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UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEVADA

In re: STATION CASINOS, INC., *et al.*, Debtors,	Chapter 11 Case Nos. BK-N-09-52470-GWZ through BK-N-09-52487-GWZ Jointly Administered Under BK-N-09-52477-GWZ
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF STATION CASINOS INC., AND AFFILIATED DEBTORS AND DEBTORS IN POSSESSION, for and on behalf of the Debtors' Bankruptcy Estates, Plaintiff, vs. DEUTSCHE BANK SECURITIES INC., DEUTSCHE BANK TRUST COMPANY AMERICAS, INC., GERMAN AMERICA CAPITAL CORPORATION, JP MORGAN CHASE BANK. N.A., J.P. MORGAN SECURITIES, INC., FRANK J. FERTITTA III, LORENZO J. FERTITTA, GLENN C. CHRISTENSON, RICHARD J. HASKINS, SCOTT M. NIELSON, THOMAS M. FRIEL, WILLIAM W. WARNER, JAMES E. NAVE, D.V.M., BLAKE L. SARTINI, DELISE F. SARTINI, and DOE LENDERS 1-100. Defendants.	Adv. Pro. No. [_____] **[PROPOSED] COMPLAINT**

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Plaintiff, the Official Committee of Unsecured Creditors (the "Committee") of Station Casinos, Inc. ("SCI") and affiliated debtors and debtors in possession (collectively, "Debtors")[1], by and through its conflicts counsel Quinn Emanuel Urquhart Oliver & Hedges, LLP ("Quinn Emanuel"), based on information and belief and as a result of its investigation to date, brings this action on behalf of the Debtors' estates against Defendants Deutsche Bank Securities, Inc. ("DBSI"), German American Capital Corporation ("German American"), Deutsche Bank Trust Company Americas, Inc. ("DBTCA"), JP Morgan Chase Bank, N.A. ("JPMC"), J.P. Morgan Securities, Inc. ("JP Securities"), Frank J. Fertitta III ("Frank Fertitta"), Lorenzo J. Fertitta ("Lorenzo Fertitta" and together with Frank Fertitta, the "Fertittas"), Glenn C. Christenson ("Christenson"), Richard J. Haskins ("Haskins"), Scott M. Nielson ("Nielson"), William W. Warner ("Warner"), Thomas M. Friel ("Friel"), James E. Nave, D.V.M. ("Nave"),[2] Blake L. Sartini ("Blake Sartini"), Delise F. Sartini ("Delise Sartini" and together with Blake Sartini, the "Sartinis"), and Doe Defendants who are lenders under the OpCo Credit Agreement, the PropCo Loan, and the MezzCo Loans, as those terms are defined below,[3] (collectively referred to as "Defendants"). Plaintiff respectfully alleges as follows:

PRELIMINARY STATEMENT

1. This Complaint concerns a leveraged buy-out involving SCI that closed on November 7, 2007 (the "LBO Transaction"). The LBO Transaction resulted in approximately $4.2 billion paid to former shareholders of SCI who, through an "Agreement and Plan of Merger" (the "Merger Agreement"), which became effective upon the closing of the LBO Transaction, had their shares of SCI canceled in exchange for a receipt of a contractual right to $90.00 per each canceled

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[1] The Debtors in these chapter 11 cases are Northern NV Acquisitions, LLC, Reno Land Holdings, LLC, River Central, LLC, Tropicana Station, LLC, FCP Holding, Inc., FCP Voteco, LLC, Fertitta Partners LLC, Station Casinos, Inc., FCP MezzCo Parent, LLC, FCP MezzCo Parent Sub, LLC, FCP MezzCo Borrower VII, LLC, FCP MezzCo Borrower VI, LLC, FCP MezzCo Borrower V, LLC, FCP MezzCo Borrower IV, LLC, FCP MezzCoBorrower III, LLC, FCP MezzCo Borrower II, LLC, FCP MezzCo Borrower I, LLC, and FCP PropCo, LLC.

[2] The Fertittas, the Sartinis, Christenson, Haskins, Nielson, Warner, Friel and Nave are collectively referred to as the "Individual Defendants."

[3] DBSI, DBTCA, and German American are collectively referred to as "Deutsche Bank." JPMC and JP Securities are collectively referred to as "JP Morgan." Deutsche Bank, JP Morgan, and the Doe Lender Defendants are collectively referred to as the "Bank Defendants."

share. The LBO Transaction's funding was provided, in limited part, by an equity investment by Colony Capital, LLC or its affiliates (collectively, "Colony"), but a larger portion of the funding came from three categories of secured borrowings all provided by the Bank Defendants:

- the "Credit Agreement" dated November 7, 2007, among SCI, as borrower, DBTCA, as agent, and other lender parties thereto (the "OpCo Credit Agreement"), which provided for a $250 million term loan facility and a $500 million revolving loan facility;
- the $2,050,000,000 loan by German American and JP Morgan, as lenders, to FCP PropCo, LLC ("PropCo"), as borrower (the "PropCo Loan"); and
- three mezzanine loans totaling $425 million (the "MezzCo Loans") between German American and JP Morgan, as lenders, and three wholly owned indirect subsidiaries of SCI (the "MezzCo Entities").

2. The LBO Transaction left SCI's deteriorating business unable to service its new, massive debt burden – the Debtors incurred an additional $1.7 billion in interest-bearing debt, but received virtually no value as a result of the LBO Transaction. The LBO Transaction closed at a time when it was obvious that SCI's business – operation of "locals" casinos in the Las Vegas market – was suffering, SCI's undeveloped land holdings were declining in value, and the Las Vegas market as a whole faced tremendous economic pressure. As a result of the LBO Transaction, each Debtor was rendered insolvent. Further, the LBO Transaction left the Debtors with unreasonably small capital because the Final Projections (defined in ¶ 148 hereof) were objectively unreasonable.

3. The persons and entities who benefitted from the LBO Transaction were the Defendants. The Individual Defendants, each of whom was an insider of the Debtors, received hundreds of millions of dollars. Included in this amount is approximately $360 million relating to the immediate (accelerated) vesting of stock options and the realization of (otherwise) restricted stock, even though SCI had no obligation to provide the Individual Defendants these extraordinarily valuable benefits that drained debt-laden SCI of value. SCI, under the control of the Individual Defendants, essentially gifted corporate assets for the benefit of the Individual Defendants at the same time when the Debtors became over-leveraged.

4. The Bank Defendants were the financiers and, in the case of DBSI, a financial advisor, who structured and financed the LBO Transaction. The Bank Defendants profited handsomely by

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receiving tens of millions of dollars in fees and being provided liens on nearly all of the assets of the Debtors and the Debtors' non-debtor affiliates.

5. The persons and entities who directly suffered as a result of the LBO Transaction are the Debtors' unsecured creditors, who at the time of the LBO Transaction were left unpaid over $2 billion. Although the LBO Transaction harmed all of the Debtors' unsecured creditors, the harm to the holders of Notes (defined in ¶ 52 herein) is perhaps most evident because the LBO Transaction was specifically tailored by the Individual Defendants, with the knowledge and assistance of the Bank Defendants, to avoid having to make mandatory payments to holders of Notes.

6. The LBO Transaction also harmed the non-management employees of the Debtors, who have seen their company suffer under severe economic distress following the LBO Transaction, putting their jobs and livelihoods at risk as a result of the LBO Transaction, driven by the Defendants' greed.

7. Thus, by this Complaint, the Plaintiff seeks to redress the substantial harms caused by the LBO Transaction. Specifically, the Complaint (Counts 1-5) seeks to avoid:

- All payments made to Individual Defendants in connection with the LBO Transaction (the "Individual Defendant Transfers"), whether on account of SCI common stock that was cancelled immediately prior to the LBO Transaction or resulting from the inappropriate immediate vesting of restricted stock and acceleration of stock options;
- Liens granted to, and the claims of, the Bank Defendants to facilitate the LBO Transaction (the "Liens"); and
- All fees paid to Deutsche Bank and JP Morgan in connection with the LBO Transaction (the "Deutsche Bank/JP Morgan Fees")

8. Further, the Complaint (Count 6) seeks to hold the Individual Defendants liable for their breach of fiduciary duty owed to SCI because, at the time of the LBO Transaction, SCI was in the "zone of insolvency."

9. Finally, the Complaint seeks to have this Court in Count 7 equitably subordinate the claims of Deutsche Bank and JP Morgan to the unsecured claims asserted against the Debtors (including any intercompany claims), and to have in Count 8 their claims disallowed pursuant to 11 U.S.C. § 502(d).

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10. The Defendants knew or should have known that the economic factors most important to SCI and the operation of a locals casino were in deep and consistent declines beginning in late 2006 and throughout 2007. The Defendants clearly understood that the LBO Transaction would shift the risk of company failure solely on to the unsecured creditors and the employees, because they layered on secured debt without retiring the Notes. It was clear that the LBO Transaction would render the Debtors insolvent and, because the Final Projections were unreasonable, leave the Debtors with unreasonably small capital. Armed with all of this information but driven by greed and self-interest, the Defendants caused the LBO Transaction to close, receiving hundreds of millions of dollars of value in the process.

11. Not surprisingly, the tremendously adverse effects of the LBO Transactions quickly manifested themselves, as the Debtors were soon forced to begin "workout" discussions and had to make significant cost-cutting decisions.

12. The Claims redress the substantial harms to unsecured creditors and employees caused by the Defendants in orchestrating the LBO Transaction.

JURISDICTION AND VENUE

13. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334 because this is a civil proceeding arising in or relating to Plaintiff's case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). This is a core proceeding pursuant to 28 U.S.C. § 157(b).

14. Venue is proper in this Court under 28 U.S.C. § 1409(a).

15. This proceeding is initiated pursuant to Rules 7001(1), 7001(7), 7001(8) and 7001(9) of the Federal Rules of Bankruptcy Procedure.

PARTIES

16. On July 28, 2009 (the "Petition Date"), the Debtors filed voluntary petitions for relief (the "Bankruptcy Cases") under chapter 11 of the Bankruptcy Code. The Debtors have continued in the management and operation of their businesses and properties as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

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17. Debtor SCI is a Nevada corporation. Debtor FCP Holding, Inc. is a Nevada corporation. Debtor FCP VoteCo, LLC is a Nevada limited liability company. Debtor FCP Mezzco Parent, LLC is a Delaware limited liability company. Debtor FCP Mezzco Parent Sub, LLC is a Delaware limited liability company. Debtor FCP Mezzco Borrower VII, LLC is a Delaware limited liability company. Debtor FCP Mezzco Borrower VI, LLC is a Delaware limited liability company. Debtor FCP Mezzco Borrower V, LLC is a Delaware limited liability company. Debtor FCP Mezzco Borrower IV, LLC is a Delaware limited liability company. Debtor FCP Mezzco Borrower III, LLC is a Delaware limited liability company. Debtor FCP Mezzco Borrower II, LLC is a Delaware limited liability company. Debtor FCP Mezzco Borrower I, LLC is a Delaware limited liability company. Debtor FCP PropCo, LLC is a Delaware limited liability company. Debtor Fertitta Partners, LLC is a Nevada limited liability company. Debtor Northern NV Acquisitions, LLC is a Nevada limited liability company. Debtor Reno Land Holdings, LLC is a Nevada limited liability company. Debtor River Central, LLC is a Nevada limited liability company. Debtor Tropicana Station, LLC is a Nevada limited liability company.

18. On information and belief, each of the Debtors has its principal place of business in Las Vegas, Nevada, or in Reno, Nevada.

19. Plaintiff Committee was appointed by the Office of the United States Trustee for the District of Nevada pursuant to 11 U.S.C. § 1102 on August 13, 2009.

20. Defendant Frank Fertitta is a citizen and resident of the State of Nevada, and joined SCI as a vice-president and director in 1984. In 1992 he was appointed Chief Executive Officer of SCI and has remained in that position through the present. Frank Fertitta also currently serves as Chairman of the board of directors of SCI. Because he was a director and officer of SCI at the time of the LBO Transaction, received millions of dollars as a result of the LBO Transaction, and, on information and belief, participated in negotiations over the LBO Transaction, Frank Fertitta was an insider of SCI at the time of the LBO Transaction for purposes of 11 U.S.C. § 101(31) of the Bankruptcy Code.

21. Defendant Lorenzo Fertitta is a citizen and resident of the State of Nevada, and joined SCI as a director in 1991. From 2000 until 2008, Lorenzo Fertitta served as President of SCI, and

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currently serves as Vice-Chairman of the board of directors of SCI. Because he was a director and officer of SCI at the time of the LBO Transaction, received millions of dollars as a result of the LBO Transaction, and, on information and belief, participated in negotiations over the LBO Transaction, Lorenzo Fertitta was an insider of SCI at the time of the LBO Transaction for purposes of 11 U.S.C. § 101(31) of the Bankruptcy Code.

22. Defendant Christenson is, on information and belief, a citizen and resident of the State of Nevada. As of 2005, Christenson served as SCI's Executive Vice President, Chief Financial Officer and Chief Administrative Officer, received millions of dollars as a result of the LBO Transaction, and, on information and belief, participated in negotiations over the LBO Transaction. Though his employment apparently terminated in March 2007, because of his participation in the structuring of the LBO Transaction and his receipt of millions of dollars on account of his executive employment agreement with the Debtors, Christenson was an insider of SCI at the time of the LBO Transaction for purposes of 11 U.S.C. § 101(31) of the Bankruptcy Code.

23. Defendant Haskins is a citizen and resident of the State of Nevada, and joined SCI in 1995 as General Counsel of Midwest Operations. In 2002 Haskins was appointed General Counsel, and in 2004 he was appointed SCI's Executive Vice President. He has continued to hold both positions through the present time. Because he was an officer of SCI at the time of the LBO Transaction, received millions of dollars as a result of the LBO Transaction, and, on information and belief, participated in negotiations over the LBO Transaction, Haskins was an insider of SCI at the time of the LBO Transaction for purposes of 11 U.S.C. § 101(31) of the Bankruptcy Code.

24. Defendant Nielson is a citizen and resident of the State of Nevada. He has served as Chief Development Officer of SCI. Because he was an officer of SCI at the time of the LBO Transaction, received millions of dollars as a result of the LBO Transaction, and, on information and belief, participated in negotiations over the LBO Transaction, Nielson was an insider of SCI at the time of the LBO Transaction for purposes of 11 U.S.C. § 101(31) of the Bankruptcy Code.

25. Defendant Warner is a citizen and resident of the State of Nevada, and joined SCI in 1993 as Director of Finance. In 2004, Warner was appointed SCI's Chief Operating Officer and held

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that position until his departure from SCI on December 13, 2007, but was again retained as a consultant to SCI in 2008. Because he was an officer of SCI at the time of the LBO Transaction, received millions of dollars as a result of the LBO Transaction, and, on information and belief, participated in negotiations over the LBO Transaction, Warner was an insider of SCI at the time of the LBO Transaction for purposes of 11 U.S.C. § 101(31) of the Bankruptcy Code.

26. Defendant Friel is a citizen and resident of the State of Nevada. In March 2007, Mr. Friel was appointed Executive Vice President, Chief Accounting Officer, and Treasurer of SCI. Because he was an officer of SCI at the time of the LBO Transaction, received millions of dollars as a result of the LBO Transaction, and, on information and belief, participated in negotiations over the LBO Transaction, Friel was an insider of SCI at the time of the LBO Transaction for purposes of 11 U.S.C. § 101(31) of the Bankruptcy Code.

27. Defendant Nave is a citizen and resident of the State of Nevada. At all relevant times Nave was a director of SCI. Because he was a director of SCI at the time of the LBO Transaction, served on a special committee to evaluate the LBO Transaction, received millions of dollars as a result of the LBO Transaction, and, on information and belief, participated in negotiations over the LBO Transaction, Nave was an insider of SCI at the time of the LBO Transaction for purposes of 11 U.S.C. § 101(31) of the Bankruptcy Code.

28. Defendants Sartinis are citizens and residents of the State of Nevada. Blake Sartini and Delise Sartini are the brother-in-law and sister, respectively, of Frank and Lorenzo Fertitta. Blake Sartini is a former Executive Vice President, Chief Operating Officer, and Director of SCI. The Sartinis received millions of dollars as a result of the LBO Transaction, and, on information and belief, participated in negotiations over the LBO Transaction. Accordingly, the Sartinis were insiders of SCI at the time of the LBO Transaction for purposes of 11 U.S.C. § 101(31) of the Bankruptcy Code.

29. Defendant DBSI is a Delaware corporation with its principal place of business in New York, New York. From time to time, DBSI has served as a financial advisor to SCI, and is a Joint Lead Arranger and Joint Bookrunner under the OpCo Credit Agreement (as those terms are defined below).

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30. Defendant German American is a Maryland corporation with its principal place of business in New York, New York. On information and belief, German American is affiliated with DBSI. German American is the administrative agent and, on information and belief, a lender, under the PropCo Loan Agreement and/or the MezzCo Loan Agreements (as those terms are defined below).

31. Defendant DBTCA is a New York State-chartered bank with its principal place of business in New York, New York. On information and belief, DBTCA is affiliated with DBSI. DBTCA is the administrative agent and, on information and belief, a lender, under the OpCo Credit Agreement.

32. Defendant JPMC is a national banking association with its principal place of business in New York, New York. JPMC is the syndication agent and, on information and belief, a lender, under the OpCo Credit Agreement and, on information and belief, a lender under the PropCo Loan Agreement and/or the MezzCo Loan Agreements.

33. Defendant JP Securities is a Delaware corporation with its principal place of business in New York, New York. JP Securities is a joint lead arranger and joint bookrunner under the OpCo Credit Agreement.

34. Defendant Doe Lenders 1-100 are lenders, other than Deutsche Bank and JP Morgan, who are lenders under the OpCo Credit Agreement, the PropCo Loan, and/or the MezzCo Loans.

STATEMENT OF FACTS SUPPORTING RELIEF

SCI's Business Operations Prior to the LBO Transaction

35. SCI began operations as a privately held hotel and casino in 1976. SCI became a publicly traded company in 1993 with its initial public offering. SCI remained public until the LBO Transaction, at which time SCI delisted from the New York Stock Exchange and was no longer traded on any exchange or market.

36. SCI's business model historically focused, and continues to focus, primarily on the Las Vegas locals gaming market. SCI and its affiliates currently own and operate gaming and entertainment complexes in the Las Vegas metropolitan area, including: Palace Station Hotel & Casino, Boulder Station Hotel & Casino, Texas Station Gambling Hall & Hotel, Sunset Station Hotel & Casino, Santa

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Fe Station Hotel & Casino, Red Rock Casino Resort Spa, Fiesta Rancho Casino Hotel, Fiesta Henderson Casino Hotel, Wild Wild West Gambling Hall & Hotel, Wildfire Casino Rancho, Wildfire Casino Boulder, Gold Rush Casino, and Lake Mead Casino.

37. SCI also holds a 50% interest in the Green Valley Ranch Resort Spa Casino, Aliante Station Casino & Hotel, Barley's Casino & Brewing Company, The Greens Gaming & Dining, and Wildfire Casino & Lanes.

38. SCI manages Thunder Valley Casino in Placer County, California, on behalf of its owner, the United Auburn Indian Community.

39. In addition, SCI has undeveloped real estate holdings in the Las Vegas and Reno areas.

40. Each year from 1998 through 2006, SCI generally experienced growth in gross revenue, gaming revenue, and earnings before interest, taxes, depreciation and amortization ("EBITDA").

41. On information and belief, SCI's growth depends, in part, on substantial capital expenditures ("CapEx"), whether such CapEx is invested in existing operations or in new projects. For

[redacted]

42. Because SCI's business is heavily dependent on the Las Vegas locals gaming market, certain economic factors substantially affect SCI's performance and subsequent growth. These factors include: population growth; "win" per capita;[4] unemployment rates; home prices and foreclosures; driver license surrenders; and the homebuilding industry.

43. One primary economic driver for SCI is population growth. Population growth is important because SCI's customer base is comprised of the "locals" who live and work in Las Vegas. Over 50% of SCI's customers live within a three-mile radius of its properties, and approximately 80% of its customers live within a five-mile radius.

[4] "Win" per capita measures the total gaming win from target markets divided by the number of residents in those markets.

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44. Over the period from 1998 to 2006, population growth for the Las Vegas locals market averaged 5.5%. Over the same period, SCI's win per capita increased by an average rate of 3.7% every year.

45. Another material economic factor relating to gaming and SCI's success is residential

[redacted]

46. On information and belief, in the years preceding the closing of the LBO Transaction, a substantial percentage of SCI's critical locals customers were either borrowers under "subprime" mortgages or resided in neighborhoods in Las Vegas with high rates of borrowers under "subprime" mortgages.

47. Taking information on these external economic factors and data from its operations, SCI determines its consolidated budget. SCI's fiscal year runs concurrently with the calendar year. In the fourth quarter of a year, SCI's management prepares a consolidated budget for the following fiscal year. Included in such budget is a projection for EBITDA.

48. SCI's budget process relies heavily on the company's prior year's performance. Once SCI prepares a budget for the following fiscal year, it rarely revisits the budget.

49. In 2004 and 2005, SCI exceeded its budgeted EBITDA by significant margins.

50. However, in 2006, SCI's actual performance did not exceed budgeted EBITDA, but fell short. Moreover, the decline in actual EBITDA versus projected EBITDA generally occurred in the second half of 2006, meaning that there were materially sharp declines over a shorter period of time, leading into 2006.

51. SCI's financial performance likewise did not meet budgeted performance during the 10 months preceding the closing of the LBO Transaction in 2007. SCI initially projected approximately

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$664.6 million in EBITDA for 2007, but by October 2007, actual EBITDA was significantly below projected EBITDA.

Unsecured Note Indentures Entered into Prior to the LBO Transaction

52. Prior to the closing of the LBO Transaction, SCI issued unsecured notes (the "Notes") with an aggregate principal amount of $2.3 billion pursuant to five indentures ("Indentures"). The Indentures, some of which were issued in 2006 within months prior to the first announcement of the LBO Transaction, are:

- $400 million in 7-3/4% Senior Notes due 2016;
- $450 million in 6-1/2% Senior Subordinated Notes due 2014;
- $450 million in 6% Senior Notes due 2012;
- $700 million in 6-7/8% Senior Subordinated Notes due 2016; and
- $300 million in 6-5/8% Senior Subordinated Notes due 2018.

53. Significantly, each of the Indentures contain a "change of control" provision. Among other things, the "change of control" provisions require mandatory 101% prepayment of the Notes in the event of a merger or acquisition of or by SCI, subject to various conditions. One condition is that a person other than "Existing Equity Holders" (as defined in the Indentures) would own 40% or more of the voting stock of SCI after giving effect to the merger. Another condition is that Existing Equity Holders would fail to own at least the same percentage of voting stock as the person who acquired 40% or more of the voting stock. A further condition is that a "change of control" may be triggered only if there has been a change in a "Required Rating" (as defined in the Indentures).

54. The Indentures contain negative covenants, including certain covenants that restrict the ability of SCI to incur additional debt and to grant liens.[5] The debt limitation covenants are subject to the definition of "Indebtedness" as used in each Indenture. The definition of "Indebtedness" generally excludes "operating leases."

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[5] One Indenture does not contain such negative covenants.

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Individual Defendants' Employment Agreements and Stock Plans

55. Prior to November 7, 2007, Individual Defendants Frank Fertitta, Lorenzo Fertitta, Christenson, Warner, Friel, and Haskins were employed by SCI pursuant to written employment agreements (the "Executive Employment Agreements").

56. Each of the Executive Employment Agreements contained a "change of control" provision. In the event of a "change of control" under the Executive Employment Agreements, the employees would be entitled to the immediate vesting of all restricted stock, stock options, phantom stock units, stock appreciation rights and similar stock-based or performance-based interests, as well as, under certain circumstances, the immediate vesting of any deferred compensation or bonuses, including interest or other credits on the deferred amounts.

57. The "change in control" provisions in the Executive Employment Agreements were similar to the "change of control" provisions in the Indentures; however, the Indentures' "change of control" provisions were, in at least one material way, easier to trigger given that the Indentures provided for a lower threshold of the percentage of voting stock necessary to trigger the "change of control" (40%) than in the Executive Employment Agreements (50%).

58. Prior to November 7, 2007, Individual Defendant Nave received compensation on account of his services as members of the Board of Directors of SCI and his services on a special committee formed in 2006.

59. In addition, on information and belief, each of the Individual Defendants, pursuant to several stock compensation plans, received grants of common stock of SCI and options to acquire additional common stock of SCI (the "Stock Options"). Certain of the stock granted to the Individual Defendants is restricted (the "Restricted Stock").

The Economic Downturn That Began in 2006 And Accelerated in 2007

60. Beginning in 2006, economists and other financial experts published reports on the state of the Las Vegas housing and employment market, indicating that Las Vegas was especially vulnerable to economic problems. In March 2006, Moody's Economy.com published a "House Price Model Methodology" which revealed that home prices in Las Vegas were highly overvalued.

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61. Similar reports were addressing the downturn looming in the national economy, especially as related to the housing market. A Credit Suisse report issued on March 12, 2007, forecasted a 20% drop in new home sales in 2007 and a decline of 35% - 45% in housing starts through 2007 and into 2008. Also on March 12, 2007, Business Week published an interview with Yale's Robert Shiller, who predicted that home prices would decline 10-30 percent over the next five years, and further stated that homebuilders had been disguising falling prices by including incentives at no cost to the buyer.

62. As noted, home sales and home prices in Las Vegas are critical economic factors to SCI's financial well-being. A weak housing market is a significant drag on growth by SCI; by contrast, significant growth in residential home prices in Las Vegas would result in increased economic performance by SCI. Indeed, the housing market in Las Vegas, reflected by housing prices, grew substantially in 2004 and 2005, and those were years in which SCI enjoyed significant financial success.

63. In 2006, actual signs of the severe economic downturn as to both Las Vegas and the nation, began to surface. It could be seen in the faltering credit markets, weakening consumer markets, steady decline in the national housing market, rapidly increasing defaults on "subprime" mortgages, and slowing revenue and EBITDA growth rates among Las Vegas casino operators.

64. In 2007, the unemployment in Las Vegas surpassed the national unemployment rate in absolute terms. Moreover, the percentage increase in unemployment in Las Vegas increased by 40%, whereas the national rate increased by only 6%.

65. Specifically, the unemployment rate in Las Vegas in 2006 was 4.00% (as compared to 4.60% for the United States), but in 2007 shot up to 5.60% (whereas the United States unemployment rate increased only to 4.90%). Most of this increase in unemployment occurred during the first 10 months of 2007.

66. The mortgage financing industry came to a grinding halt in early 2007 and worsened as the year progressed. In an article published in August 2007, a JMP Securities analyst stated of the vanishing appetite among investors for the bundles of mortgage debt that had been the funding

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lifeline for the industry, "[w]e are in a market now where value is a fleeting concept. The market today has just basically shut down."

67. The Mortgage Bankers Association reported in early March 2007 that about 13 percent of sub-prime loans were then delinquent, and more than 2 percent of sub-prime loans had foreclosure proceedings start in the fourth quarter of 2006.

68. On April 2, 2007, New Century Financial Corporation ("New Century") and its related entities filed petitions for Chapter 11 bankruptcy. New Century was the second largest originator of sub-prime mortgages in the United States.

69. In June 2007, two Bear Stearns hedge funds that were heavily invested in the "subprime" mortgage market collapsed.

70. On August 6, 2007, American Home Mortgage Investment Corporation and its related entities ("American Home") also filed petitions for Chapter 11 bankruptcy. American Home was the tenth largest mortgage lender in the United States. American Home did not specialize in sub-prime mortgages, and thus its failure was not caused by credit risky investments, but rather the downturn in the housing market more generally. It is estimated that over 50 other mortgage lenders also filed for bankruptcy protection in 2007.

71. New home sales through May 2007 were down approximately 45% in Las Vegas from prior year levels, and resales were down by 35%. On information and belief, such declining trends only increased in the second half of 2007.

72. Indeed, for the month of August 2007, the Case-Schiller Index, measuring national home prices, listed the Las Vegas Metro area as 216.8, representing a year-over-year decline of 7.6%. August 2007 marked the eighth straight month with a year-over-year decline.

73. In a September 13, 2007 Reuters news article, it noted a television interview with Alan Greenspan, who indicated that in the wake of the subprime mortgage and credit crisis in 2007, Greenspan admitted that there was a bubble in the US housing market, warning in 2007 of "large double digit declines" in home values "larger than most people expect." In a September 16, 2007, article published by the Financial Times, Greenspan was quoted as stating that home prices in the

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United States were likely to fall significantly from their present levels, and that there was a bubble in the United States housing market.

74. On October 31, 2007, the Federal Reserve cut the federal funds rate a quarter point to 4.5%. On information and belief, many experts on Federal Reserve policy believed that the cut was prompted by fears that the struggles in the housing markets could spill over into other areas of the economy.

75. Publicly available information indicated that foreclosure rates in Nevada began rising in 2006 but increased dramatically throughout 2007. By October 2007, a significant percentage of subprime mortgages in Nevada were in foreclosure or in forced sale circumstances, with the largest volume of subprime lending in Nevada in the Las Vegas area or in the Sparks area north of Reno. The highest number of subprime mortgages and the highest foreclosure rates were located in, or within a short distance of, the zip codes containing many of SCI's casinos.

76. The decline in the Las Vegas housing market and the pressure on subprime mortgage borrowers necessarily affected the gaming industry, especially the "locals" gaming market that was critical to SCI's business.

77. SCI's management was well aware that the Las Vegas "locals" gaming market faced economic problems in 2007, and was on notice of concerns as early as May 2006:

[redacted]

[redacted][6]

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[redacted]

78. SCI was not immune from these declines. In keeping with the struggling market, SCI began to experience declines in performance in the second half of 2007.

79. [redacted]

80. [redacted]

81. [redacted]

82. [redacted]

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[redacted]

83. Indeed, contrary to the belief among management of SCI that this downward trend was temporary, SCI's performance continued to worsen in 2007 leading up to the LBO transaction, and continued thereafter. For the 10 months preceding the closing of the LBO Transaction, SCI's actual financial performance fell well short of projected performance for 2007.[7]

84. [redacted]

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[redacted]

85. Moreover, SCI's management receives financial reports from individual casinos every seven days. On information and belief, SCI's management would have been, or at least should have been, well aware of SCI's declining economic performance in 2007.

86. Further, SCI's undeveloped land holdings were declining in value in 2007. On information and belief, SCI took advantage of declining undeveloped land values by acquiring additional land in October 2007 at a significant discount.

87. [redacted]

88. SCI's publicly traded unsecured bonds also dropped in value between the announcement of the LBO Transaction and its closing in November 2007. For example, the market price of the 6.625% Senior Subordinated Notes due 2018 dropped approximately 15.8% between the day immediately prior to the announcement of the LBO Transaction in December 2006 and the closing of the LBO Transaction in 2007.

89. On information and belief, Colony, which was providing the majority of the equity to be invested in the LBO Transaction, was also well aware of SCI's underperformance during the summer of 2007 and the difficulties in the financial markets. On information and belief, the Colony principal with substantial involvement in the LBO Transaction negotiations considered backing out of the transaction in and around early October 2007, though had Colony done so, it faced a $160 million break-up fee.

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90. [redacted]

91. [redacted]

92. [redacted]

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93. DBSI was, from time to time, a financial advisor to SCI. During the second half of 2006, DBSI actively assisted the Fertittas in locating an equity sponsor for the LBO Transaction.

94. On October 9, 2006, SCI's board of directors authorized the Fertittas to explore the feasibility of a going-private transaction and to retain professionals to assist in that analysis. The Fertittas were the individuals primarily responsible for orchestrating the LBO Transaction and reported to the board of directors on behalf of the "Shareholders" of their progress in such arrangements. The primary purpose of the transaction for the Fertittas was to (a) immediately liquidate in cash a significant portion of their equity interests in SCI, with a particular focus on immediately liquidating the value of Stock Options and Restricted Stock by finding a way to accelerate these benefits and (b) continue to control SCI's day-to-day operations by re-investing a portion of their equity that was not otherwise liquidated.

95. On October 12, 2006, the Fertittas met with representatives of Colony. Colony expressed interest in the possibility of becoming an equity partner in SCI through a leveraged buyout. Colony had previously invested in various gaming companies, including companies operating casinos in Las Vegas, and was licensed with Nevada gaming regulators.

96. On in

97. On November 15, 2006 SCI's board of directors unanimously approved a resolution to form a special committee (the "2006 Special Committee") with the authority to (i) supervise due diligence investigations into any proposed leveraged buyout transactions, (ii) enter, review and evaluate negotiations with respect to a potential leveraged buyout transaction, (iii) report its recommendations with respect to a possible leveraged buyout transaction to the board, and (iv) take actions with respect to any other proposals, offers or expressions of interest for a business combination transaction with SCI on an unsolicited basis. Individual Defendant Nave was a member of the 2006 Special Committee, and was the person authorized to execute documents on behalf of the 2006 Special Committee.

98. The 2006 Special Committee was not authorized to solicit competing offers, but could respond to any unsolicited offers. The 2006 Special Committee requested that the Fertitta family members agree that if a superior offer (in the view of the 2006 Special Committee) was made by a third party, that the Fertitta family members agree in advance to vote in favor of such offer. The Fertitta family members refused, even though their refusal risked chilling any bidding. On information and belief, Frank Fertitta would not, absent a full cash-out of all of his stock and stock options, accept any offer that did not leave him in the day-to-day control of company.

99. On December 2, 2006, SCI's board of directors received a letter from FCP in which FCP proposed to acquire all of SCI's outstanding shares of common stock for $82.00 per share in cash.

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100. Following FCP's offer, the 2006 Special Committee and its advisors allegedly negotiated the price per share and terms of the LBO Transaction. On February 21, 2007, FCP agreed to an increased sale price of $90 per share plus dividends.

101. FCP's offer included a provision that, if SCI failed to consummate the LBO Transaction, SCI could be liable to FCP for up to $160 million. That provided a disincentive to SCI, who was controlled by Individual Defendants, to cancel the LBO Transaction even if the LBO Transaction left SCI insolvent and/or with unreasonably small capital. Further, FCP faced a financial penalty if it backed out of the LBO Transaction, which provided it a disincentive to cancel the LBO Transaction.[8]

102. The 2006 Special Committee had retained Bear Stearns to render a "fairness opinion" to determine whether the proposed LBO Transaction was fair to SCI's public shareholders. In exchange for Bear Stearns services, Bear Stearns was to be paid $12 million if the LBO Transaction was consummated, or the lesser of $12 million or 15% of any termination fee earned by SCI if the LBO Transaction was not consummated. On or about February 23, 2007, Bear Stearns issued its "fairness opinion" blessing the Transaction. Bear Stearns had virtually no involvement in the LBO Transaction after February 23, 2007. Far from being independent, Bear Stearns owned approximately 37,000 shares of SCI prior to the LBO Transaction. As a result, on information and belief, Bear Stearns should have received approximately $3.3 million at the closing of the LBO Transaction in addition to the fees earned from the issuance of the fairness opinion.

103. The 2006 Special Committee also retained CB Richard Ellis to provide valuations of undeveloped land. CBRE's valuation report, dated as of January 2007, relied on comparable sales in 2005 and through November 2006 (and, in the case of land near the Thunder Valley casino site, sales going back to 2001).

104. Based on these reports and valuations, on February 23, 2007, the 2006 Special Committee resolved to recommend that SCI's board of directors approve the LBO Transaction and recommend that SCI's shareholders do the same.

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[8] Since the Fertittas were significant stakeholders in SCI and in FCP, if either had to pay such termination fee, the Fertittas would receive some of the benefit of such termination fee.

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105. On February 23, 2007, SCI publicly filed its Merger Agreement. Among other things, the Merger Agreement provided that, at the "Effective Time" all shares of SCI common stock would be canceled and, in exchange, holders of such common stock would be provided the right to receive $90.00 in cash, without interest.

106. [redacted] As a result of the LBO Transaction, the aggregate amount of interest-bearing debt owed by the Debtors was approximately $5.285 billion, which was approximately $1.7 billion more in interest-bearing debt than existed prior to the LBO Transaction.

107. On information and belief, even though the LBO Transaction contemplated Colony clearly owning more than 50% of the equity interests in SCI, SCI sought to ensure that the LBO Transaction did not trigger the change of control provisions in the Notes. This was accomplished by having FCP VoteCo, 66.66% owned by the Fertittas, acquire all of the voting stock of SCI. FCP VoteCo paid virtually nothing for the nominal number of voting shares.

108. However, by seeking to avoid triggering the change of control provisions in the Indentures, SCI impeded the LBO Transaction's ability to trigger the similar change of control provisions in the Executive Employment Agreements. The Individual Defendants desired to have the economic benefits of the change of control provisions in the Executive Employment Agreements and other employment-based compensation arrangements. Absent another mechanism, the Individual Defendants would lose the ability to cash out the value of the Accelerated Stock Benefits (defined in ¶ 109).

109. The Individual Defendants solved this problem by simply having SCI agree to provide for the accelerated stock benefits at the effective time of the Merger Agreement. The Merger Agreement thus provided that all Restricted Stock and Stock Options would immediately vest and/or accelerate (the "Accelerated Stock Benefits") and then be canceled. In exchange for the cancellation of Restricted Stock and Stock Options, the former holders of such stock and stock options – who primarily

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were the Individual Defendants – would receive contractual rights to be paid $90.00 per share of Restricted Stock and the difference between $90.00 per share and the Stock Option strike price. Thus, the Restricted Stock and Stock Options were effectively made to vest and/or accelerate.

110. Thus, on information and belief, one purpose of the LBO Transaction was to provide Individual Defendants the benefits of "change in control" provisions in the Executive Employment Agreements and other employment-based compensation arrangements, notwithstanding the fact that SCI was under no obligation to provide the Accelerated Stock Benefits, without benefiting holders of Notes under similar "change of control" provisions in the Indentures.

LBO Funding

111. As part of the LBO Transaction, in order to retain operational control over the Debtors, Individual Defendants Frank Fertitta, Lorenzo Fertitta, and the Sartinis agreed to "roll over" certain of their owned shares of SCI in exchange for equity in the post-merger entity. The [redacted]

112. [redacted]

113. A critical and integral component of the LBO Transaction was for SCI to effectively borrow billions through a purported sale/leaseback transaction (the "Master Lease Transaction").[9] SCI caused the creation of PropCo and the MezzCo Entities, the borrowers under the PropCo Loan and the

[9] The Committee reserves any and all rights to have the Master Lease Transaction recharacterized as disguised debt financing and not a true real property lease.

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MezzCo Loans. Certain existing subsidiaries of SCI (the "SCI Operating Subs"), which owned and operated four casinos (including the Red Rock casino), created wholly-owned limited liability companies (the "Four Casino LLCs"). The real property associated with the four casinos was purportedly contributed to the newly created subsidiaries. PropCo, using funds obtained under the PropCo Loan and the MezzCo Loans, allegedly "purchased" the equity interests in the Four Casino LLCs from the SCI Operating Subs and was simultaneously to be merged into PropCo. PropCo was then to lease the real property to SCI, which would sublease such real property to the SCI Operating Subs.

114. On information and belief, the Master Lease Transaction was structured to enable SCI to borrow money that could fund transfers in connection with the LBO Transaction but in a manner that purportedly would not violate any negative covenants in the Indentures. Specifically, SCI believed that structuring the Master Lease Transaction as a "sale/leaseback" as opposed to the incurrence of secured debt, would not constitute the incurrence of secured debt under the Indentures, even though the economic effect was the same as if SCI was the borrower under the PropCo Loan and the MezzCo Loans.

115. The LBO Transaction placed particular financial constraints on SCI, to the detriment of its unsecured creditors, as a result of the obligations SCI was forced to incur in connection with the Master Lease Transaction.

116. On information and belief, concerned that the Master Lease Transaction was structured in a questionable manner, SCI obtained fairness opinions and opinions of counsel concerning the Master Lease Transaction. However, these opinions were not "clean" opinions; each one had numerous qualifiers suggesting that a court could conclude that the Master Lease Transaction was a disguised debt financing.

117. In connection with the LBO Transaction, SCI, as borrower, entered into the OpCo Credit Agreement. Numerous affiliates, including certain of the Debtors, guaranteed SCI's obligations under the OpCo Credit Agreement. SCI and certain affiliates granted liens, security interests, and stock pledges on certain of its assets to DBTCA, as agent.

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118. In addition, PropCo entered into the PropCo Loan. PropCo granted liens and security interests on certain of its assets to German American, as agent. MezzCo entered into the MezzCo Loans. Certain of the MezzCo entities also granted liens, security interests, and stock pledges on certain of their assets to German American, as agent.

119. The LBO Transaction, including the Merger Agreement, the Master Lease Transaction, and the loans provided by the OpCo Credit Agreement, the PropCo Loan and the MezzCo Loans, was intended to be, and did in fact operate as, an integrated transaction.

120. As a result of the LBO Transaction, Fertitta Partners, LLC ("Fertitta Partners"), which is made up of the Fertittas and those members of management of SCI who chose to "roll over" SCI common stock, acquired 24.1% of the issued and outstanding shares of non-voting common stock of the SCI. FCP Holding, Inc., a subsidiary of FCP, acquired the remaining 75.9% of the issued and outstanding shares of non-voting common stock of SCI.

121. The voting stock of SCI following the LBO Transaction was owned by FCP VoteCo. FCP VoteCo's equity was owned one-third by Frank Fertitta, one-third by Lorenzo Fertitta, and one-third by Thomas J. Barrack, Sr. ("Barrack"), a principal of Colony. The LBO Transaction granted to the Fertittas the right to appoint a majority of the Board of Directors of SCI, though certain material decisions would require the affirmative vote of a Colony representative.

122. A condition precedent to the OpCo Credit Agreement was that Frank Fertitta, Lorenzo Fertitta, and/or Barrack owned 70% or more of the voting stock of SCI after the LBO Closing. This condition would have been met through any combination of ownership between those three individuals equaling more than 70% of the voting stock. So, for example, Barrack could have owned 70% of the voting stock himself.

123. Indeed, Barrack's ownership of a majority of the voting stock would have made sense considering that Colony was contributing more than 50% of the equity to the LBO Transaction and was, in fact, the only "new" capital. However, on information and belief, the purpose of having two-thirds of the voting stock effectively owned by the Fertittas was to avoid

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triggering the "change of control" provisions in the Indentures, which would have required redemption of the Notes.

124. Included in the billions distributed to former shareholders of SCI (including Individual Defendants) was approximately $355 million in transfers to Individual Defendants relating to the Accelerated Stock Benefits.

125. SCI received no value in exchange for any Accelerated Stock Benefits provided to the Individual Defendants. It was a corporate gift to company personnel, including the Individual Defendants.

126. SCI incurred approximately $130 million in fees in connection with the LBO Transaction, including millions of dollars in fees to Deutsche Bank for its numerous (and inherently conflicting) roles relating to the LBO Transaction.

127. The Debtors retained only a *de minimis* amount of the LBO Transaction proceeds.

The LBO Transaction Rendered the Debtors Insolvent and Left The Debtors With Unreasonably Small Capital.

128. As a result of the LBO Transaction, even though approximately $1.3 billion in pre-existing secured debt was retired, the Debtors in the aggregate still incurred $3 billion in secured debt, which meant that the Debtors incurred an additional $1.7 billion in interest bearing debt for which the Debtors did not receive reasonably equivalent value.

129. According to SCI's Form 10-Q for the quarter ending September 30, 2007, SCI's financial statements indicated that SCI's assets totaled approximately $3.93 billion and its liabilities totaled approximately $4.22 billion. These financial statements indicate that SCI was insolvent on a balance sheet basis by approximately $291 million because its liabilities exceeded its assets.

130. Further, the financial statements disclosed that, for the 9-month period ending September 30, 2006, net income was $87.14 million, but for the same period in 2007, net income was only $41.83 million. The dramatic decline in net income between 2006 and 2007 was even worse during the three month period ending September 30: in 2007, net income was only $3.71 million, but in 2006, it was $19.23 million. This indicates that SCI's operations were declining through 2007 prior to the LBO

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Transaction closing, and the decline accelerated in the last few months prior to the LBO Transaction closing.

131. The Form 10-Q for the quarter ending September 30, 2007, was publicly filed on November 9, 2007, just two days after the LBO Transaction closed. However, on information and belief, the financial results disclosed in the Form 10-Q were known to SCI on or before November 7, 2007, including on November 5, 2007 – the last Board meeting prior to the closing of the LBO Transaction.

132. The initial projections SCI prepared in support of the LBO Transaction were prepared in the fourth quarter of 2006 (the "Initial Projections"). The Initial Projections projected:

- $664.577 million in EBITDA for 2007;
- $749.544 million in EBITDA for 2008;
- $861.654 million in EBITDA for 2009;
- $1.011 billion in EBITDA for 2010;
- $1.080 billion in EBITDA for 2011; and
- $1.221 billion in EBITDA for 2012.

133. The Initial Projections, which appear consistent with past practices, projected significant CapEx:

- $395.73 million in CapEx for 2007;
- $294.22 million in CapEx for 2008;
- $626.80 million in CapEx for 2009;
- $214 million in CapEx for 2010;
- $600 million in EBITDA for 2011; and
- $160 million in EBITDA for 2012.

134. SCI continued to rely on the Initial Projections throughout most of 2007. The Initial Projections were included in a proxy statement SCI filed during the summer of 2007. However, SCI's actual performance throughout 2007 was falling far short of projected performance. Frank Fertitta himself was aware of SCI's failure to meet its projections for 2007 for at least the first five months of

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2007. Thus, SCI's management was on notice that the Initial Projections were not reasonable as the company prepared to close the LBO Transaction.

135. On July 5, 2007, Moody's Investor Service indicated that it would likely downgrade the Notes when the LBO Transaction closed. On July 10, 2007, Standard & Poor's Ratings Services stated that SCI's credit rating remained on credit watch with negative implications, and that ratings on the unsecured notes would be lowered. On information and belief, these announcements, and possibly other acts of ratings agencies, resulted in the Notes not having the "Required Ratings" as set forth in the Indentures.

136. [redacted]

137. [redacted]

138. [redacted]

139. [redacted] The amount of the PropCo loan was reduced, and the amount of the revolver component of the OpCo Credit Agreement was increased. The interest rate on the OpCo Credit Agreement and the PropCo Loan/MezzCo Loans

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also increased significantly. CapEx would be significantly reduced for 2008 and 2009. In addition, Deutsche Bank agreed to fund a $250 million "land loan." Finally, the Red Rock Hotel Casino was substituted in for three smaller properties that were a part of the package of real property that was allegedly to be "sold" to PropCo (and thus served as collateral for the PropCo Loan), as a part of the Master Lease Transaction.

140. [redacted]

141. [redacted]

142. On October 4, 2007, representatives of SCI and Colony met with the Nevada State Gaming Control Board (the "Gaming Control Board"). While the Debtors provided some financial information and information identifying the changes in the LBO Transaction, on information and belief, SCI did not disclose that SCI had discussions with Deutsche Bank regarding concerns with the LBO Transaction.

143. On or about October 7, 2007, Deutsche Bank prepared revised projections for the LBO Transaction, projecting EBITDA for 2007-2011 (the "DB October 2007 Update"). The DB October 2007 Update reduced 2007 EBITDA projections by nearly 12%. It also substantially reduced overall CapEx.

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YEAR	INITIAL PROJECTIONS EBITDA	DB UPDATE PROJECTIONS EBITDA	[redacted]
2007	$664.6 million	$586.3 million	
2008	$749.5 million	$676.4 million	
2009	$861.6 million	$776.2 million	
2010	$1.010 billion	$809.4 million	
2011	$1.080 billion	$960.8 million	

144. [redacted]

146. [redacted]

147. On October 18, 2007, representatives of SCI and Colony met with the Nevada State Gaming Commission (the "Gaming Commission"). SCI provided the same information to the Gaming

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Commission that it provided to the Gaming Control Board; however, on information and belief, SCI left out the DB October 2007 Update.

148. On information and belief, the final projections that supported the LBO Transaction were prepared by SCI's management on October 31, 2007 ("Final Projections").

149. [redacted]

151. [redacted]

152. [redacted]

153. [redacted]

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154. [redacted]

155. [redacted]

156. The housing price decline that began in the last quarter of 2006, continued through 2007, and was projected to continue in 2008, unsurprisingly had a similar effect in the decline of gaming revenue. The Final Projection ignored the signs of the decline, instead relying on the 2004/05 growth trajectory for its numbers.

157. Further, the Final Projections relied on valuations of undeveloped land that were unreasonable at the time because they were based on stale data that did not account for the substantial declines in real estate in Las Vegas through 2007.

158. On information and belief, no independent professional ever reviewed the reasonableness of the Final Projections at or before the closing of the LBO Transaction.

159. In addition, as a result of changes to the LBO Transaction structure in October 2007, SCI's ability to extend or refinance debt was substantially restricted. Specifically, the term of the revolver component of the OpCo Credit Agreement was shortened to 4.75 years (from six years) with a 1.25 year extension option; however, the extension could be exercised only if the PropCo Loan and MezzCo Loans had been refinanced – and there was no certainty that the PropCo Loan and the MezzCo Loans could be refinanced. Further, the interest rates on the OpCo Credit Agreement increased, further restraining flexibility. Finally, the structure of the Master Lease Transaction, in addition to transferring to PropCo the "flagship" Red Rock hotel and casino, provided that "flowback" that PropCo would upstream to SCI could easily be cut-off, thus depriving SCI of critical liquidity.

160. While numerous opinions of counsel and other professionals and appraisals were obtained in connection with the LBO Transaction, no solvency opinion – an opinion of an independent professional indicating that the LBO Transaction would not render SCI insolvent – was ever obtained. Given the sophisticated nature of the parties and professionals involved, it was highly unusual for there be no requirement to obtain a solvency opinion, and it may be deduced that one could not have been procured.

161. [redacted]

162. Furthermore, none of the fairness opinions in support of the LBO Transaction that were obtained ever considered whether the LBO Transaction was fair to SCI's existing unsecured creditors.

163. In addition, no party provided a solvency representation in connection with the PropCo Loan or any of the MezzCo Loans.

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164. The LBO Transaction left the Debtors highly leveraged. For 2007, debt exceeded projected EBITDA by over nine times under the Final Projections, and for 2008, debt exceeded projected EBITDA by approximately eight times. These figures indicate that the Debtors would have reasonably sufficient capital only if they had had growth figures matching those of SCI in 2004 and 2005. It was unrealistic and unreasonable to assume that such growth figures could be obtained.

165. Notwithstanding all of the information available to them indicating that SCI's performance was declining and that the economic factors most critical to SCI were rapidly deteriorating, SCI's management moved forward with closing the LBO Transaction. The LBO Transaction rendered each of the Debtors insolvent and left them with unreasonably small capital.

166. [redacted]

167. [redacted]

168. [redacted]

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169. Given its patent over-leveraging, almost immediately after the closing of the LBO Transaction, the Debtors began "workout" discussions with its lenders, indicating that shortly after the closing of the LBO Transaction, SCI's financial performance risked defaults under loan agreements.

170. After the closing of the LBO Transaction, the company engaged Duff & Phelps ("D&P") to prepare a purchase price allocation (the "Allocation") pursuant to Statement of Financial Accounting Standards 141. The Allocation, dated February 12, 2008, but purporting to conduct a valuation as of November 7, 2007, was not intended to render an opinion or analysis as to whether the LBO Transaction rendered SCI insolvent or to determine whether the Final Projections were reasonable or unreasonable. Instead, D&P had to make sure that the total value of assets acquired was equal to the $8.9 billion total consideration (excluding transaction costs and other adjustments).

171. [redacted]

172. [redacted]

[redacted]

[10] [redacted]

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173. [redacted]

174. [redacted]

175. [redacted]

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11 [redacted]

12 [redacted]

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[redacted]

176. In March 2008, the Debtors and their lenders entered into amended and restated credit agreements and entered into the $250 million "land" loan.

177. SCI engaged in impairment testing in October 2008. While it could have undertaken impairment testing earlier in 2008, SCI waited until October 2008 to have D&P conduct its impairment testing. Relying on projections generated by SCI's management (and, in this instance, making no adjustments to such projections), D&P concluded in its October 2008 impairment analysis that SCI's assets had to be impaired by billions of dollars, including a goodwill impairment of approximately $2.6 billion.[13]

SCI's Directors and Officers Stood to Make Hundreds of Millions of Dollars from the LBO Transaction, Even Though SCI Was in the Zone of Insolvency Immediately Prior to the LBO Transaction.

178. The LBO Transaction rendered the Debtors insolvent and with unreasonably small capital. Moreover, SCI was within the "zone of insolvency" prior to the closing of the LBO Transaction, as demonstrated by SCI's financial statements in 2006 and 2007 and SCI's declining economic performance throughout 2007.

179. The special committee formed by SCI to evaluate the LBO Transaction had authority only to evaluate the LBO Transaction to determine whether it was fair to SCI's public shareholders. Overpaying for the shares of a company is, of course, by definition unfair to the company's shareholders. Once the form of the LBO Transaction was approved in February 2007, however, the special committee never reconsidered whether the LBO Transaction harmed SCI or its creditors.

180. Further, at no time between February 2007 and the closing of the LBO Transaction did SCI's directors and officers ever meaningfully consider whether SCI should refrain from closing the LBO Transaction or consider whether it was unreasonable to pay $90.00 per cancelled share of SCI (including cancellations following the Accelerated Stock Benefits).

[13] On information and belief, the impairment would have been substantially larger but for an unexplained reduction in CapEx by Duff & Phelps in its impairment analysis.

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181. The PropCo Loan and each MezzCo Loan did not contain solvency representations. Only the OpCo Credit Agreement contained a solvency representation, yet SCI's directors and officers did not obtain, nor even seek, a solvency opinion to determine whether the LBO Transaction rendered SCI insolvent.

182. Nor did SCI's directors and officers consider whether it would be fair to existing unsecured creditors to proceed with the LBO Transaction without paying such unsecured debt in full.

183. On information and belief, the LBO Transaction either triggered, or was designed to mimic the economic effect of triggering, the "change in control" provisions in the Executive Employment Agreements. Still, SCI's insiders intended for the LBO Transaction to avoid triggering any "change of control" provisions in the Indentures and to avoid "tripping" any negative covenants concerning the incurrence of debt and the granting of liens.

184. The structuring of the LBO Transaction in this regard was intentional and thoroughly vetted by SCI's officers and directors. SCI's board was aware of the Indentures' "change of control" provisions and the risk that the LBO Transaction could trigger such "change of control" provisions. Indeed, SCI arranged for counsel to provide an opinion letter that stated that the purported "sale" of certain real properties to PropCo should not trigger a "change of control" provision in the Indentures. Yet, SCI did not obtain an opinion that the LBO Transaction would not trigger the other "change of control" provisions in the Indentures that were unrelated to the purported "sale" of assets to PropCo. The failure to obtain such opinions indicates that a reasonable analysis of the LBO Transaction would conclude that SCI should have recognized a "change of control" would occur.

185. Ultimately, had SCI been forced to pay in full the Notes, it would have substantially decreased the cash available to pay holders of SCI common stock, Restricted Stock, and Stock Options, which included the Individual Defendants. That would have directly impeded the Individual Defendants' efforts to maximize their own personal wealth.

186. On information and belief, SCI's directors and officers, ignoring all of the data indicating that SCI's economic performance was severely deteriorating, chose to move forward with the LBO Transaction and chose to avoid paying the Notes because they stood to make hundreds of millions

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of dollars on account of their stock, Restricted Stock, and Stock Options. In effect, the LBO Transaction was an effort by insiders to design a transaction for the benefit of shareholders and leave the Fertittas with day-to-day control, to the detriment of third-party unsecured creditors who were left exposed to an insolvent debtor behind massive amounts of new, secured debt.

187. While the Fertitta family members did "roll over" shares of SCI that were intended to have a value of approximately $825 million, other directors and officers "rolled over" very little and instead chose to retain tens of millions of dollars.

Deutsche Bank and JP Morgan Made Millions

188. Deutsche Bank and JP Morgan stood to make millions of dollars of profit if the LBO Transaction closed. Specifically, Deutsche Bank would make a substantial fee of approximately $17 million on account of DBSI's investment banking services, and would earn millions of dollars of syndication fees and interest rate swap payments.

189. Moreover, Deutsche Bank and JP Morgan actively pushed to have SCI accept the changes to the LBO Transaction that ultimately occurred in October 2007. [redacted]

190. [redacted]

191. [redacted]

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The LBO Transaction Resulted In Payments to Insiders Under Employment Agreements

192. On information and belief, the Individual Defendants, including those with Express Employment Agreements, were not contractually entitled to any Accelerated Stock Benefits unless a change in control had in fact occurred. Yet, it was critical to SCI's management to structure the LBO Transaction in a manner so as not to trigger change of control provisions in the Indentures.

193. SCI stated in its Form 10-K/A for the fiscal year ending December 31, 2007 that the LBO Transaction "resulted in a greater than 50% change in control of the Company and was a 'business combination' for accounting purposes." Thus, notwithstanding their efforts to structure the LBO Transaction to avoid triggering any "change of control" provisions in any documents, the LBO Transaction may have in fact triggered "change of control" provisions.

194. If such provisions were not triggered, on information and belief then there would have been no obligation by SCI to automatically provide cash to the Individual Defendants on account of the Accelerated Stock Benefits.

195. Individuals Defendants were paid on account of their Accelerated Stock Benefits as follows (numbers are approximate amounts):

Defendant	**Stock Options**	**Restricted Stock**	**Total Payment**
Frank J. Fertitta III	$52 million	$63.4 million	$115.4 million
Lorenzo J. Fertitta	$52 million	$55.5 million	$107.5 million
Scott M. Nielson	$17.3 million	$21.7 million	$39 million
William W. Warner	$10.1 million	$31.5 million	$41.6 million
Glen C. Christenson	$9 million	$23.1 million	$31.1 million
Thomas Friel	$2.3 million	$3.2 million	$5.5 million
James Nave	$2.3 million	$810,000	$3.1 million
Richard J. Haskins	$1.85 million	$15.6 million	$17.5 million

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TOTAL	**$146 million**	**$209 million**	**$355 million**

196. The Individual Defendants did not provide any consideration to the Debtors in exchange for the millions of dollars the Individual Defendants received in Accelerated Stock Benefits. The Accelerated Stock Benefits were the result of each Individual Defendants' employment by SCI (whether in the form of an express contract or otherwise). Under any circumstances, SCI received less than reasonably equivalent value on account of the Accelerated Stock Benefits.

197. The Accelerated Stock Benefits were not made in the ordinary course of Debtors' business because (a) the LBO Transaction was not an ordinary course transaction and (b) the immediate vesting of Restricted Stock and acceleration of Stock Options, cancellation of immediately vested/accelerated stock, and transfer of cash on account of the contractual right to receive $90.00 per cancelled share, are not ordinary course events.

198. But the Accelerated Stock Benefits were not the only transfers made to the Individual Defendants. Even after accounting for and excluding "rollover" equity, on information and belief the Individual Defendants received up to an additional $320 million on account of owned shares of SCI that were cancelled. These transfers (the Accelerated Stock Benefits and cash transfers), in the aggregate, total between approximately $600 million and $680 million.

COUNT ONE
Actual Fraudulent Transfer under §§ 548(a)(1)(A), 550, and 551 Against All Defendants

199. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs 1-198.

200. During the two-year period immediately preceding the Petition Date, the Debtors entered into the LBO Transaction and transferred the Individual Defendant Transfers, the Liens, and the Deutsche Bank/JP Morgan Fees (collectively, the "LBO Transfers"). The LBO Transfers constituted transfers of interests in property of the Debtors.

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201. Further, pursuant to the LBO Transaction, the Debtors incurred $3,375,000,000 in debt (including revolving loan commitments), secured at that time by substantially all of their assets (the "LBO Debt").

202. The Debtors entered in the LBO Transaction, made the LBO Transfers and incurred the LBO Debt, in connection therewith, with the actual intent to hinder, delay, or defraud the Debtors' creditors. As previously set forth in this Complaint, among other things:

a) The LBO Transaction resulted in transfers to insiders of the Debtors worth hundreds of millions of dollars;

b) The Debtors received less than reasonably equivalent value in exchange for the transfers;

c) The terms of the LBO Transaction changed in October 2007 in a manner that placed more economic pressure on SCI, which was known to management, yet the Debtors proceeded with the LBO Transaction;

d) Each of the Debtors became insolvent as a result of the LBO Transaction; and

e) [redacted]

203. At all relevant times hereto, the Defendants had actual or constructive knowledge that the LBO Transaction would hinder, delay, or defraud existing unsecured creditors.

204. The LBO Transfers and the LBO Debt should be avoided pursuant to 11 U.S.C. § 548(a)(1)(A).

205. Because the LBO Transfers and the LBO Debt are avoidable under the Bankruptcy Code, pursuant to 11 U.S.C. § 550(a)(1), Plaintiff may recover from the Defendants as initial transferees or entities for whose benefit the fraudulent transfers were made.

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COUNT TWO
Constructive Fraudulent Transfer under 11 U.S.C. §§ 548(a)(1)(B)(ii)(I), 548(a)(1)(B)(ii)(II), 550, and 551 Against All Defendants

206. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs 1-205.

207. The LBO Transaction, including all LBO Transfers and the LBO Debt, occurred within two years of the Petition Date.

208. Debtors received less than reasonably equivalent value in exchange for the LBO Transfers and the LBO Debt, resulting from the LBO Transaction.

209. As a result of the LBO Transaction, each of the Debtors became insolvent and were about to engage in a business or a transaction for which any property remaining with the Debtors was unreasonably small.

210. The LBO Transfers and LBO Debt should be avoided pursuant to 11 U.S.C. § 548(a)(1)(B).

211. Because the LBO Transfers are avoidable under the Bankruptcy Code, pursuant to 11 U.S.C. § 550(a)(1), Plaintiff may recover from the Defendants as initial transferees or entities for whose benefit the fraudulent transfers were made.

COUNT THREE
Constructive Fraudulent Transfer under §§ 548(a)(1)(B)(ii)(IV) and 550 Against Individual Defendants.

212. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs 1-211.

213. The Accelerated Stock Benefits constituted transfers of interests in SCI's property.

214. The Accelerated Stock Benefits were made to or for the benefit of the Defendants who received the Accelerated Stock Benefits or benefited therefrom as described in this Complaint.

215. SCI received less than reasonably equivalent value in exchange for the Accelerated Stock Benefits.

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216. At the time of the Accelerated Stock Benefits, each Defendant to whom, or for whose benefit, SCI provided the Accelerated Stock Benefits was an "insider" of the Debtors within the meaning of the Bankruptcy Code.

217. The Accelerated Stock Benefits were provided under employment contracts (whether written or otherwise) between SCI and the Individual Defendants who received such transfers.

218. Because the Accelerated Stock Benefits were made as a result of the triggering of certain specific covenants in Individual Defendants' Executive Employment Agreements, and/or because the Accelerated Stock Benefits were provided under the Merger Agreement as substitutes for provisions under the Executive Employment Agreements, the Accelerated Stock Benefits were not made in the ordinary course of Debtors' business.

219. The Committee may avoid the Accelerated Stock Benefits (including cash transfers relating thereto) pursuant to section 548(a)(1)(B)(ii)(IV) of the Bankruptcy Code.

220. Because the Accelerated Stock Benefits are avoidable under the Bankruptcy Code, pursuant to 11 U.S.C. § 550(a)(1), Plaintiff may recover from the Defendants as initial transferees or entities for whose benefit the fraudulent transfers were made.

COUNT FOUR
Actual Fraudulent Transfer under 11 U.S.C. §§ 544(b) and 550 and Nev. Rev. Stat. 112.180 Against All Defendants

221. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs 1-220.

222. Pursuant to 11 U.S.C. § 544(b), Plaintiff has the rights of an existing unsecured creditor of each of the Debtors. Section 544(b) permits Plaintiff to assert claims and causes of action that such creditor could assert under applicable state law.

223. Under Nev. Rev. Stat. 112.180(a), a transfer is fraudulent as to a creditor, whether such creditor's claim arose before or after the transfer was made, if the debtor made the transfer with the actual intent to hinder, delay, or defraud any creditor.

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224. As of the LBO Transaction, there were actual creditors of some or all of the Debtors, including SCI, holding unsecured claims.

225. The LBO Transaction, including all LBO Transfers and the LBO Debt, occurred within four years of the Petition Date.

226. The Debtors entered into the LBO Transaction, made the LBO Transfers and incurred the LBO Debt, in connection therewith, with the actual intent to hinder, delay, or defraud the Debtors' creditors. As previously set forth in this Complaint, and other things:

a) The LBO Transaction resulted in transfers to insiders of the Debtors worth hundreds of millions of dollars;

b) The Debtors received less than reasonably equivalent value in exchange for the transfers;

c) The terms of the LBO Transaction changed in October 2007 in a manner that placed more economic pressure on SCI, which was known to management, yet SCI proceeded with the LBO Transaction;

d) Each of the Debtors became insolvent as a result of the LBO Transaction; and

e) [redacted]

227. At all relevant times hereto, the Defendants had actual or constructive knowledge that the LBO Transaction was fraudulent.

228. All LBO Transfers and the LBO Debt should be avoided and recovered pursuant to 11 U.S.C. § 544(b) and Nev. Rev. Stat. 112.210 and 112.220.

229. Because the LBO Transfers are avoidable under the Bankruptcy Code, pursuant to 11 U.S.C. § 550(a)(1), Plaintiff may recover from the Defendants as initial transferees or entities for whose benefit the fraudulent transfers were made.

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COUNT FIVE
Constructive Fraudulent Transfer under 11 U.S.C. §§ 544(b) and 550 and Nevada Rev. Stat. 112.180 and 112.190 Against Individual Defendants

230. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs 1-229.

231. Pursuant to 11 U.S.C. § 544(b), Plaintiff has the rights of an existing unsecured creditor of SCI. Section 544(b) permits Plaintiff to assert claims and causes of action that such creditor could assert under applicable state law.

232. Under Nev. Rev. Stat. 112.180(b)(1), a transfer is fraudulent as to a creditor, whether such creditor's claim arose before or after the transfer was made, if the debtor made the transfer without receiving reasonably equivalent value and was engaged or was about to engage in a business or a transaction for which the remaining assets of the debtor were unreasonably small in relation to the business or transaction.

233. Under Nev. Rev. Stat. 112.190, a transfer is fraudulent as to a creditor whose claim arose before the transfer was made if the debtor made the transfer without receiving reasonably equivalent value and was insolvent at the time or the debtor became insolvent as a result of the transfer.

234. At all relevant times hereto, there were actual creditors of some or all of the Debtors, including SCI, holding unsecured claims.

235. The LBO Transaction, including all LBO Transfers and the LBO Debt, occurred within four years of the Petition Date.

236. The Debtors received less than reasonably equivalent value in exchange for the LBO Transfers and the LBO Debt, resulting from the LBO Transaction.

237. As a result of the LBO Transaction, each of the Debtors became insolvent and were about to engage in a business or a transaction for which any property remaining with the Debtors was unreasonably small.

238. At all relevant times hereto, the Defendants had actual or constructive knowledge that the LBO Transaction was fraudulent.

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239. All LBO Transfers and the LBO Debt should be avoided and recovered pursuant to 11 U.S.C. § 544(b) and Nev. Rev. Stat. 112.210 and 112.220.

240. Because the LBO Transfers and the LBO Debt are avoidable under the Bankruptcy Code, pursuant to 11 U.S.C. § 550(a)(1), Plaintiff may recover from the Defendants as initial transferees or entities for whose benefit the fraudulent transfers were made.

COUNT SIX
Breach of Fiduciary Duty Against Individual Defendants (Excluding Sartinis)

241. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs 1-240.

242. Each Individual Defendant, other than the Sartinis, as directors and/or officers of SCI, owed fiduciary duties to the SCI, including the duty of loyalty.

243. Such Individual Defendants, other than the Sartinis, also owed fiduciary duties to creditors of SCI by virtue of being in the zone of insolvency immediately prior to the closing of the LBO Transaction.

244. By virtue of acting in their self-interest, including arranging to receive the LBO Transfers and ensuring that the LBO Transaction would close without considering whether the LBO Transaction would harm unsecured creditors of SCI, such Individual Defendants breached at least their fiduciary duties of loyalty owed to SCI.

245. Such breaches of fiduciary duties substantially harmed SCI by rendering SCI insolvent and with unreasonably small capital in order to satisfy obligations owed to unsecured creditors of SCI.

COUNT SEVEN
Equitable Subordination of Claims Against All Defendants

246. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs 1-245.

247. Each Defendant has or may assert claims against the Debtors. Each Defendant, by actively participating in the LBO Transaction, engaged in inequitable conduct that unfairly benefitted such Defendant and/or harmed innocent creditors of the Debtors.

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248. As set forth above, the LBO Transaction substantially harmed the interests of existing unsecured creditors of SCI, including specifically reducing their prospects for recovery on account of their claims.

249. In the case of the Individual Defendants, they arranged to be paid hundreds of millions of dollars at the expense of existing unsecured creditors of the Debtors at a time that they knew that SCI's financial and operational performance was rapidly declining, and they structured the LBO Transaction to avoid triggering "change of control" provisions in the Indentures.

250. In the case of Deutsche Bank, each Deutsche Bank entity is affiliated with one another and acted in concert with one another in connection with the LBO Transaction. The inequitable conduct of one is imputed to the others.

251. Further, DBSI, because it served as a financial advisor to FCP and actively participated in the arranging of the LBO Transaction, had a sufficiently close and influential position to SCI that it is an insider within the meaning of the Bankruptcy Code.

252. In the case of JP Morgan, each JP Morgan entity is affiliated with one another and acted in concert with one another in connection with the LBO Transaction. The inequitable conduct of one is imputed to the others.

253. Deutsche Bank and JP Morgan acted inequitably by actively participating in the arranging, negotiating, and structuring of the LBO Transaction for which they were paid millions of dollars in fees. When faced with potential losses in connection with the PropCo/MezzCo Loans, knowing that the Individual Defendants stood to make millions if the LBO Transaction closed, Deutsche Bank and JP Morgan forced SCI to accept material changes to the LBO Transaction that placed even more financial pressure on the Debtors.

254. Deutsche Bank and JP Morgan faced losses unless the terms of the LBO Transaction changed and, once they were changed, stood to make millions of dollars in profits.

255. Equitable subordination of the claims of the Defendants is not inconsistent with the provisions of the Bankruptcy Code.

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256. The claims of each Defendant against the Debtors should be equitably subordinated pursuant to 11 U.S.C. § 510(c).

COUNT NINE
Objection to Claims Under 11 U.S.C. § 502(d) Against All Defendants

257. Plaintiff repeats and re-alleges each and every allegation contained in the preceding paragraphs 1-256.

258. Each Defendant who received an Avoidable Transfer has or may assert claims against the Debtors.

259. To the extent that any Defendants who received Avoidable Transfers assert claims against the Debtors, the Plaintiff objects to the allowance of such claims pursuant to 11 U.S.C. § 502(d).

RESERVATION OF RIGHTS

260. The Plaintiff believes that additional claims in favor of one or more of the Debtors' estates against the Defendants and/or other parties may exist. The Plaintiff continues to investigate the existence and validity of such claims. The Plaintiff reserves any and all rights to bring such claims, and to object to any claims asserted against the Debtors on grounds distinct from those asserted herein, to the extent authorized by the Court and/or applicable law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, on behalf of the Debtors' chapter 11 estates, prays for relief and judgment, as follows:

(a) Declaring the LBO Transfers and the LBO Debt are avoided pursuant to Bankruptcy Code sections 544 and/or 548;

(b) Awarding prejudgment interest on the amount of the LBO Transfers from closing date of the LBO Transaction;

(c) Directing the Defendants to pay the Debtors' estates an amount equal to the avoided LBO Transfers, plus prejudgment interest, pursuant to 11 U.S.C. § 550;

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(d) Awarding compensatory and punitive damages against the Individual Defendants (other than the Sartinis) in an amount to be determined at trial;

(e) Disallowing any claims of the Defendants pursuant to 11 U.S.C. 502(d) who received a LBO Transfer;

(f) To the extent any claims are allowed, equitably subordinating the claims of the Individual Defendants, Deutsche Bank, and JP Morgan;

(g) Awarding Plaintiff attorneys' fees, costs, post-judgment interest, and other expenses; and

(h) Granting such other and further relief as the Court considers appropriate.

DATED this __th day of _____, 2010.

QUINN EMANUEL URQUHART OLIVER & HEDGES, LLP

By_____

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