

EXHIBIT D



The World's Billionaires **Catch Me If You Can**

Matthew Miller 03.27.06

Calvin Ayre has gotten very rich by taking illegal bets over the Internet.

On a warm, bright morning just outside San José, Costa Rica, Calvin Ayre, slightly hungover, was lounging in his bathrobe at a poolside office in his new \$3.5 million, 10,000-square-foot compound. Sipping coffee poured by one of his five servants, the entrepreneur declared, paraphrasing Sun Tzu's *The Art of War*, "I'm going to win this war without fighting battles. I've put a lot of energy into finding ways not to fight my enemies."

From this tropical oasis, Ayre has dodged and taunted those enemies, the main one being the U.S. Department of Justice. His Bodog Entertainment Group is in the not very kosher business of Web gambling. It takes bets from 16 million customers, most of them in the U.S. And that appears to violate the law--Title 18, Section 1084 of the U.S. Code--which forbids using telephones or other communication devices "in interstate or foreign commerce" in order to take bets. "Online gambling, whether it is located offshore or not, is illegal when it comes to the United States and its citizens," says a Justice Department official who works on Internet gambling crimes.

But Bodog has no physical presence in the U.S., Ayre is not an American citizen, and the extraterritorial reach of U.S. law is not clear. Ayre, at any rate, has no assets in the U.S. for the G-men to seize.

Last year the privately held Bodog handled \$7.3 billion in online wagers, triple the volume of 2004. Ayre says all this betting gave him sales of \$210 million, and that he took 26% of the revenue to the bottom line. What's his business worth? Two similar ventures that are publicly traded (in Europe) go for well over 18 times trailing earnings. At that multiple, Bodog, along with other assets, gives Ayre a net worth of at least \$1 billion.

Ayre presumably has not just the vice squad but the tax collectors in a huff. While 95% of his sales come from the U.S., the 44-year-old doesn't pay a nickel in corporate or personal income tax here. Is that legit? Foreigners are supposed to pay federal tax on income derived from U.S. business activities. The suckers are stateside, the electronic roulette wheels and digitized sports pools in Costa Rica. Where's the action? It remains to be seen whether IRS agents could make Ayre pay, assuming they could get their mitts on either him or his money.

His taunting analysis of the law: "We run a business that can't actually be described as gambling in each country we operate in. But when you add it all together, it's Internet gambling."

There are 2,400 Internet gaming sites, estimates tracker Casino City, a few hundred of them operating in Costa Rica's tax and regulatory haven. According to research company Christiansen Capital Advisors, they pulled in revenue (vigorish, that is) of \$12 billion last year, double the volume on the Las Vegas Strip. Ayre gets his share with a smorgasbord of offerings (sports, poker and casino games), a heavy dose of marketing and a lot of repeat business. Bodog.com claims 145,000 regulars who bet at least once a week. Their average wager: \$60 for sports, \$13 for casino games.

Bodog is spending \$80 million this year to nudge beyond gaming into a kind of MySpace for adults. Most of it is pretty cheesy entertainment, like his recent hosting of the Lingerie Bowl, a raunchy pay-per-view cable alternative to the Super Bowl halftime show. Ayre is also supporting the careers of a dozen lesser-known rock and hip-hop acts (Bif Naked and Syndicated Villain among them) and producing a poker show on cable TV with a slew of C-list celebrities like Rob Mariano (a contestant on CBS' *Survivor*) and card shark David Williams. Hardly any of these ventures makes money, though Ayre insists they will one day. But it probably lures customers to try their luck on Bodog.com. Its 1.5 million unique visitors per month, according to Internet tracker Hitwise, rivals that of Sportsbook.com, which is owned by London Stock Exchange-traded Sportingbet Group, the world's largest sports betting company.

Ayre likes to be seen--especially with attractive women. He is unmarried and has no steady girlfriend ("It would be unfair to the girl," he says). He has himself driven around in a black Hummer by a chauffeur who was trained as a sniper in the Canadian military and practiced in Somalia, Bosnia, Afghanistan and Iraq. Why the heavy metal? Ayre says he and three friends were robbed at gunpoint on the streets of San José a few years ago. His rivals say there's about as much need for a bodyguard in Costa Rica as in Boca Raton.

Raised in Lloydminster, Sask., Calvin Edward Ayre (pronounced "air") is the son of grain and pig farmers. He placed his first bet during his teens, playing blackjack for pennies with his mates on long hockey trips across the Canadian tundra. By the time he attended the University of Waterloo, Ayre was betting on sports (for beers, he says), and developing a taste for business. Over the summer he bought a five-ton truck, loaded it with cherries and peaches he'd picked and sold the fruit to motorists on the side of the road. He also organized trips to Florida and Cuba for his party-going classmates.

It didn't take him long to land in trouble. With an M.B.A. from City University in Seattle, Ayre took a job in June 1990 as president of Bicer Medical Systems, a Vancouver, B.C. heart-valve maker. The company was underfinanced, he says. According to British Columbia Securities Commission documents, Ayre sold 300,000 Bicer shares without releasing a prospectus. He also moved millions of shares between several accounts, including his own, without filing insider trading reports. "I knew that I wasn't following all the rules," he says. "But I also knew I had to do it to keep the budget alive." Though he was never charged, Ayre settled in 1996 for a \$10,000 fine and a 20-year prohibition from running a company listed on the Vancouver Exchange.

Meantime Ayre borrowed Cisco training manuals and taught himself network design, then tried launching several Web-based ventures, including a voice-over-IP company. All of them flopped. Then he read a newspaper story about Ronald (the Cigar) Sacco, a U.S. bookie who had set up an offshore phone-in betting operation in the Dominican Republic to elude felony charges in the States. "There was a loud bang in my head and the whole universe came together," Ayre recalls. (Sacco pleaded guilty in 1994 to money-laundering charges and went to prison a year later. His operation later moved to Costa Rica.) Ayre invested \$10,000 to build a Web-based system for betting online, providing software to offshore bookmakers.

By 1996 he was in Costa Rica, helping to launch some of the first online casinos, like WinSports and GrandPrix, for other bookmakers. Internet gambling was basically unheard-of, and there was a strong disconnect between the kid and the old coots taking the bets. Ayre not only wanted to encourage smaller bets to generate more predictable revenue and profits, he also wanted to settle accounts with online checks, instead of suitcases of cash. "I was pioneering a new industry," he says. That's half true. Sportsbook.com was championing a similar model, taking bets from customers using credit cards issued by European banks.

Ayre launched his own site in April 2000, starting with sports betting. There were options to pay with credit cards and online checks (wired from U.S. accounts to Bodog's London accounts), a \$5,000 maximum and plenty of pictures of pretty girls. Later he added online poker and casino games. In the event that you are a winner, you collect via wire transfer. Presumably, you declare your winnings on your 1040, but Ayre does not file reports with the IRS.

To create some attention, Ayre begat the fictitious "Cole Turner" as the public face of Bodog. He convinced Christopher Costigan, owner of Gambling911, an online tabloid promoting Web gambling, to post stories of Turner, an Indiana Jones-like character. In 2003, for example, Ayre turned his vacation to Thailand into a Cole Turner Internet adventure. Using a digital camera, a machete, fake blood and a cast of taxi drivers and massage-parlor girls, Ayre spun the tale of Turner leading an expedition into Cambodia to fight a cell of Buddhist terrorists. Along the way Turner was captured by the Cambodian army, double-crossed by opium warlords in a lost ancient city and wounded in a knife duel while escaping the country. Ayre wrote the eight-story series on the plane back to Costa Rica. It was released during the college bowl season.

The series got noticed. Disgusted bookies at rival companies posted notes on Internet forums saying Turner was a terrible businessman because he was off on an adventure rather than at his desk during one of the busiest betting times of the year. One gambler called Bodog and said he wouldn't place another bet until he knew if Turner was alive.

But the joke got old. After being quoted in a 2004 *Cigar Aficionado* magazine story as Cole Turner, Ayre got tired of explaining to reporters that Turner was just a marketing trick. Still Ayre hasn't lost his crude touch: He sometimes hands out thong underwear as business cards. For an April Fool's gag last year he released a statement apologizing to customers for losing Bodog to Virgin's Richard Branson in a drunken poker match.

Bodog is based in Costa Rica, where 150 bookmakers and customer service reps guide the action. The government doesn't charge businesses on money earned from other countries, and since Ayre doesn't take bets from Costa Ricans, all Bodog revenues come from foreign lands. He pays no personal income taxes in Costa Rica since all his assets--cash, cars, houses and other properties--are in Bodog's name, not Ayre's. He says he has \$25 million invested in Costa Rican and Canadian real estate and \$40 million in Swiss banks.

In Vancouver, 200 graphic designers and computer programmers work at Riptown Media, whose only client is Bodog. But producing advertising copy is not a crime and Bodog itself doesn't keep an office in Canada, which has legal restrictions against online gambling similar to those in the U.S. Ayre says his citizenship isn't a reason for not setting up operations in Canada, though he still carries that insider trading settlement on his record and admits he doesn't want to "tempt fate."

The U.S. Justice Department hasn't had much luck prosecuting online gambling operators. Jay Cohen, an American who co-owned World Sports Exchange in Antigua, is the only known proprietor ever put on trial. Found guilty of accepting bets from America over the Internet in August 2000, he was sentenced to 21 months. But some American offshore operators haven't been touched, even though they sometimes return to the States. Among them: Ruth Parasol and J. Russell DeLeon, a married couple who, along with Indian partner Anurag Dikshit, got very rich when they took PartyGaming, a Gibraltar company, public in London last June. Dikshit is worth \$3.3 billion, Parasol and DeLeon \$1.8 billion each.

Uncle Sam has found ways to make those who help Web casinos sweat. In 2003 Ebay's PayPal operation paid the U.S. \$10 million to settle charges of enabling online betting with money

transfers. In January the tabloid *Sporting News* surrendered \$7.2 million to the government, money it earned advertising gambling sites. Ayre has a clever work-around. Most broadcasters in the U.S. don't want to pay fines for running Bodog.com ads but happily take money for advertising Bodog.net, a free "educational" site that looks almost identical to the Bodog.com money machine.

There is some risk that Congress will give the DOJ more weapons with which to attack offshore gamers. Senator Jon Kyl (R--Ariz.) has introduced a handful of bills to stop online gambling. One made it to the floor and was voted down in November 1999; Kyl's handler blames "shadowy forces." Rep. James Leach (R--Iowa) introduced similar legislation last November. "Internet gambling has dangerous implications for families and society," Leach says. "It's also a front for money laundering and terrorism," though he has only anecdotal evidence.

Ayre, paradoxically, might also be in trouble if Congress went the other way and legalized online gambling. That, he says, would encourage the likes of Google, Microsoft and Ebay to open sites. But other powers disagree. "Do you think the Internet or gambling is going to disappear in the next ten years?" asks Nigel Payne, Sportingbet's chief, who spends much of his time lobbying for regulation. (His largest stockholders include Fidelity Investments and Merrill Lynch.) "The U.S. needs to regulate it, license it and tax it." Payne says the U.S. government could have reaped \$900 million from online gambling taxes last year. He has a strong ally in Terri Lanni, chief executive of MGM Mirage, which owns the Bellagio and MGM Grand in Las Vegas. Washington is "making a major mistake by not legalizing this type of gambling, considering that almost all wagers going to offshore sites come from the United States," he says.

Whatever happens, Ayre will try to make sport of it. "One of the things that drives me is the excitement that I could fail," he says. "What better buzz can you get?"