

Managing to stay afloat: Casino owner in business despite many \$\$ questions

Adam R. Kidan, the controversial operator of a casino boat in Gloucester, has managed to live in two disparate worlds for more than a decade.

He has maintained a close personal and business relationship with a reputed associate of the Gambino crime family while simultaneously rubbing elbows with Republican power brokers in Washington, D.C., and, in Massachusetts, has convinced a pair of well-heeled biomedical executives to bankroll his latest venture.

Remarkably, Kidan has continued this balancing act despite a string of business failures, media exposure of his dealings with organized crime associates and a blizzard of lawsuits accusing him of everything from the embezzlement of \$100,000 from a family member to bouncing checks for as much as \$2.5 million.

The Herald reported yesterday that Kidan launched his casino business in Gloucester last year using a firm controlled by Anthony J. Moscatiello, a reputed Mafia associate of the late Gambino family boss John Gotti and a friend and business associate of Kidan for the past 12 years.

The year before Kidan started that gambling venture in Massachusetts, he teamed up with Jack Abramoff, an influential Republican lobbyist, and Ben Waldman, a former aide in the Reagan White House, to acquire SunCruz Casinos, Florida's largest casino gambling boat operator.

After the \$147 million deal was closed in September 2000, Kidan and his two partners immediately drew up ambitious plans for an international gambling outfit.

Abramoff was well-positioned. A lobbyist with a bevy of lucrative clients, including Native American tribes with casinos, Abramoff enjoys an unusually close relationship with House Majority Whip Tom Delay (R-Texas).

After they acquired SunCruz from Florida business tycoon Konstantinos ``Gus" Boulis, Kidan and Abramoff planned to sell \$100 million worth of junk bonds to pay for a major expansion of the company's gambling operations.

The scheme included deals to manage existing casinos on Indian land and a new gambling ship in the Northern Marianas Islands.

The Marianas government was one of Abramoff's lobbying clients and a U.S. commonwealth of particular interest to Delay. The majority whip has championed the unfettered free-market system on the islands, which has been just as vigorously condemned by humanitarian groups troubled by the harsh working conditions and low wages it has fostered.

Kidan and Abramoff have known each other since their college days in Washington, D.C., when Kidan was an undergraduate and Abramoff was in law school. Both were ardent conservatives and Republican Party activists.

That long-standing relationship and Abramoff's clout on Capitol Hill paid off for Kidan in the spring of 2000 as he and Abramoff were negotiating to acquire SunCruz from Boulis.

U.S. Rep. Bob Ney (R-Ohio) spoke on the Congressional Record, condemning Boulis' business practices and praising Kidan's ``renowned reputation for honesty and integrity." Ney weighed in again after Kidan and Abramoff had taken over SunCruz.

Kidan's ``track record as a businessman and a citizen lead me to believe that he will easily transform SunCruz from a questionable enterprise to an upstanding establishment," Ney said.

The congressman made those remarks two weeks before Kidan was disbarred in New York for mishandling \$100,000 he held in an escrow account for his stepfather.

Ney finally tried to distance himself from Kidan after Boulis was murdered in February last year in a mob-style hit in Fort Lauderdale and the Kidan-Abramoff team had been accused of financial improprieties at SunCruz.

While Kidan counts wealthy businessmen and pro-business ideologues as partners in his gambling ventures, his actual track record could be a model of bad business practices.

As head of SunCruz, Kidan has bounced checks for millions of dollars, defaulted on \$20 million in promissory notes, siphoned money out of the companies and into his personal accounts, and falsified financial records.

In court, his partners in Florida accused him of fraud, misappropriation of money and gross mismanagement - allegations buttressed by voluminous financial records in SunCruz Casino LLC's bankruptcy file.

Among the allegations are:

Kidan apparently used a phony \$23 million wire transfer as part of the purchase of SunCruz. SunCruz's creditors have found no evidence Kidan's group ever had such a sum or that any money changed hands.

Within five weeks of buying SunCruz, Kidan wrote two separate \$2.5 million company checks to Boulis to cover loans. Both checks bounced. Over the next three months, SunCruz, under Kidan's leadership, defaulted on agreements with all its primary lenders and began withholding payments to vendors, landlords and tax collectors.

At the same time, Kidan was living the high life, renting a luxury waterfront apartment, commuting to work in a 34-foot yacht and \$180,000 armor-plated Mercedes - all paid for by SunCruz - and steering significant amounts of company funds into bank accounts he controlled.

On Oct. 25, 2000, Kidan transferred \$1 million from SunCruz's bank account to a firm called Pegasus & Crew Inc., which Kidan controlled. The following month, Kidan transferred another \$200,000 into Pegasus' account.

As sole signatory on Pegasus' account, Kidan then wrote several checks to himself or to "cash" - each at or just under \$10,000. Cash transactions above \$10,000 are reported by banks to the government. Creditors accused Kidan of structuring the transfers in a way to avoid the mandatory reporting requirement.

Kidan also wired \$285,000 from Pegasus' account to his own bank account.

SunCruz funds were used to pay credit card bills for Abramoff and Kidan, but details of the charges were never provided to company accountants. In one month, SunCruz paid a \$50,000 American Express bill for Abramoff, according to SunCruz's former controller.

Kidan and Abramoff each drew \$500,000 annual salaries from SunCruz.

In Massachusetts, as head of Atlantic Casino Cruises, Kidan apparently continued many of the same dubious business practices.

As was the case in Florida, Kidan did not put up any of his own money to fund the casino boat operation. Instead, through an advertisement in the Wall Street Journal, he enlisted two wealthy executives from the biomedical firm Sepracor - Paul Rubin and Timothy Barberich - to bankroll the business.

According to sources familiar with the inner workings of Atlantic Casino Cruises, Kidan habitually failed to pay company bills on time and wrote numerous bad checks to vendors.

At the same time, the sources said, he made at least a dozen unexplained wire transfers - one as high as \$18,000 - from Atlantic Casino Cruises' coffers into accounts unrelated to the company's business.

In an interview, Kidan said he has not been paid a salary by Atlantic Casino Cruises and denied taking

any money out of the company. Rubin, who is now president and CEO of Critical Therapeutics, said he would be concerned if Kidan siphoned money out of the company, but said he has ``no knowledge of that."

Representatives of several local radio and television stations told the Herald they are still owed thousands of dollars by the company and expressed frustration over their dealings with Kidan.

Lane Forman, whose Marblehead agency booked radio and television advertising for Atlantic Casino Cruises until recently, said Kidan ``needs to be stopped."

``This is fraud what he did, writing checks on closed bank accounts," Forman said.

Atlantic Casino Cruises' largest debt appears to be approximately \$400,000 owed to CSL Development Corp., the Pensacola shipping company that leased two cruise boats to the company. Kidan allegedly bounced one \$25,000 check and is now under a federal court order to pay nearly \$140,000 to CSL by tomorrow. Kidan has claimed that CSL actually owes his company money.

Kidan and Rubin both claimed any delays in the payment of bills have been due to the normal problems of a start-up business. ``All the vendors will be paid," Rubin said.

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