 customers of kennyrogers.com, casinoaustralia.com and goodluck.com. The questionnaire was in English.

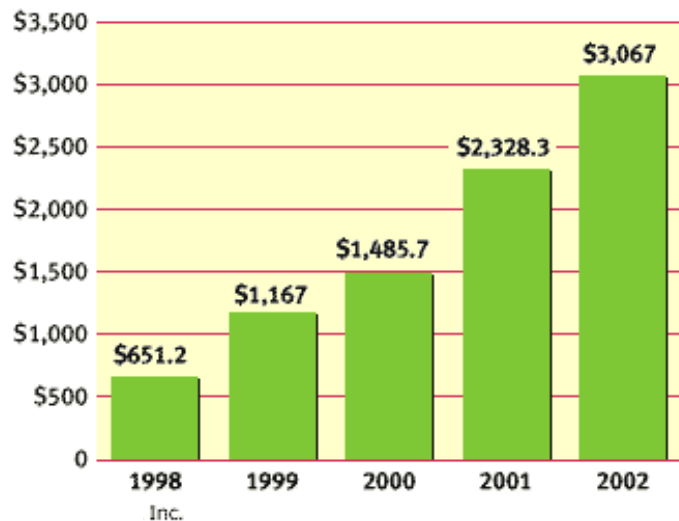
The average Internet gamer spends \$30 per visit with "heavy" gamblers spending as much as \$52 per visit. Bricks and mortar gamblers spend approximately \$500 per day, not including their room, food, transport and other entertainment activities such as golf and live entertainment performances.

With the researched indications that each Internet gamer spends \$30 per visit, there exists a possible gross earnings potential of \$120 million from 40 million visitors.

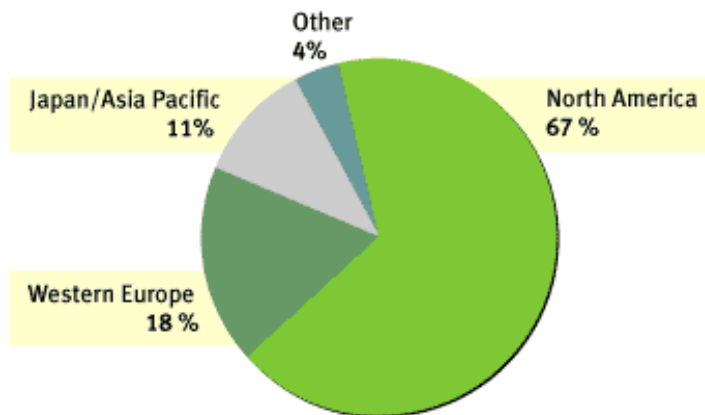
By further utilizing the realistic percentages of actual participants, visionaries may ascertain that a fully regulated, government operated, internationally accepted Internet casino operation may potentially gross from \$50 Million to \$150 Million per month.

There is clear opposition to gambling from social organizations, religious factions and various analysts in both the private and public sectors, and rightfully so.

ESTIMATED INTERNET GAMBLING REVENUES (millions)



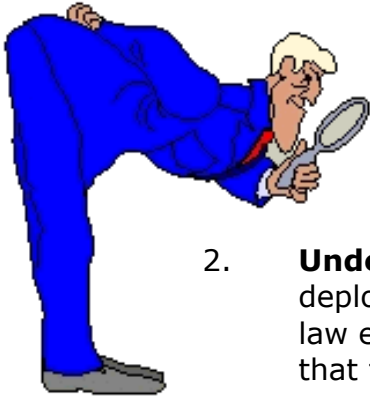
WHERE THE CUSTOMERS ARE



SOURCE: CCA Inc.

History teaches us gambling has been associated with organized crime, underage vice and people who become addicted and lose excessive amounts. Accounting practices have often been skewed by "architects" of deceit. Taxes and regulatory fees have been very hard to authenticate and, consequently, many "social dollars" that should originate from gambling interests have become lost "in the shuffle."

CONCERNS AND SOLUTIONS



1. **Compulsive/addicted gamblers** - shall be quickly identified and offered immediate emotional and mental assistance and treatment. There shall be a ceiling placed on individual losses and persons who reach that ceiling are identified as problem gamers and their bets shall not be accepted. **NOTE: No land based casino offers this service.**
2. **Underage vice** - Strict age verification processes shall be deployed in the e-commerce payment system as well as many law enforcement effectiveness programs, at all levels, to ensure that fraud by minors is handled accordingly.
3. **Organized crime association** - all participants, employees, out-source relationships and strategic alliances shall be carefully investigated and background checks completed by both public law enforcement officials and private professional investigative agencies. **NOTE: Our director of Operations, retired FBI Special Agent Zack Shelton, is a former member of the Organized Crime Task Force which was responsible for exposing Mafia ties to Las Vegas casinos.**
4. **Accountability** - all accounting shall be regulated and controlled by a joint auditing team of Federal, state and local government auditors and a Big 5 accounting firm. **NOTE: All payments to regulatory and applicable tax authorities shall be paid each night at midnight. No land based casino offers this service.**
5. **Virtual computer games** - To further enhance the consumer trust factors, there will be no virtual gaming allowed. All games feature live dealers and shall be broadcast over the Internet via television procedures. **All games shall have acceptable Nevada Gaming Commission odds.**
6. **Legal** - No wagers will be accepted from states, countries and adjacent areas where Internet gambling is not legally acceptable and approved.
7. **Conflicting Interests** - No existing legal state or federal gaming operation shall be affected.



WEB SITE



GRAPHIC DESIGN#21: LIVE BLACKJACK
(c) 2000 Mardi Gras Holding Group, Inc.

The wegamble.com web site shall deploy a user-friendly interface which, after the verification process, allows the consumer to experience an exciting "LIVE CASINO FEEL."

From the time the consumer logs on, they will have access to the gaming areas, the live entertainment areas, a New Orleans Café area where they can order various food items, a gift shop featuring a wide range of music, books, a bank area where they may conduct financial transactions and many Internet related interactive tools such as free email accounts, free web pages, daily news, sports and weather and an Internet search engine.

NOTE: Since wegamble.com has NO VIRTUAL GAMES, there is no software download. All transactions are through legally licensed servers.

COMPARISON

A responsible comparison of bricks and mortar casinos vs. live dealer Internet gaming suggested herein by Mardi Gras Holding Group, Inc. provides an even clearer understanding:

QUESTION	LAND BASED CASINO	wegamble.com
Is there any limit on the gambling losses a player can experience?	No	Yes
Can credit cards and ATM cards be utilized to provide money for casino game wagering?	Yes	No
Are there programs offered compulsive gamblers in the casino table and gaming areas?	No ¹	Yes
Are the odds of winning the same and fair to the global gaming public?	Yes	Yes
Is there a known history of organized crime involved with the respective casino business?	Yes ²	No
Does the casino pay all taxes and regulatory fees <u>daily</u> and provide ongoing access of all financial transactions to all Federal, State and local auditors and officials?	No	Yes
Is the casino sensitive to children and the protection of children from learning about gambling?	No	Yes
Are totally accountable and regulated casino auditing systems in place?	Yes	Yes
Does the casino increase suicides and divorce?	No ³	No
Is there an accurate method of keeping minors out of the casino other than Driver's License checks?	No	Yes
Is the casino legally licensed?	Yes	Yes
Is there a history of money laundering and illegal payoffs associated with either casino?	Yes	No
Does either casino have a history of other problems such as prostitution, bankruptcy and increases in crime?	Yes ^{4 5}	No

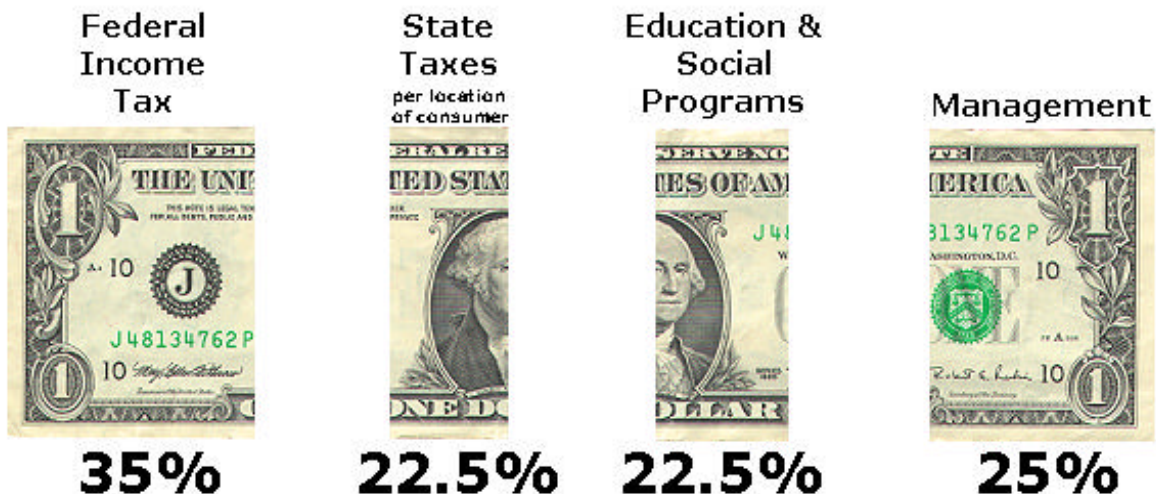
REGULATION AND TAXES

While global land based and Internet casinos are extremely difficult to regulate, wegamble.com has developed and shall deploy the most accurate "minute by minute" accounting system ever devised for gaming. Federal, state and local officials and government auditors shall be able to access all accounting sections of the web site in order to track and collect their respective regulatory fees and taxes.

To further enhance the integrity of wegamble.com, any and all payments to Federal, state and local regulatory and taxing authorities shall be calculated and paid via bank to bank transfer, each night at midnight. **No land based casino offers this service.**

We suggest the following profit distribution structure:

SUGGESTED PROFIT DISTRIBUTION



ECONOMIC IMPACT FACTORS

Utilizing a \$1 Billion dollar annual earn figure the suggested profit distribution would yield:

Federal Taxes:	\$350 Million
State Taxes	\$220.5 Million ¹
Education/Social:	\$220.5 Million
Management:	\$250 Million ²

¹ Calculated on consumer location and divided accordingly

² All operating expenses are deducted prior to management profit sharing

MARDI GRAS HOLDING GROUP, INC.



Robert G. Vernon
Managing Director

Timothy D. Koehl
Managing Director



Louis Lockhart
Director

Georgice I.
Mendes-Blackman
Director

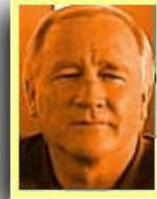


Co-managing director's Robert G. Vernon and Timothy D. Koehl are native Louisianians with a successful business history in entertainment, marketing, management, production, interactive media. Louis Lockhart and Georgice Mendes-Blackman are the Antigua legal counsel.

Director of Operations is Zack Shelton (Beaumont, Texas), FBI retired.

Ed Pierce, Levi Strauss retired (Jackson, Mississippi), heads our marketing division.

Operations Director
Zack Shelton



Special Agent FBI
(Retired - 28 yrs)

ED PIERCE



Marketing
Director

STRATEGIC ALLIANCES



International Marketing Systems of New Orleans provides corporate marketing and strategic services.

Roy, Kiesel and Tucker, PLC provide legal counsel and protect our intellectual properties and patents.



The fully accredited Crescent City School of Gaming and Bartending trains our live dealers.



Antigua Commercial Bank handles our corporate accounts.



Apco and Associates of Washington, D.C. (Grey Advertising) handles political activities and public relations. <http://www.apcoassoc.com>

1.

Casino Gambling Behavior and Perceptions of Problem Gambling

B. Grant Stitt and Mark Nichols, University of Nevada, Reno
David Giacompassi, University of Memphis

(Funded by the National Institute of Justice, Grant No. 98-IJ-CX-0037)

Executive Summary

As part of a larger study to analyze crime in new casino jurisdictions, a survey was conducted in seven communities that initiated casino gambling in the 1990s. The seven communities are Sioux City, Iowa; St. Joseph, St. Louis City, and St. Louis County, Missouri; Alton, Peoria, and East Peoria, Illinois; and Biloxi, Mississippi. The purpose of the survey was to collect opinion and perceptual data from community residents regarding the impact that casinos have had on crime and the quality of life in these communities. The present analysis examines resident perceptions of problem gambling within their communities and, more specifically, prevalence of problem gambling among friends and relatives. The analysis is based on a total 2768 voluntary and anonymous interviews of adult residents of the seven study communities. The interviews were accomplished through use of a computer assisted telephone interviewing (CATI) survey. The number of interviews for each community varied from a low of 101 in East Peoria to a high of 420 in St. Joseph. The number of interviews from each community is believed sufficient to ensure the reliability and robustness of results.

Combining the responses of all seven jurisdictions, the mean estimate is that 16% of new casino jurisdiction residents have a gambling problem. The range is from 11% in St. Louis County to 18% in Sioux City. When asked about number of friends with gambling problems, 68% of those who responded answered none, and 32% indicated one or more friends had a problem with gambling. When asked about relatives with gambling problems, 81% responded that no relative had a gambling problem, and 19% indicated one or more relatives had a gambling problem. Respondents who are younger, female, less educated, and who have lower incomes tend to perceive a greater percentage of the population with a gambling problem. The research also finds that individuals who estimate higher proportions of problem gambling in a community tend to have more negative attitudes about casino gambling generally. The results suggest that when problem gambling occurs close to home (among friends or relatives) it has a more salient effect on the individual's perception of problem gambling in the community. It should also be noted that respondent perception of problem gambling within these communities is at a much higher level than is found by more objective measures. However, the finding that residents of these new casino jurisdictions perceive much higher levels of problem gambling than is generally recognized by scientific studies is itself noteworthy.

2.

Chicago By Mario Machi, Investigative Journalist

Anthony D'Andrea founded the Chicago faction of LCN. He controlled it until 1921. Michele Merlo was in control from 1921 to 1924. Antonio "Big Tony" Lombardo was the boss from 1924 to 1928. He was succeeded by Alphonse Capone, perhaps the most famous gangster in history. Capone moved to Chicago from New York because Lombardo brought him to the city to be his top hitman. Capone was relentless. Violence was no big deal to him. It was a part of him. He ruled the outfit until his death in 1931. Francesco "Frank" Nitti was the boss until 1943. He was followed by Tony Accardo. He is regarded as Chicago's best boss. He kept the mob focused on continuing its very successful rackets, political corruption, controlling the Teamsters Central States Pension Fund and the skim from mob controlled casinos in Las Vegas. Wisely, he kept a low profile and insisted that other members do the same. He retired in 1956, under the condition that he stay on as consigliere to the family. Accardo was replaced by Sam Giancana, who ruled for ten years. Giancana is famous for his role in the assassination of John Kennedy. It is said that Giancana worked along with Tampa boss Santo Trafficante and New Orleans boss Carlos Marcello to kill Kennedy. Giancana was friends with JFK's father, Joe Kennedy, and Giancana was disappointed when Kennedy and his brother Robert began an all-out attack on the mob. It is a known fact that Giancana and Kennedy shared a mistress, Judy Campbell. Giancana retired, but was killed a few years later in 1977 when it was feared that he might talk to the feds. Giancana was replaced by Sam Battaglia who died two years later. Accardo was brought back to stabilize the family and was the boss until 1969, when he appointed Felix Alderisio to be the new boss of the outfit. During this time, the Chicago family asserted its dominance in Las Vegas. Anthony "The Ant" Spilotro was sent to Las Vegas as an enforcer for the Chicago outfit in their skim of the Las Vegas casinos. Spilotro succeeded Marshall Caifano and Johnny Roselli as the representative of the Chicago Outfit in Vegas. However, Spilotro became too much of a public figure for the outfit, and he was murdered in the Nevada desert in 1986. Joseph Aiuppa was the boss until 1987, when he was replaced by Joe Ferriola. Ferriola was succeeded as outfit boss by Sam "Wings" Carlisi. Carlisi's death brought a time when the FBI was unsure of the Outfit's boss. Many people thought that Joe Lombardo, who had just gotten out of jail, would take over the operations. However, a new Chicago Crime Commission report says that John "No Nose" DiFronzo is the boss of the outfit. Joe Lombardo and Angelo LaPietra are listed as his top advisors. Anthony Centracchio is the boss of the west side and Dupage County. Joe Monteleone is the boss on the south side. Joe Andriacchi is the boss of the north side. The commission estimates that there are 40 to 50 made men in the outfit. They are said to be forging new alliances with the other ethnic criminals, like the Russian mobs and the Chinese triads.

3.

Suicide and Divorce as Social Costs of Casino Gambling

Mark Nichols and B. Grant Stitt, University of Nevada, Reno;
David Giacompassi, University of Memphis

(Funded by the National Institute of Justice, Grant No. 98-IJ-CX-0037)

Executive Summary

To analyze the impact that casino gambling has on the social fabric of a community, suicide and divorce rates in eight casino communities (Sioux City, IA; St. Joseph, St. Louis City; and St. Louis County, MO; Alton, Peoria, and East Peoria, IL; and Biloxi, MS) were compared to the rates in non-casino control communities. Five matching control communities were selected for each casino community to ensure generality of results. The control communities were selected based on their similarity to the casino communities on 15 demographic, social, and economic variables.

Calculating the difference in divorce rates before and after casinos entered communities and comparing the changes to their respective control communities indicate that the rates significantly decreased in four of the eight casino communities; in only one of the comparisons did the divorce rate in the casino community show a significant increase when compared to the control communities. These results suggest that statements proclaiming that casinos increase divorce in a community are not supported by the data.

When suicide rates are compared for casino and control communities, results indicate that suicide rates increased more or decreased less in six of the eight casino communities. In the other two comparisons, the suicide rate decreased more in the casino communities than in the control communities. The results, however, reached statistical significance in only three of the eight comparisons, increasing significantly in two cases and decreasing significantly in one case. To more fully examine the relationship of casinos to suicide, a regression equation was run controlling for economic, demographic, and social integration factors. The findings indicate that the presence of a casino is associated with a statistically significant increase in per capita suicide, but it should be noted that the overall fit of the equation is somewhat low ($R^2=.15$).

Based on the findings of the present research, it is difficult to generalize about the effect of casino gambling on suicide and divorce. Casino communities tended to experience a greater decrease in divorce than in the control communities, whereas suicide showed the opposite effect. However, in examining both divorce and suicide, a few communities went against the general trend. What is apparent is that attempting to understand how casino gambling affects divorce and suicide in a community is not a simple matter and the effect of casinos on these phenomena does not lend itself to sweeping generalizations.

4.

The Effect of Casino Gambling on Crime in New Casino Jurisdiction

Grant Stitt, University of Nevada, Reno; David Giacompassi, University of Memphis; Mark Nichols, University of Nevada, Reno

(Funded by the National Institute of Justice, Grant No. 98-IJ-CX-0037)

Executive Summary

To determine the effect of casinos on crime in new casino jurisdictions, crime data were collected from police department records in seven jurisdictions. The seven jurisdictions (Biloxi, MS; St. Louis City, St. Louis County, and St. Joseph, MO; Alton and Peoria, IL; and Sioux City, IA) each initiated casino gambling in the 1990s and have had casino gambling for a minimum of four years. This time frame allows comparisons to be made before and after casinos were in operation. Crime rates were calculated for each offense in each community based both on population and population at risk, which adds tourists to the resident population. Crime data for both serious crimes and for relatively minor offenses were collected since logic dictates that such crimes as credit card fraud and DUI are more likely related to gambling than are murder and rape.

Comparing the before and after crime rates utilizing the population at risk (the more conservative measure to gauge a possible casino effect), the data reveal few consistent trends in crime. In three communities (Sioux City, Peoria, and Biloxi), there were many more crimes that significantly increased than decreased. In three other jurisdictions (Alton, St. Louis (city), and St. Louis County), there were many more crimes that significantly decreased than increased. In one city (St. Joseph), the vast majority of crimes showed no change. The Wilcoxon Signed Rank Test for Paired Differences was used to analyze offense categories for which data were available in five or more communities to compare crime rates before and after the introduction of casinos. Few statistically significant changes are found in pre and post casino periods. Analyzing the traditional crime rate measure based on resident population, data for burglary and larceny are found to be significant at the .10 level and suggest that there was a decline in burglary and an increase in larceny. Results for drug violations and family offenses are significant at the .05 level and are consistent with increases in these offenses. When examining crime rates normalized by the population at risk, only burglary and drug violations appear to have significantly increased.

The analysis indicates that there are few consistencies between communities when comparing the before and after crime rates for new casino jurisdiction. It is possible that the numbers (both crime and tourism statistics) are so imprecise as to result in these inconsistencies. It is equally plausible that the effects of casinos in a community are quite varied, depending on a multitude of variables beyond the scope of the present research. Based on the differential impact that casinos have on crime in these communities, we can conclude with some confidence that simple analyses and broad generalizations are not sufficient to capture the complexity of what occurs in communities when legalized casino gambling is introduced.

5.

Casino Gambling and Bankruptcy In New U.S. Casino Jurisdictions

Mark W. Nichols and B. Grant Stitt, University of Nevada, Reno;
David Giacomassi, University of Memphis

(Funded by the National Institute of Justice, Grant No. 98-IJ-CX-0037)

Executive Summary

This study examines personal bankruptcy in eight communities in the United States that recently adopted casino gambling. The eight communities are Sioux City, IA; St. Joseph, St. Louis City, and St. Louis County, MO; Alton, Peoria, and East Peoria, IL; and Biloxi, MS. All the communities have had casino gambling for at least four years but less than ten years. Bankruptcy rates in the eight communities were compared to bankruptcy rates in eight non-casino control communities. The control communities were chosen based on their similarity to the casino communities matched on 15 demographic, social, and economic variables. Comparisons of bankruptcy rates were based on county-level data for personal bankruptcy, both Chapter 7 and Chapter 13, which were analyzed for 1989:Q4 through 1998:Q1.

The results indicate that casino gambling is associated with an increase in personal bankruptcy in seven of the eight communities. In five of the seven communities the increase is statistically significant. The most significant changes in bankruptcy occurred among Chapter 13, as opposed to Chapter 7, filings. The results also tend to suggest that there is a direct and positive relationship between length of time casinos have been in a community and bankruptcy rate, as those communities that have had casinos the longest tended to have the greatest increase in bankruptcy. However, the study shows that an increase in bankruptcy rate is not an inevitable product of casinos opening in a community. One community (Biloxi/Harrison County, MS) actually experienced a significant decrease in bankruptcy rate.

It is speculated that the decrease in bankruptcies in Biloxi is due to the nature of the community and the casino industry within the community. Biloxi is the only casino jurisdiction with a high concentration of casinos and the only Adestination resort@ of the eight communities studied. Destination resort casinos attract a greater percentage of their clientele from tourists. As a result, the economic benefits--job creation, tax revenue, economic benefits to other businesses--are greater due to the influx of visitors to the community. In this type of environment, the creation of jobs and income may allow people to better meet their financial obligations, outweighing any negative effects created by excessive gambling on the part of community residents.