

STATEMENT OF COUNCILMAN DAVID SICKEY

Good morning Chairman McCain, Senator Dorgan and distinguished Members of this Committee.

I am David Sickey, a Member of the Tribal Council of the Coushatta Tribe of Louisiana. I took office in June 2003.

As Chairman Sickey has noted, I was not in office when Mr. Abramoff and Mr. Scanlon were hired, and I did not participate in the decisions by the Tribal Council to authorize their projects or pay them. I would respectfully submit that it will not aid the Committee's efforts for me to speculate about the events at issue. My brief comments today will therefore be limited to certain facts established by the documents we have seen. As you are aware, many of the documents reviewed by this Committee were not available to us. However, my observations today are also based on information provided by your staff, for which we are grateful.

My intention is to provide a broad overview of the environment in which this fraud was committed. As your investigation must have revealed, while the scheme of Mr. Abramoff and Mr. Scanlon was reprehensible, it was also very clever and well-timed. Like Chairman Sickey, I should note that our Tribe is currently involved in litigation about these lobbying activities, so I am limited in what I can say today.

I have attempted to organize my observations in chronological order, because the way that this scheme evolved over time was critical to its success.

1. The First Six Months

Mr. Abramoff was hired in March 2001. The Tribe entered a contract with his firm, Greenberg Traurig, to provide lobbying services related to our Tribe's compact negotiation and important regional gaming issues. According to the contract, Greenberg Traurig was to receive \$125,000 per month plus reasonable expenses. The contract did not mention Mr. Scanlon nor any of the entities that he used to charge the Tribe an additional \$30 million.

During the first six months or so of the lobbyists' employment, they appeared to deliver on their promises, and so the lobbying costs appeared justified. During that initial period, the Tribe paid roughly \$3.5 million for assistance with our Tribal compact, which was successfully negotiated, and to achieve several legislative objectives. I say that they **appeared** to deliver on their promises because it is difficult to assess how much impact the lobbyists actually had in accomplishing these Tribal objectives. Of course, they took credit for everything.

If it had ended at that point, around September 2001, then this would be nothing more than another story about high-priced lobbyists taking credit for results that they may or may not have influenced. But, it did not stop there. They leveraged their initial success as a platform for

fraud, and by the spring of 2002 had extracted another \$17 million from our Tribe. By the time it was over in 2004, the Tribe had spent approximately \$36 million. Ironically, as the scheme progressed and the bills and rhetoric increased, the lobbyists' actual work for the Tribe clearly decreased.

2. The Texas Threat

On October 5, 2001, the Tribe paid \$870,000 to Mr. Scanlon's company, Capital Campaign Strategies, to create a "Grassroots Political Structure" in Texas. Mr. Abramoff and Mr. Scanlon were insistent that Texas was on the verge of legalizing gambling, and that this would devastate the Coshatta casino. The majority of our casino customers travel from Texas – particularly the Houston area – and we have long understood that legalized gambling in Texas would erode our customer base and our casino revenues. Recognizing this potential threat and our fear of the consequences, the lobbyists claimed to have critical influence with the Texas officials who could defeat Texas gambling.

This appears to be the starting point for their most egregious exaggerations and fabrications. This also appears to be the timeframe when they committed to gouging the Tribe for as much money as they could, and to say or do anything that was necessary to prolong the payout.

3. \$1 Million Payment Funneled to One of Abramoff's Causes

On October 30, 2001, the Tribe paid \$3.17 million for the "Louisiana Program." This payment marks a high point in the lobbyists' **creative** billing. They split the bill by requesting that \$2.17 million be sent to Capitol Campaign Strategies and \$1 million to Greenberg Traurig. According to information shared by the staff, the \$1 million payment to Greenberg Traurig was not for any services provided by the law firm. Instead, this \$1 million payment was used to "pump" the firm's reported lobbying revenues, thereby maintaining Greenberg Traurig's public status as one of the "top ten" providers of legal and lobbying services to Native American tribes. Emails involving Mr. Abramoff, Mr. Scanlon and others at Greenberg Traurig reveal that this \$1 million payment was funneled through the firm and then used to finance one of Mr. Abramoff's favorite causes.

The suspect nature and purpose of this payment structure is reflected in an email from Mr. Scanlon to the Tribe's former attorney, dated October 25, 2001, where he writes:

"We broke this into two invoices - one to be paid to Greenberg Traurig for 1m, and one paid to Capitol Campaign Strategies - GT's public affairs entity for the balance. We usually just invoice you through Capitol Campaign Strategies so the Lawyers at the firm rest easy while we are out burning the country side.

In this instance however we plan to do some things through the law firm umbrella due to

their highly sensitive nature and confidentiality reasons. I hate hiding behind lawyers - but we are going to do some crazy stuff on this one - so I guess it's ok."

Mr. Abramoff, who was a partner at Greenberg Traurig, directed this creative billing arrangement. In my personal view, this payment reveals the extent of Mr. Abramoff's shamelessness. Not only was he stealing the Tribe's money, but he was using the theft to improve his professional reputation and the reputation of the firm.

4. Hyping the Texas Threat

In a memorandum dated November 6, 2001, Mr. Scanlon reports that he had just returned from Texas, and states:

"We believe now that the Alabama Coushatta will open soon, if we do not intercede. This will likely be a small facility and not the Class III facility the council is worried about, but we believe you should shut it down regardless."

This exemplifies the lobbyists' strategy of identifying an exaggerated threat to the Tribe's casino revenues, as does the following assertion in a report from Mr. Scanlon to the Tribe dated December 21, 2001:

"Despite our best efforts, the voting public in Texas remains VERY pro-gaming. The state economy is lagging, and with the Enron and Continental Airlines debacles hitting the Houston area back to back, they are desperate for revenue. . . . As we said when we came to you with the original Texas proposal, things are really bad over there. We have never before seen such a pro-gaming atmosphere in Texas, or anywhere else in the country, in our collective political careers, and although we have it contained for the time being, this environment is a very serious threat to the Grand Casino's future."

5. Threats of Infiltration

According to a memorandum from Mr. Scanlon dated January 3, 2002, the company that owned one of our competitors was *"well known for their ability to infiltrate the electorates of Indian tribes and this will undoubtedly happen there, if they get a foothold in your region."*

After hammering this point and others, Mr. Scanlon states:

"We have identified a strategy to deal with this, and we would like to propose this strategy and request a budget for it. Both the strategy and the budget are somewhat large. However, we cannot stress the importance of eliminating this concern. It is a threat to not only the casino, but also the tribe itself."

6. Increasing the Threat Level

In a report to the Tribe dated February 25, 2002, Mr. Scanlon stated that:

“It may seem like the walls are closing in with three very real threats on your radar screen. . . .If we handle each threat individually, our chances of eliminating ALL OF THEM are very good. If we panic, the very existence of the grand casino could be jeopardized.”

At about this time, perhaps sensing some opposition to their proposals and programs within the Tribe – and likely planning to increase their fees and profits – Mr. Abramoff and Mr. Scanlon began excluding and attempting to discredit their political opposition on the Council and within the Tribe.

7. Going on the Offensive to Counter Criticism

In a report dated May 8, 2002, Mr. Scanlon states:

“Sorry for the confusion on the funding front, but as I mentioned I believe that your opponents will use such payments against you and until such time as we deal with that issue, it’s best we lay low.”

He then recommended that the former Chairman send a letter to Tribal members attempting to justify hiring what he refers to as the “Washington team.”

He also spoke negatively about another Council Member, and stated that *“we can’t let [that person] run around banging on you and the chairman much longer or it will take hold.”*

And he recommended sending a letter to Tribal members accusing the Council Member of doing something wrong to *“put the focus back on the people who deserve it.”*

8. Lying Low to Avoid Exposure

On October 31, 2002, the Tribal CFO sent an email to Mr. Abramoff stating that Tribal auditors were requesting confirmation that the Tribe had paid a total of \$18,559,700 for *“demographic surveys and studies and other professional campaign consulting fees,”* and that there were *“no contracts in place with Capitol Campaign Strategies and the American International Center.”*

Mr. Abramoff forwarded the email to Mr. Scanlon, asking *“what should I say, especially about the last part (the request concerning no contracts)?”*

In response to several frantic comments from Mr. Abramoff, Mr. Scanlon states *“f-ing weird, really f-ing weird - I hope that this is standard operating procedure.”* He then recommends that Mr. Abramoff talk to the Tribe’s Vice-Chairman before writing anything.

There was never a formal reply. The confirmation requested by the auditors was not provided. Instead, a decision apparently was made to lay low until the storm passed.

There is no doubt that, by this point, the lobbyists knew that questions were being raised about their fees. As is clear from subsequent events, they obviously did not care. Apparently, they felt confident that even this type of blatant misconduct was fair game in the world of big-time lobbying.

9. Back in Business and Full Steam Ahead

In a report date January 21, 2003, Mr. Scanlon stated:

“As we outlined in our overall strategy, this year’s political circumstances, if not addressed correctly, will literally cost the tribe hundreds of millions of dollars.”

He asked for a budget of “\$9.3 million on the bottom end and \$11.3 million the top end,” and added that *“when you look at the fact that the tribe stands to lose several hundreds of millions of dollars, the program costs are well worth the risk.”*

In this report, Mr. Scanlon also proposes a way to dodge concerns within the Tribe about the lobbying fees by routing money through different entities. He wrote:

“We have attached invoices that direct the funds to several different entities that will play different roles in this campaign along with a letter from me/CCS informing the tribe that I will no longer be providing the political services to the tribe as I have in the past.”

But, in the next paragraph, he makes it clear that this was all a shell game, when he states:

“We want to assure you that you will receive the same level of service we have provided in the past. We understand that what you are paying for is Jack and myself and we will deliver the same way we have in the past.

That said, the entities we are using will technically execute operations of the campaign - or will contract with other companies to cover costs associated with the campaign - with Jack and I doing the work. In other words, the tribe will be invoiced by an entity and once funded that entity will in turn hire firms such as CCS or (Jack and I for example) to execute the program.”

He also enclosed a bill from Greenberg Traurig for \$2 million, and stated:

“GT will simply serve as another funding entity to ease budgetary issues. GT will turn that funding around to cover costs associated with the campaign.”

In total, the Tribe routed \$11.3 million through the following maze of entities:

\$2 million to Greeberg Traurig
\$5 million to Scanlon Gould Public Affairs
\$2.3 million to American International Center

\$2 million to American Research & Analysis

And this does not include the \$125,000 per month the Tribe was paying Greenberg Traurig.

Closing Comment

In conclusion, as Chairman Sickey and I have both noted, since we were not involved in any direct dealings with Mr. Abramoff or Mr. Scanlon, there is very little that we can say here today about the events at issue that would not involve speculation and conjecture. Therefore, until our own investigation is complete, both of us are very reluctant to comment further on the lobbying activities in question. Moreover, any speculative comments on our part could jeopardize our legal efforts to recover the Tribe's money.

But, what we can state with firm conviction based on our own review and the findings of this Committee is that our Tribe was defrauded out of most of the money we paid. And no matter who the lobbyists used or who they try to blame, this fraud was orchestrated and carried out by Jack Abramoff and Michael Scanlon and -- from the Tribe's perspective -- the fraud was orchestrated under the banner of Greenberg Traurig.

Your Committee has performed an important service by exposing this fraud, and I am grateful for the opportunity to address the Committee today. As Chairman Sickey noted, there are lessons in this sad episode for everyone.