

EXHIBIT 14

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POLITICS AND POLICY

Nevada Company's Capitol Ties

Defense Contractor Paid Gov. Gibbons's Wife For Consulting Work

By JOHN R. WILKE

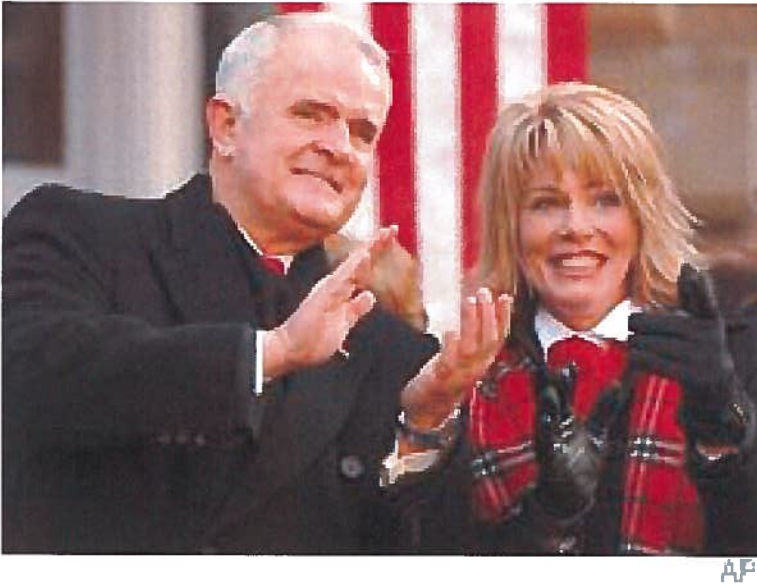
Updated March 30, 2007 12:01 a.m. ET

The wife of Nevada Gov. Jim Gibbons was hired as a consultant to a defense contractor at the same time that her husband, who was then a member of Congress, helped the company get funding for a no-bid federal contract.

Dawn Gibbons got about \$35,000 in consulting fees in 2004 from Sierra Nevada Corp., of Sparks, Nev., the company said. Mr. Gibbons, a five-term Republican who served on the armed services and intelligence committees, sought funding that year for Sierra Nevada for a \$4 million contract to develop a helicopter radar-landing system.

The consulting fees paid to Mrs. Gibbons could draw new scrutiny from federal investigators already examining ties between Mr. Gibbons and another Nevada defense contractor, eTreppid Technologies, and Warren Trepp, its majority owner. Mr. Trepp, a big campaign contributor to Mr. Gibbons, is former chief trader for collapsed junk-bond dealer Drexel Burnham.

A federal grand jury in Washington has begun to issue subpoenas for documents, according to witnesses contacted in recent weeks. The case arose after a former business partner sued Mr. Trepp over the ownership of valuable software algorithms; he also alleged that the congressman helped eTreppid win secret defense contracts and that Mr. Trepp gave Mr. Gibbons gifts including private jet flights, a Caribbean cruise and casino chips, in addition to \$90,000 in campaign contributions through firms he controls.



Nevada Gov. Jim Gibbons and his wife, Dawn, celebrate after the governor's inaugural oath of office at the state capital in January.

Mr. Gibbons and Mr. Trepp have denied the claims or have said that the gifts weren't improper because of their long personal friendship. Mr. Gibbons has said that he will cooperate with any inquiry.

A spokeswoman for the governor said that his work in Congress to help Sierra Nevada and eTrepid was part of a broader effort to back Nevada companies that were contributing to national defense. She said these efforts had the support of other members of the Nevada congressional delegation, including Sen. Harry Reid, a Democrat who is now Senate Majority Leader.

"The funding requests for Sierra Nevada were in no way connected to the first lady's small contract with them," said Melissa Subbotin, the governor's spokeswoman.

An executive with Sierra Nevada, Renee Velasco, said the contract with Mrs. Gibbons was for a market survey and demonstration of a hand-held emergency-communications device for sale to casinos and state and local governments; the effort was ended in December 2004. She said the contract didn't present a conflict of interest. "Everything was done by the book," she said.

DEFENSE CONTRACT

- What's News: The wife of Nevada Gov. Jim Gibbons was a consultant for Sierra Nevada, a defense contractor that got federal work with the help of her husband.
- The History: Before becoming governor this year, Mr. Gibbons was a member of Congress, on the House armed services and intelligence committees.
- What's Ahead: Federal investigators, already examining ties between Gov. Gibbons and another Nevada defense contractor, eTrepid Technologies, may study the Sierra Nevada situation.

Abbe David Lowell, a defense attorney recently hired by Gov. and Mrs. Gibbons, said the governor's wife "had a pre-existing relationship" with Sierra Nevada that began long before Mr. Gibbons was elected to Congress and had "no knowledge" of the federal contract. In a statement, Mr. Lowell said Mrs. Gibbons was asked by the company to help launch a pilot project to promote one of its products. Mrs. Gibbons spent "numerous hours setting up meetings, large press conferences and pilot demonstrations, as well as providing advice," according to the

statement.

Still, the payments are likely to draw critics in Washington and Carson City, the state capital. "Having a family member on the payroll of a company that benefits from a congressman's actions is a poster-child conflict," said Ryan Alexander, president of Taxpayers for Common Sense, a Washington nonprofit that studies special-interest spending. She said that Mr. Gibbons "obviously should have recused himself" from seeking federal appropriations for any of his wife's clients.

One of the military contracts that Sierra Nevada got in 2004 was \$2 million for research on a "helicopter autonomous landing system," to help pilots land in "brownouts" of blowing sand, a technology several firms were seeking to develop for the Pentagon. House records indicate that Mr. Gibbons asked for \$4 million, and got \$2 million in the final bill. In a June 22, 2004, news release, he hailed the project and a separate \$3 million for eTrepid as "cutting-edge technology being developed in Nevada to improve our defense systems."

In the next fiscal year, the helicopter program gained the support of Sen. Reid as well, and funding rose to \$7 million, House records show. Sierra Nevada also was a contributor to Sen. Reid. In a statement, a spokesman for Mr. Reid said that Sierra Nevada is a large employer in his state and he is "proud to have supported" its work.

Sierra Nevada and eTrepid also got classified contracts that aren't individually listed in congressional spending legislation. Internal documents and emails reviewed by The Wall Street Journal show business ties between the two companies between 2003 and 2005, including a subcontracting relationship on some of the classified work; its details aren't disclosed in the documents.

The 2004 payments by Sierra Nevada to Mrs. Gibbons, a former Nevada state legislator, were made through Politek Inc., a political and public-relations consulting firm she created in 2003 after her last session in the state assembly. "Someone has to make some money in this family," she said in a newspaper interview at the time. Her husband's take-home House salary was only \$7,400 a month, she said.

Politek's biggest client: her husband's 2004 congressional campaign, which paid Politek \$93,424. A second client, Education First, a nonprofit group set up by Mr. and Mrs. Gibbons, paid Politek an additional \$18,000. In the Sierra Nevada contract, Mrs. Gibbons received payments of \$2,500 a month between November 2003 and December 2004.

The appearance of a second Nevada contractor, Sierra Nevada, with ties to Mr. Gibbons marks a turn in a case that has drawn national attention because some contracts at issue were part of the classified "black budget," which faces little scrutiny.

The case also had a cameo role in the controversy over the firing of eight U.S. attorneys late last year, including Daniel Bogden, the U.S. attorney in Nevada.

Some Democrats have charged that Mr. Bogden may have been fired for investigating Mr. Gibbons. However, Mr. Bogden wasn't involved in the Gibbons probe, which was initiated by prosecutors in Washington, according to witnesses contacted by the government in the course of the investigation. Mr. Bogden's office was investigating Mr. Trepp's claim of trade-secret theft against Mr. Trepp's former business partner, software designer Dennis Montgomery, who first raised corruption allegations against Mr. Gibbons.

A federal judge in Reno ruled earlier this month the investigation of Mr. Montgomery, overseen by Mr. Bogden, amounted to improper use of criminal authority in a civil business dispute. He also unsealed an earlier ruling which found that U.S. officials in Nevada had acted "with callous disregard for Mr. Montgomery's constitutional rights" and that an FBI agent was an "unwitting pawn" of Mr. Trepp and an Air Force official who urged the FBI to raid Mr. Montgomery's home.

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For May 11, 2007 MSNBC May 11, 2007 Friday

7 of 7 DOCUMENTS

MSNBC

May 11, 2007 Friday

SHOW: COUNTDOWN 8:00 PM EST

For May 11, 2007

BYLINE: Alison Stewart, Pete Williams

GUESTS: Dr. Louis Teichholz, Michael Musto

SECTION: NEWS

LENGTH: 7513 words

HIGHLIGHT: Giuliani's Abortion Dilemma; Political Scandal in Nevada? Skinny people can still have large amounts of internal and dangerous fat.

ALISON STEWART, HOST: Which of these stories will you be talking about tomorrow?

Rudy G. just wants to clarify his position on abortion.

(BEGIN VIDEO CLIP)

RUDOLPH GIULIANI (R), PRESIDENTIAL CANDIDATE: I don't agree with myself sometimes. And I change my mind sometimes.

(END VIDEO CLIP)

STEWART: Let's try that again.

(BEGIN VIDEO CLIP)

GIULIANI: I would grant women the right to make that choice.

(END VIDEO CLIP)

STEWART: Will Roe v. Wade define Giuliani's presidential campaign as he goes against the socially conservative grain? What does it mean for the other Republican candidates?

Politics and corruption? Toss in Nevada's governor, his wife, a cruise ship, party photos, damaging e-mails, and this guy, who was awarded tens of millions of dollars in government contracts. The FBI's investigating a potential scandal.

The Department of Homeland Security told us, If you see something, say something. Then sue someone. Six

For May 11, 2007 MSNBC May 11, 2007 Friday

Muslim clerics removed from a U.S. Airways flight and questioned for suspicious behavior are now suing the passengers that alerted the authorities.

If 40 can be the new 30, then thin can be the new fat. A new study out says that even if you're a skinny mini, you could be El Gordo on the inside.

And let's take a trip to the island of overexposed celebrities. Michael Musto joins us to dissect this year's Forbes list, the bald, the classic, disputing divas, dueling Howards, and he's back, 14 minutes, 50 seconds, and counting.

All that and more, now on COUNTDOWN.

Good evening, everybody. I'm Alison Stewart, in for Keith Olbermann.

Allegations of flipping, not to mention charges of flopping, may have hurt Democrat John Kerry in the 2004 race for president. But so far, in the '08 campaign, at least two Republican candidates would seem to be the ones spending the most time doing front somersaults in the pike position.

Our fifth story on the COUNTDOWN, Rudy Giuliani's rude awakening when it comes to abortion and the GOP. The former mayor of New York, who has tried to finesse a correct answer about abortion, will likely have an even harder time explaining his views to the conservative wing of his party, now that a 1997 questionnaire from the National Aborts (ph) Rights Action League, NARAL, is making the rounds online.

In it, the moderate Republican said he is against parental notification laws and for Medicaid-funded abortions. To be filed under bad timing, the questionnaire surfaced the night before Mr. Giuliani was scheduled to make a speech about abortion at Houston Baptist University in Texas.

We start things off with a report from correspondent David Gregory in Washington.

(BEGIN VIDEOTAPE)

DAVID GREGORY, NBC CHIEF WHITE HOUSE CORRESPONDENT (voice-over): It is a political gamble Rudy Giuliani thinks he can win. His message today to a conservative audience at Houston's Baptist University, I am what I am. While the former New York mayor says he thinks abortion is morally wrong, what he is, is in favor after woman's right to choose.

This week, it was reported he donated money during the '90s to Planned Parenthood.

GIULIANI: With regard to other things that people could work on to restrict abortion, I would be very open to that. But I would not be open to removing the right.

GREGORY: Giuliani's troubles on abortion stem not only from his stance on the issue, but his attempts to explain it. At last week's Republican debate, critics felt he was trying to pander to both sides when asked if a repeal of Roe v. Wade would be good for the country.

GIULIANI: It would be OK to repeal it, it would be OK also if a strict constructionist judge viewed it as precedent.

GREGORY: That left neither side happy.

DAVID KEENE, CONSERVATIVE ANALYST: He's trying to take a position that, under some circumstances, could be very harmful to him with a lot of Republican primary voters, and at least neutralize it so that he can talk about issues he wants to talk about.

GREGORY: Namely, fighting terrorism in a post-9/11 world, Giuliani's strength.

GIULIANI: I think that we've got to work through our disagreements and try to figure out how to create a

For May 11, 2007 MSNBC May 11, 2007 Friday

party that is known to Americans more about what it's for than about what it's against.

GREGORY (on camera): Giuliani's bet is that he can deemphasize the early-voting states and focus on that megaprimary next February 5, which includes big states like California and New York, places where his moderate social views may be a strength, not a weakness.

David Gregory, NBC News, Washington.

(END VIDEOTAPE)

STEWART: One of Mr. Giuliani's opponents in the race for the nomination, former Massachusetts governor Mitt Romney, is also trying to dye some of his blue state credentials deep red, because what gets you sent to the statehouse in Boston certainly will not fly with some residents in the Bible Belt.

Last night, Mr. Romney accepted an award from a central Massachusetts antiabortion group, even though he didn't want-- even want to accept the group's endorsement during his 2002 run for governor. Check out what happened when his Democratic opponent in that race, Shannon O'Brien, asked him about it in a debate.

(BEGIN VIDEO CLIP)

SHANNON O'BRIEN: So why did you accept the endorsement--

MITT ROMNEY (R), PRESIDENTIAL CANDIDATE: (INAUDIBLE) lot of people that endorsed me.

O'BRIEN: --of the Mass. Citizens for Life?

ROMNEY: I don't know about the endorsement of the Mass. Citizens for Life. I didn't seek it, I didn't ask for it.

O'BRIEN: But you accepted it.

ROMNEY: Let me say, I accepted it.

O'BRIEN: (INAUDIBLE)--

ROMNEY: I didn't write them a letter and say, Here, thank you very much for your endorsement.

O'BRIEN: Your spokesperson stated that you accepted their endorsement.

ROMNEY: Shannon, I can tell you again, I did not, in any way, acknowledge their endorsement, nor do I, do I--

O'BRIEN: You accepted it.

ROMNEY: When you say, I accept it, in what way did I accept it, Shannon?

(END VIDEO CLIP)

STEWART: Senator George Allen still the clear favorite when it comes to which politician possibly hates YouTube the most, Mitt Romney, COUNTDOWN's new choice for runner-up.

Time now to call in our own Dana Milbank, national political correspondent for "The Washington Post."

Nice to see you, Dana.

DANA MILBANK, NATIONAL POLITICAL REPORTER, "THE WASHINGTON POST": Hello, Alison.

STEWART: So conventional wisdom is that Republican candidates often evolve, shall we say, during

For May 11, 2007 MSNBC May 11, 2007 Friday

campaign. There's a pre-convention set of stances for the conservative base, and then maybe a more moderate post-convention set for swing voters. Did Giuliani just not follow the rules here, basically?

MILBANK: Well, you know, I think the extraordinary part is that he's been so successful for so long here. I mean, here is a man who is basically the most famous cross-dresser in America, who is leading in the polls for the Republican nomination for president with an extraordinarily conservative Republican electorate.

So I think it speaks well of his abilities that he only got tripped up at the debate last week, and then I think, as your report indicates, it was more because he tried to say, Well, it's OK either way on that Roe v. Wade thing, rather than articulating his view precisely.

So I think the real— we haven't even gotten to sort of his stance on gay rights yet. So I think the real question is, how he's gotten it along this far.

STEWART: Oh, we'll get there, Dana, I'm sure we'll get there to that second point. But I want to talk about something that David Gregory reported, that Mr. Giuliani is hoping he can bring the Republican Party, some members of it, some voters with him to the middle on abortion. Can he do that? And if so, why would he be able to do it, as opposed to any other moderate Republican?

MILBANK: Well, he's not going to bring voters with him on abortion, he's going to bring voters with him despite abortion. True, it will help if big states like California have injected themselves— themselves early into the process here. But the whole Giuliani campaign is based around avoiding the social issues.

I was at a speech he gave to the Heritage Foundation, conservative group here in Washington, this week, avoided the issue entirely. All about taxes, all about terrorism. He just wants to get this issue behind him as quickly as possible. To the extent he can keep the debate on terror and taxes, then he can bring the party with him on abortion.

STEWART: Will you indulge the conspiracy theorist in me?

MILBANK: I'd be delighted.

STEWART: Will social conservatives undermine Giuliani on this in any way?

MILBANK: Well, they're already undermining Romney on this issue, and he's made his conversion there, issuing statements of protest, and, as you see, digging up some unhelpful footage from the past. So there's every reason to believe that if they continue to see Giuliani as a threat, and if they're not willing, for the moment, to say, Look, we're just more afraid of Hillary Clinton than everything else, that's what they're willing to say for the moment. As soon as they drop that sort of reasoning, then they go after Giuliani.

STEWART: So Giuliani, in this particular— on this particular issue is probably Mitt Romney's best friend, because he does take the heat off a little bit about abortion.

MILBANK: He does. I think Romney's going to get his share of this, and Romney always creates new troubles for himself. Now he has a "60 Minutes" interview coming out in which he actually takes a question and says he did not have premarital sex. So we'll be talking about that next week.

STEWART: Excellent. I'm glad you're booking for us. I appreciate that. Hey, you know, is it better in politics just to have a firm stance? Did Giuliani do the right thing today by just saying, Look, this is my position, even if it's unpopular with you, than to go ahead and go, I'm going back and forth and I'm changing my mind now, as Romney has suggested?

MILBANK: Well, what's happened here is, the person who's made it impossible to do what Romney's doing is George Bush, because he so successfully tarred Al Gore and John Kerry with the flip-flop label. Now you have somebody wearing a dolphin flip-flop costume, following Romney around at certain events talking about Flip Romney.

For May 11, 2007 MSNBC May 11, 2007 Friday

So Bush, in a way, has made it more important to be consistent with your view, whatever it is, rather than vacillating to suit the electorate. Now, arguably, that's not necessarily the best governing position in the world, but the president has made that sort of a political imperative.

STEWART: Well, let's talk about that a little bit in terms of the Iraq war. The president may be conceding he might negotiate with the Democrats on benchmarks. Where do you see those negotiations going in the weeks to come? Is he going to continue to stand firm like before, or is he really going to have to negotiate on this, Dana?

MILBANK: Well, he negotiates because he has to, not because he wants to. We've got about two weeks to put together some sort of package here.

Seems like it's easier to see where this compromise is going to be. Senator John Warner is now talking about benchmarks, not with the real teeth the Democrats are talking about, but forcing the president to report to the Congress in July, moving it up from September, the day of reckoning. That would therefore give the Congress some ability to make changes after September.

So you can see where things are headed now in terms of the benchmarks, probably not all the teeth that the Democrats want, but certainly allowing for more reckoning on Capitol Hill.

STEWART: Dana Milbank of "The Washington Post" and MSNBC. Thanks for taking time on a Friday night.

MILBANK: Thanks, Alison.

STEWART: The FBI is very, very interested in the new governor of Nevada. What happened in Vegas and D.C. and the Caribbean may lead to corruption charges. NBC's Lisa Myers joins us with exclusive details and a whole stack of e-mails that paint a prickly picture.

And you sure might be looking all slim on the outside, but don't gloat yet. A new study just finds out because you're skinny, you could be fat on the inside.

You're watching COUNTDOWN on MSNBC.

STEWART: Since the birth of politics, there has been two temptations that have led many an official to his or her downfall, sex and money, and not necessarily in that order. In the modern era, you can add illegal nanny.

For the number four story on our COUNTDOWN tonight, and an NBC exclusive report on a politician who, in the space of just one year, has been accused of the full trifecta. Nevada Governor Jim Gibbons is a decorated war hero with a spotless record. No charges were brought after a cocktail waitress accused him of a sexual assault, or when his former nanny emerged to say she had come to the country illegally, and that Gibbons knew it. No charges, see? Spotless record.

But now the FBI's investigating Gibbons on the third issue, money, specifically, money allegedly in return for defense contracts.

NBC News senior investigative correspondent Lisa Myers has landed an exclusive interview with the insider accusing him, and she's got the always crucial cruise ship photos to boot. Here's the report.

(BEGIN VIDEOTAPE)

LISA MYERS, NBC SENIOR INVESTIGATIVE CORRESPONDENT (voice-over): The new governor of Nevada.

GOV. JIM GIBBONS (R), NEVADA: This election is finally over with.

MYERS: Is now being investigated by the FBI because of alleged gifts and payments from this man, Warren Trepp (ph), a defense contractor whose Nevada firm received tens of millions in federal contracts. The FBI

For May 11, 2007 MSNBC May 11, 2007 Friday

wants to know if Jim Gibbons, while a member of Congress, improperly used his influence to help Trepp get those contracts.

Sources close to the investigation say a key focus is a lavish week-long Caribbean cruise aboard this ship in March 2005 by Gibbons, his wife and son, and Trepp, who paid for almost everything.

In photos obtained by NBC News, Gibbons is seen hamming it up, kicking back with a drink, and posing with his wife, Dawn, Trepp, and Trepp's other guests.

(on camera): What would you estimate that trip cost per person?

DENNIS MONTGOMERY: Probably \$20,000 a person.

MYERS: Software designer Dennis Montgomery was also on that cruise with Gibbons. Montgomery says his former business partner, Trepp, chartered this 727 to fly guests from Nevada to Florida and back and picked up the tab for penthouse rooms, private meals, and expensive wines.

In an exclusive interview with NBC, Montgomery, who's now at war with his former partner, makes an explosive charge. He says that near the end of the cruise, he saw Trepp pass money to the congressman.

MONTGOMERY: There was a lot of alcohol and a lot of drinking. And that's when I first saw Warren give Jim Gibbons money.

MYERS: How much?

MONTGOMERY: Close to \$100,000.

MYERS: How can you know?

MONTGOMERY: Because he gave him casino chips and cash.

MYERS: Are you sure about what you saw?

MONTGOMERY: I'm absolutely, positively sure.

MYERS: So sure that Montgomery has made the same allegations in federal court. Montgomery's wife also says she saw Trepp pass casino chips to Gibbons. In addition, Montgomery has provided NBC with hundreds of e-mails, he says, from Trepp's computer.

Days before the cruise, Trepp's wife e-mails her husband. "Please don't forget to bring the money you promised Jim and Dawn on the trip."

Hours later, Warren Trepp e-mails back. "Don't ever send this kind of message to me! Erase this message from your computer now!"

There also is a paper trail showing Gibbons helped Trepp's company, Etreppid, get government contracts. In this 2003 e-mail, an Etreppid executive tells Trepp that Gibbons helped secure a contract, and "We need to take care of him like we discussed."

Two years later, the same executive writes, "He has always been really good to us."

Gibbons, a Republican, says he would help any Nevada company and strongly denies any wrongdoing.

GIBBONS: I'm not the kind of an individual as a congressman or a governor that would ever accept any kind of payment or bribe or gift or whatever it is.

MYERS: Gibbons says Trepp is a longtime friend, that he reimbursed him \$1,654 for the trip, and that he only flew one way on the 727. Trepp also strongly denies any wrongdoing and suggests the e-mails were

For May 11, 2007 MSNBC May 11, 2007 Friday

doctored. Both men also question **Montgomery's** credibility, arguing he's involved in a vicious legal battle with Trepp over ownership of their company, with millions of dollars at stake.

Montgomery, a registered Republican, is now cooperating with the FBI in the criminal investigation of Gibbons and Trepp. In court, and in our interview, **Montgomery** claims that Trepp gave Gibbons cash twice.

(on camera): Some people are going to look at this and say, This is just one angry, disgruntled man. Why should we believe you?

MONTGOMERY: Because I know what happened for the last five years, and I can prove it.

(END VIDEOTAPE)

MYERS: The FBI is now trying to sort out who's telling the truth. And Alison, it's always possible that no charges will be brought, but grand jury subpoenas have gone out, and a governor's reputation hangs in the balance.

STEWART: Lisa, I want to go back to a couple of the elements of this case. Those e-mails in your story, they're just really extraordinary, just those couple of examples. How important are those e-mails to this entire case?

MYERS: The e-mails will be key, Alison, because **Montgomery** is now in the process of turning his e-mails over to the FBI, and Trepp's lawyer claims the e-mails have been doctored and claims that he's given that evidence to (INAUDIBLE)— to the prosecutors.

But what-- the reason they're key is, without the e-mails, it's he said, she said. And with the e-mails, though, they may be able to confirm whether these events did indeed take place.

STEWART: You mentioned Trepp's lawyer. I know that your team spoke with him today. What did he have to say about this report?

MYERS: Well, he wasn't terribly pleased, but he did say that his client-- as we included in the piece-- he says his client is innocent, and that the e-mails were doctored, and that the accuser here has no credibility. I should tell that you that, you know, **Dennis Montgomery** does have an axe to grind, in that he stands to gain, as we reported, millions of dollars in a business battle with Trepp.

However, it's also true that in extensive reporting over a period of months, we found that everything that he told us that we could check out, did check out. Doesn't mean everything he says is true, but what we were able to check out did hold up.

STEWART: To be continued. Lisa Myers, NBC News senior investigative correspondent. Thanks a lot, Lisa.

MYERS: Thank you, Alison.

STEWART: What do Britney Spears, Donald Trump, and Sanjaya have in common, besides making me want to run screaming into traffic? According to Forbes, they all have worn out their welcome with Joe Q. Public.

And look carefully. What's wrong with this picture?

And to kitty orthodontists take insurance?

The day in weird, next on COUNTDOWN.

STEWART: I'm Alison Stewart, in for Keith Olbermann.

And as the COUNTDOWN does every night at this time, let's take a break from the so-called big news of the day to take a look at what is really important, dorks on the Internet, and cats with braces.

For May 11, 2007 MSNBC May 11, 2007 Friday

Let's play Oddball.

Think I made that last thing up? It's Baxter, the world's most narcissistic pudgy cat. In an effort to straighten out those summer (ph) teeth, Baxter has gone to a people orthodontist for braces. Mittens might want to be a little careful about kissing Baxter at the senior kitty prom. Now, to be fair, Baxter was hit by a car sometime back, and his jaw never quite straightened out, so on some level, the braces were necessary. We're not sure how he's going to explain the lipo and botox, however.

To the Internets, where the top video making the rounds this week answers the question we've been all asking, what could possibly be dorkier than a cat with braces? These guys. More than 2 million people have viewed this clip, which shows either two guys with the amazing but useless talent of catching sunglasses with their face, or two guys who fake it pretty well.

Very impressive, boys. Step two now, meeting girls. Might take some work.

Finally, a Far Eastern (ph) Russia so far east that St. Patrick's Day doesn't really even get there until May. Officials here actually say they have no idea why this river has suddenly turned bright fluorescent green, and they're doing tests now see if it's contaminated or if Shrek took a bath. There is a distillery and a garden center in the area, but officials don't know yet if chemicals were dumped into the river. They can only say that it tastes fantastic. (INAUDIBLE), (INAUDIBLE).

Do you count yourself lucky when you see that fat (INAUDIBLE) footage on TV and think, Oh, thank God, it's not me? Well, a new study is turning the weight-loss debate on its head. No gut, no love handles, guess what, you can still be a plumper on the inside.

And an Amber Alert for Scottie. James Doohan's ashes were shot into space for one last voyage, but they've fallen back to earth, and now they are lost.

Details ahead.

But first, here are COUNTDOWN's top three newsmakers of this day.

At number three, Steven Clay Stevenson of Ranson (ph), West Virginia— yes, his name is Steve Stevenson—he's been arrested and charged with a variety of offenses after police say he tried to hold up a convenience store at 4:00 a.m. with a gun shaped like a cigarette lighter and a pair of women's panties on his face. He got away with zero dollars and a new name, Dumb Dumberson.

At number two, the squirrels, the squirrels of Denver, Colorado. Residents of that city are being warned this week to keep away from the fuzzy little creatures. They may be carrying bubonic plague, and we're not kidding. So far, 15 squirrels and one bunny rabbit have tested positive for the plague, in what has to be the cutest deadly outbreak since the Middle Ages.

And at number one, the seven female students at Brendan (ph) State College in Massachusetts, featured on the front page of the school paper, "The Gatepost." The girls had all worn shorts and tank tops and painted letters on their bellies to support a player on the school lacrosse team. But when the paper came out, some of them worried like they looked so fat in the photos, so they went around and stole nearly 1,000 copies of the paper around campus so no one would see it. Girls, now you're on the television. But really, what are you worried about? Have a Twinkie. Some beer? Pizza. Good.

STEWART: All right, so just for the sake of argument, let's assume you really did stick to your New Year's resolution. You turned up your will power, turned down a lot of pizza. You lost some weight. You dieted down to a nice figure. Too bad, you can still be fatty, fatty two by four. Number three in our COUNTDOWN, another one of those stories that will make you throw something at your TV set.

Being thin doesn't mean you're not fat on the inside. So here's the skinny; after 12 years of studying people who have rocking bodies, British doctors say they found that dieting alone does not eliminate dangerous levels of fat stored inside of your body. Forty five percent of the women and 60 percent of the men who

For May 11, 2007 MSNBC May 11, 2007 Friday

looked fit had potentially dangerous fat inside.

They used MRIs like this one to find the fat. It's that layer, the external fat, just under your skin, while the more stubborn internal fat appears yellow near the organs at the center of the body, making for an unhealthy environment and certainly the questions; does this MRI make me look fat?

The doctors say we have to revise our ideas about fitness and fatness. And if that sounds confusing, Dr. Louis Teichholz can straighten us out. He's chief of cardiology at Hackensack University Medical Center in New Jersey. Doctor, thank you so much for being with us tonight.

DR. LOUIS TEICHHOLZ, HACKENSACK UNIVERSITY MEDICAL CENTER: My pleasure.

STEWART: First of all, this doesn't really seem very fair. You get yourself all skinny and you might not reap any of the health benefits. Explain to me how it works that someone can be thin on the outside but fat on the inside. Is it environment? Is it hereditary? Is it in the genes?

TEICHHOLZ: Well, Dr. Bell and his group have been studying this and found, just as you stated, that there are people who are thin, but when you look at the fat around the organs, the visceral fat, there's a lot of fat there. And interestingly enough, that fat there is a risk factor for the development of diabetes and heart disease.

Why some people have it there and not in other places, we think there is a genetic factor, but that's not been fully determined.

STEWART: So why is that internal fat more unhealthy than, say, some of these little extra love handles?

TEICHHOLZ: Well, I would suggest that it may be more unhealthy because you don't know it's there. And thin people may say, you know, I feel invincible. And they have been able also to show that exercise is one of the major things to get rid of not only external fat, but to get rid of internal fat as well.

STEWART: So we shouldn't give up the go. Somebody who is thin shouldn't cancel their appointment with their trainer tomorrow, thinking what can I do?

TEICHHOLZ: Absolutely not.

STEWART: Now, in all seriousness -- we've been goofing around a little bit here -- why do you think this research is so important, doctor?

TEICHHOLZ: Well, I think it's important because we've always said obesity is a risk factor for coronary disease and indeed it is one. But these studies show that one can be thin and still have a risk factor that's internal fat that makes you more prone to diabetes and more prone to heart disease. We also know that you can be thin and have an elevated cholesterol or high blood pressure or smoke. So I think it points out that lifestyle changes are extremely important for everybody.

STEWART: One example I read in some of the literature about this study said that a sumo wrestler might actually be more fit than the skinny guy in the stands watching him. So how does this research factor into thinking that people who are a little overweight, but who exercise, can still be considered healthy? Do you believe that's true?

TEICHHOLZ: Well, I think we've learned that exercise is extremely important. And this study gives us a mechanism that exercise helps to burn off this internal fat. And certainly sumo wrestlers are very obese and their body mass indexes are very high. But when he studied some of them, he found that they had low internal fat because of all their exercise.

STEWART: Bottom line, doctor, what's the best advice?

TEICHHOLZ: Bottom line is to avoid diabetes, heart disease, stroke, you have to control your risk factors.

For May 11, 2007 MSNBC May 11, 2007 Friday

And obesity, external obesity is one, but the other risk factors are important, cholesterol, high blood pressure, family history, you can't change. Someone once said the best way to avoid heart disease is choose your parents well. But if you can't do that, I think all of us should be prudent our diet and in our exercise.

STEWART: And start moving it, in other words. Dr. Louis Teichholz, thanks for being with us tonight.

TEICHHOLZ: My pleasure.

STEWART: So the thin outside, fat inside, tofi, as this study called it, isn't only a physical condition. According to the crack researchers at "Radar Magazine," it's a state of mind as well. A recent issue of Radar says even though most celebrities are thin and rich, some have fat personalities. They are, quote, inner fatties, as the magazine so delicately put it. Celebrities looking for love and acceptance because rich and famous aren't enough.

Radar says Jennifer Anniston is an inner fatty, maybe a little shy, eager to please, nice to be around. So is Tom Hanks, kind of quiet, funny, hard worker, nice guy personality. Somehow Britney Spears also makes the list of the humble cooperative souls. The list also includes the entire nation of Canada.

And then there's the flip side, the inner skinnies, like Dick Cheney, high on will power, confident to a freakish degree, unapologetic and they behave like skinny people, no matter the number on the scale. Donald, you're fired, Trump channels his inner super model. The self-assured, with an air of privilege, like Martha Stewart put her on Radar's inner skinny list, along with Simon Cowell.

So there you have it, like Oreo cookies and Jelly donuts, it's what's on the inside that really does matter.

Nervous airline passengers who pointed out the pre-boarding activities of some Imams are now facing a lawsuit. What will the affect on the national see something, say something campaign? And speaking of something to see, another preview of Keith Olbermann's big debut on the "Family Guy" this weekend.

But first here are COUNTDOWN's top three sound bites of this day.

(BEGIN VIDEO CLIP)

JIMMY KIMMELL, LATE NIGHT TALK SHOW HOST: -- had a party for their 100 most influential people and Martha Stewart was there. And a reporter from Fox News found a way to hit her with a big question.

UNIDENTIFIED MALE: It's about influence. How influential is prison going to be on Paris Hilton?

MARTHA STEWART, TV HOST: Oh, I have no idea. I'm not even thinking about Paris Hilton right now. Is she one of the hundred being honored?

UNIDENTIFIED MALE: No, it's been suggested though that she's going to do better afterwards, the way you did --

BUSH: At least he didn't say I'm proud to welcome to the podium a man -- the first president for whom English was a second language. I did call him, I said what my speech ought to be about? That's what I asked him what my speech ought to be about. He said, about ten minutes. So here goes.

UNIDENTIFIED FEMALE: Jesse Courtney said something was wrong with his ears.

JESSE COUTNEY, CHILD: It was like this weird popping noise.

UNIDENTIFIED FEMALE: For two days a pair of spiders crawled around inside Jesse's ear, likely feeding on ear wax.

COURTNEY: The one on the top I call floaty and the one on the bottom I call Drowny.

UNIDENTIFIED FEMALE: Floaty and Drowny now souvenir spiders but it's Jesse who is soaking in the

For May 11, 2007 MSNBC May 11, 2007 Friday

limelight.

COURTNEY: I want to be Spiderman.

STEWART: Suppose you were a Star Trek fan -- a lot of them in my family -- and dressed up as a Klingon for your flight to some convention. I've never done that. But some fellow passengers didn't know that Klingons are now our friends, so they reported your suspicious behavior and got -- you were yanked from the flight in handcuffs. Would you sue those other passengers?

Now if that is too frivolous an example for the second story on our COUNTDOWN tonight, swap Klingon for Benedictine Monk or Buddhist Monk, and if you made it a Muslim cleric you would have a real-life case and a real-life lawsuit. Pete Williams reports.

(BEGIN VIDEOTAPE)

PETE WILLIAMS, NBC NEWS CORRESPONDENT (voice-over): Investigators say it was a clerk at this Circuit City store in Mount Laurel, New Jersey who gave the invaluable tip that led to the discovery of a plot to attack Fort Dix. The FBI calls it another example of why the message works on those signs on the New York City subway; if you see something, say something.

But in a separate case, reporting something suspicious is getting some people sued. Just before Thanksgiving, six Muslim cleric were removed from a U.S. Air jet in Minneapolis and handcuffed right before take-off.

DMAR SHAHN, MUSLIM CLERIC: The way they took us off the plane, it's a humiliation 100 percent.

WILLIAMS: The pilot responded to passenger complaints that they were acting suspiciously. Now the Imams are suing the passengers who complained, named in a lawsuit as John Does. The clerics say those reports may have been false, intended to discriminate against them because they're Muslim.

SHAHN: I want to know my rights as an American in America.

WILLIAMS: It all began at the boarding gate. Three of them knelt and said evening prayers. On board a passenger passed a note to a flight attendant saying he heard them chanting Allah, Allah at the gate and cursing the U.S. Other passengers found the way they spread out on the plane suspicious, sitting in the front, middle and rear, and questioned why at least two of them asked for seat belt extension, but appeared not to need or use them.

The FBI interviewed the six Muslims and concluded they were no threat whatsoever. But now their decision to sue the complaining passengers has touched a nerve. In Minneapolis, one defense lawyer says he'll represent at no charge any passenger they sue.

GERRY NOLTING, DEFENSE LAWYER: I've been contacted by literally hundreds of attorneys nationwide offering to represent for free, as I am doing, representing for free, John Doe passengers.

WILLIAMS: And it hasn't stopped there. Worried that the lawsuit might make people reluctant to say something if they see something, Congress is considering a bill to give legal immunity to anyone doing so in good faith. A New York Congressman was among the first to suggest it.

REP. PETER KING (R), NEW YORK: We've been contacted by police and other people in law enforcement telling me that you just can't allow this to go forward because we have to have people volunteering. We have to have people letting them know when they see something that's out of the ordinary.

WILLIAMS: But the leader of one Muslim groups says while he wishes the clerics had not sued the passengers, he believes the entire ordeal began when the airline failed to properly handle passenger phobias.

For May 11, 2007 MSNBC May 11, 2007 Friday

JAMES ZOGBY, ARAB AMERICAN INSTITUTE: Where the airline erred was by not dealing with the passengers's overreaction and calming people down, feeding into it as they did. In effect, legitimized it. And that clearly is a problem.

WILLIAMS: While the debate about tolerance goes on, law enforcement officials say they hope no one will hesitate to speak up after seeing something suspicious.

Pete Williams, NBC News, Washington.

(END VIDEOTAPE)

STEWART: Tough take my word for it when I tell you the previous Star Trek reference was written before we knew about this next story. The first story on our round-up of tabloid and celebrity news, Keeping Tabs. Scottie is missing. Actor James Duan's family had his ashes flown into space aboard a private rocket on April 28th, not to be scattered, but merely to skim the edge of that final frontier.

Now the rocket has landed back on Earth in America somewhere around there. That's right, two weeks after landing, they haven't found the rocket yet. The rocket has a locator beacon, however, so they have narrowed it down to a small area of the New Mexico mountains, but search crews are still hoping to find it before the project lands, because then they'll have to get Scotty's back from Dr. McCoy and it gets messy. And you know how prickly Bones can get.

And while Paris Hilton's attorneys work around the clock trying to keep the fame seeking socialite from jail before she is to report there on June 5th, her fans are doing their part too, and frankly jumping the gun just a little bit, starting up a Free Paris website and petitions to the governor, as well as public rallies, like the one scheduled in New York to coincide with NYU's graduation ceremony for maximum impact.

But Paris is still free right now. I digress. The rally brought out in Paris's defense a grand total of three. In a city of eight million, three people want Paris Hilton to stay out of jail. The website TMZ reporting the three also carried signs labeling Paris Hilton a victim and a martyr. Our favorite, Ike was right, free Paris. Because you know a hotel heiress breaking the law and Nazi Germany occupying France are just like so similar.

Turning to other legal issues, and Boston has dropped all charges against the perpetrators of the great tune terror earlier this year, Aqua Teen Hunger Force. You may remember the whole city shut down after someone mistook Cartoon Network's guerrilla marketing campaign, a series of electric signs for Aqua Teen Hunger Force. That cartoon character planted all around town. They mistook them for potential explosives.

So the city charged the two marketing guys who put up the blinking light bright-esque ads with planting a hoax device. But prosecutors finally dropped the charges today after the guys did some community service at a local rehab hospital and apologized actually for their actions in court, a distinctly different attitude than when they were first arrested in February and were preoccupied with coifs during a press conference that was both entertaining and a little infuriating.

UNIDENTIFIED MALE: The mod hair style, which I believe evolved into the sort of greased-back look of the 70's. But Peter what you're saying is you really think it came from the 20's?

UNIDENTIFIED MALE: Yes, I really think it came from the 1920's.

UNIDENTIFIED MALE: It sounds to us like you aren't taking this seriously.

UNIDENTIFIED MALE: Do you guys have any hair cut questions for us

UNIDENTIFIED MALE: What was it like to spend the last night in jail?

UNIDENTIFIED MALE: That's not a hair question. I'm sorry.

UNIDENTIFIED MALE: What are you disappointed about?

For May 11, 2007 MSNBC May 11, 2007 Friday

UNIDENTIFIED MALE: That's also not a hair question.

(END VIDEO CLIP)

STEWART: Moving swiftly on to another hair raiser, nine months in the making, Sunday will mark the birth of Keith Olbermann as a cartoon. Back in August, he recorded a guest voice for a character on Seth McFarlane's comedy "Family Guy." And this Sunday the episode titled "It Takes A Village Idiot-And I Married One," premieres on Fox. Those of you watching COUNTDOWN last night saw a small slice of Keith's fine performance. Hey, here's a little bit more.

(BEGIN VIDEO CLIP)

OLBERMANN: Hi, Bob Grossbeard, Cohog oil. I would like to buy you that coat.

UNIDENTIFIED FEMALE: Really?

OLBERMANN: All I ask in return is that you let my company do just a little bit of dumping in your lake.

UNIDENTIFIED MALE: This guy don't sit right with me, Lois. He don't sit right with me.

UNIDENTIFIED FEMALE: But I just cleaned up Cohog lake.

OLBERMANN: Do you want the coat or not?

UNIDENTIFIED FEMALE: I want the coat.

OLBERMANN: Excellent. Then we have a deal.

(END VIDEO CLIP)

STEWART: Tune in Sunday night for the exciting conclusion. This just in, Jared, the subway guy, did not rent out pornos to his fellow classmates when he was in college, he lent them out instead. VH1's "Best Week Ever" contended that Jared Fogel, best known as that guy who lost weight by eating nothing but Subway sandwiches made his money in college by running a porno palace. But as Jared told a morning radio show, that's not quite true.

While indeed own many, many pornographic movies, quote, I definitely didn't have it as a business and I definitely didn't rent to anybody. Instead, he let his buddies borrow his hard core collection for free. What a guy, Jared. Surprisingly, Jared Fogol not making it in a new poll of which celebrities are the most over exposed. Michael Musto will join us to rate the stars that did make it. That's next on COUNTDOWN.

STEWART: In the future there will be a special island for exposed celebrities. It will be remote, of course, and will have no communication with the outside world. Well, think of it as a celebrity time out and they won't be allowed back until we are ready. And then we woke up from this lovely dream and found our number one story on the COUNTDOWN, shameless celebrities who are fame gluttons and thereby have landed squarely on Forbes list of most over exposed celebrities.

As you might guess, talent bears little relation to ranking. Witness Kevin Federline, who lands at number three, even though his album bombed and it looks like a little K-Fed goes a long way. This is all based on a poll, so you know we're talking scientific here, people.

There's Sanjaya, who came in at number 11 on the over exposed list, really quite an achievement. So much cheese-ballness and so little time.

No surprise that former pals Britney Spears and Paris Hilton are one and two respectively, especially since both celebrities have literally over exposed from time to time. So this would be the point that anyone under four feet who isn't drinking age should leave the room, because when the conversation turns to over

For May 11, 2007 MSNBC May 11, 2007 Friday

exposure and my sassy friend Michael Musto joins the conversation, who knows what could be said. Hi Michael.

MICHAEL MUSTO, "VILLAGE VOICE": Hi Allison.

STEWART: So Brittany and Paris make it into the top two. No brainer?

MUSTO: Yes, I know the lives and habits and bodies of those two better than my own. They are followed more than bin-Laden. Every time I hear their name one more time, I want to beat up a hooker for some reason. Enough.

STEWART: Well let me ask you this – we're speaking about no brainers, literally and figuratively here – what's more intriguing, Britney Spears with no hair, Paris Hilton no brain?

MUSTO: Well, that implies that Britney has a brain. But in any case, I think Britney with her hair off is literally more exposed, her scalp, anyway, than Paris, especially since Paris is heading to slammer, where she'll only be seen by her lesbian roommates. I think for the next 45 days Britney is definitely the scary one who's out there and really to be feared, especially on the road.

STEWART: Michael Jackson is at number seven. Sanjaya at number 11, your thoughts?

MUSTO: Well, Sanjaya's 11 years old, by the way, which makes him about the age for Michael Jackson. No, this proves that even a national punch line on the top rated reality show is not as interesting to the press as a has been whack job with two blow holes. Sanjaya's hair designs were cute, but not nearly as fascinating as Michael Jackson's facial designs, which are constantly changing, or Britney Spears' no hair design. Sanjaya should cut it off, maybe he has.

STEWART: To be continued, I guess. Howard K. Stern is on the list. He even beats out the other Howard Stern by four percentage points.

MUSTO: The K was all the difference.

STEWART: Is that what it is? It's all about the K?

MUSTO: Yes, Paris K. Hilton would be huge.

STEWART: Understand, Sanjaya K. Sanjaya. You know, it's been kind of a bad year for Howard K. You know, is he responsible for his over exposure or is he just a poor lamb in the storm?

MUSTO: Oh, he's awful. He had a terrible year. I'm the father. I'm the father. Oh, I'm not the father. Can I still have the money? This guy cried at two funerals in a row, using prescriptions as kleenex. He's sickening.

STEWART: He really rushes you out, huh?

MUSTO: No, I like the guy. I'd meet with him to get some of the money.

STEWART: Well, good luck with that. Lindsey Lohan is number six. She was really cute in "Freaky Friday," and now she is just freaky. Why?

MUSTO: Well, it's Friday, by the way, Allison, so she's extra freaky today. But I actually like her as a movie star. I think she is a tremendous actress and personality. But it is kind of weird to have somebody practically entering rehab in diapers and emerging main lining crack while her mother's trying to get her on a reality show. I mean, this is sad. Keep her away from Howard K. Stern.

STEWART: Did you see at all her and Martha Stewart this morning, when Martha Stewart she was giving her what for being a party girl?

MUSTO: I'm so sorry to admit this, but yes I did. And I think they're both headed back to the slammer.

For May 11, 2007 MSNBC May 11, 2007 Friday

STEWART: It was fantastic.

MUSTO: It was amazing. They had great rapport. Lindsey's a great star. I'm telling you. She's just also a great mess.

STEWART: Lindsey looked like she was sent to her Great Aunt Martha's house and just could not wait to get out of their.

MUSTO: I went to college. I'm glad I'm watching all this crap TV.

STEWART: Exactly, right. Now, in between the battle between Donald Trump and Rosie O'Donnell, both on the list, by the way. Trump is at number eight on the over exposed list. Rosie is at 14. So who exactly is the winner out of that?

MUSTO: Well, I didn't realize those were two different people. But I think the Donald definitely wins. His motor mouth takes precedent. He does not allow people like Rosie does, like she has Joy Behar chiming in every two seconds with a wise crack. Donald does not allow any competition. So he wins. It's basically Godzilla versus King Kong though. But Godzilla wins.

STEWART: Don't we the media and gossip officianados like yourself bear some responsibility for the over exposure of these poor people.

MUSTO: I was afraid you would say that, but guilty as charged. Gossips like me, Allison, love to report on young, sexy, interesting people, the same ones over and over again. What do you want? Doris Roberts denture watch? No, no, no, you want Paris Hilton genital search and that is what we give you.

STEWART: All right, five seconds left, who was not on the list who should be, Michael?

MUSTO: Oh, Kelly Ripa, Ryan Seacrest, Sarah Jessica Parker. But I hate to even name them, because I'm giving them more press and making them more over exposed.

STEWART: That's for next year.

MUSTO: Me too. Get me out of here before I become over exposed.

STEWART: Michael Musto of the "Village Voice," never too of "La Dolce Musto," the name of his book by the way. Thanks for joining us. That's it for the TGIF edition of COUNTDOWN. I'm Allison Stewart, in for Keith Olbermann. Have a great weekend.

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'The Man Who Conned The Pentagon' National Public Radio (NPR) December 19, 2009 Saturday

RAZ: Why do you think Dennis Montgomery was ultimately believed? I mean, was it the atmosphere of the times? The sort of deep fear and concern that terrorists would strike again or was it pure carelessness by folks at the CIA and Homeland Security and other government agencies?

Mr. ROSTON: It's always so hard. You know, I wrote a book about Ben Ahmad Chalabi and it's sort of hard to figure out why he was believed so much. I think it's mainly because he offered an easy solution. If you go to somebody in government and say, listen, I've got a secret technology that can solve your terror problems right now and tell you exactly what al-Qaida's thinking, you know, a lot of people will say, well, I can't ignore that. That sounds great. That sounds perfect. That's what I think it was.

RAZ: That's investigative reporter Aram Roston. His article, "The Man who Conned the Pentagon," can be found in the new issue of Playboy, which you might be surprised to know has great articles.

Aram Roston, thanks so much.

Mr. ROSTON: Thank you, Guy.

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6 of 7 DOCUMENTS

Reno Gazette-Journal (Nevada)

August 4, 2007 Saturday
Final Edition

eTrepid court documents unsealed

BYLINE: MARTHA BELLISLE mbellisle@rgj.com

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In a statement unsealed by the court Friday, former eTrepid software designer Dennis Montgomery said his special technology has been used to thwart or warn of terrorist attacks around the world.

But company owner Warren Treppe tried to halt the use of the life-saving technology in order to get more money from the government, the documents said.

His software helped stop the terrorist plan to blow up jetliners leaving London for the U.S. in August 2006, and helped lead to the U.S. airstrike in Iraq that killed al-Qaida leader Abu Musab al-Zarqawi last year, Montgomery said in the declaration made Oct. 30 and unsealed Friday.

eTreppid court documents unsealed Reno Gazette-Journal (Nevada) August 4, 2007 Saturday

But while working at eTreppid two years ago, "Trepp told me that the government had appropriated \$100 million for the 'decoding technology,' but he was demanding \$500 million," Montgomery said.

"Trepp instructed me to stop processing (redacted words) 'output' on two occasions ..." Montgomery said. He said he refused "on both National Security grounds" and because he was not being paid what Trepp had promised. The dispute led to his departure from the company in January 2006.

"Since then, I have given the highest levels of our government vital national security information free of charge while Trepp and his government cronies have raided my home and storage and tried to get me indicted," Montgomery said.

Among the officials loyal to Trepp, he said, was Gov. Jim Gibbons. He said Gibbons, while in Congress, "admitted" that he "made phone calls" to the U.S. Attorney's office in Nevada and the Reno FBI and instigated the raid on Montgomery's home in search of source code. The raid was later ruled unconstitutional.

Gibbons has flatly denied these claims, saying they are "the same old fabrication" Montgomery made up when he first filed suit against eTreppid last year.

Former U.S. Attorney Daniel Bogden, who was among the federal prosecutors fired in a purge being investigated by Congress, agreed that the allegations are "erroneous."

"It didn't happen with our office," he said. "Then-Congressman Gibbons has never called me. And Gov. Gibbons has never called me. In fact, no one from Congress has ever called us and requested that we do an investigation. It just didn't happen."

Gibbons is the target of a federal investigation into whether he used his position in Congress to help secure lucrative defense contracts for Trepp in exchange for gifts, money, casino chips and a Caribbean cruise, charges both men deny.

Trepp lawyer Stephen Peek said the statements in Montgomery's unsealed declaration about Trepp wanting Montgomery to stop his work while they held out for more money are "absolutely untrue."

"Mr. Montgomery will do or say anything without any respect for the truth," Peek said Friday. "The allegations and statements of Dennis Montgomery are absolutely false."

Unsealing court records

Trepp and Montgomery remain locked in a legal battle in federal court over the software – with Montgomery saying he was duped out of funds while a contractor for eTreppid, and Trepp saying Montgomery stole the source code for the valuable technology.

The details of Montgomery's work were kept under seal since last year over concerns about national security. But in April, U.S. District Judge Philip Pro said he wanted the material released to the public after defense department officials reviewed documents and blacked out sensitive information.

Montgomery's declaration is one of many documents expected to be unsealed in the near future.

In his statement, he said he has developed software that has a variety of applications, from recognizing patterns to compressing data. The software he brought to eTreppid, he said, was designed for casino surveillance.

From his base software, he said he created programs that have been used in "top secret" military operations. He cited a number of cases as proof that he owns this technology exclusively and said he wants depositions from the officials involved to support his claims.

When he detected the London threat, he said he "gave the appropriate authorities within the U.S.

eTrepid court documents unsealed Reno Gazette-Journal (Nevada) August 4, 2007 Saturday

government accurate and very specific intelligence regarding this terrorist plot" weeks before the arrests by London authorities. He wasn't paid for this work, he said.

In the search for al-Qaida in 2003, Montgomery said he worked with the U.S. Special Operations Command at MacDill Air Force Base in Florida. They used his software on the unmanned aircraft, Predator, "to detect and track specific al-Qaida operatives 'in the field,' including al Zarquawi."

He said they focused on "specific objects and people in 'real time'" and said their targets were "positively identified."

He said he was told by officials "that the results from my 'output' were included in regular briefings to the President."

On several occasions, he said, officials did not act quickly enough to make a difference.

In October 2003, he said he broke an encryption and gave information to officials that an attack likely was in Saudi Arabia. On Nov. 8, 2003, the U.S. State Department issued a warning hours before a suicide attack at a complex, he said.

"I was later told (redacted words) that 'we' had either failed to follow through quickly enough or that the Saudis had failed to act," he said. "But I have always questioned why the State Department made an urgent public warning just hours before the attack when (redacted word) knew at least 10 days before the attack?"

He also warned of an imminent threat at a military base in Iraq in 2004, he said. The warnings went unheeded, and on Dec. 24, 2004, "a suicide bomber detonated a device on the base killing over 20 people."

UNSEALED FILES

Montgomery said his software was used by the military in the following actions, programs or terrorist threats:

The U.S. air strikes northeast of Baghdad that killed al-Qaida leader Abu Musab al-Zarqawi and seven aides in June 2006.

The thwarted plan in August 2006 to blow up airliners flying from London to the United States.

Tested for use with the Predator Project by the U.S. Air Force "" allowing the unmanned airplane to "detect and track objects inside streaming video."

Identified the Nov. 8, 2003, suicide bomber that struck a complex in Saudi Arabia "" the U.S. State Department issued "an urgent warning" before the attack, but officials said the Saudi's "had failed to act."

Warned of a possible attack at a U.S. military base in Mosul, Iraq, in December 2004, but despite his warning, "a suicide bomber detonated a device on the base killing over 20 people."

Tested by the U.S. Navy and found to successfully detect a submarine under water.

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They've got muck; we've got rakes. TPM Muckraker

Gibbons Accuser Called "Pathological Liar"

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By Paul Kiel Published November 7, 2007, 3:27 PM EST Like 0

Remember Nevada Gov. Jim Gibbons (R)? Friend of defense contractors and foe to cocktail waitresses?

Prosecutors convened a grand jury this spring in Washington, DC to investigate whether Gibbons had accepted bribes from defense contractor Warren Trepp. Things have been pretty quiet since then, but last week, *The Las Vegas Review-Journal* reported that prosecutors had subpoenaed their first witness to testify to the grand jury.

The witness is Michael Flynn, the lawyer who used to represent Dennis Montgomery, Trepp's former business partner who has been the source of the accusations against Gibbons. In a lawsuit against Trepp and in an interview with NBC news, Montgomery laid it all out: he'd seen Trepp pass more than \$100,000 in cash and poker chips to Gibbons. There was even an old fashioned briefcase full of cash in the mix. Trepp gave Gibbons the chips, Montgomery said, during a cruise (see picture below). He also produced an email from Trepp to his wife allegedly sent before the cruise, where he responded to his wife's request of "Please don't forget to bring the money you promised Jim and Dawn [Gibbons' wife]," with "Don't you ever send this kind of message to me! Erase this message from your computer right now!"



But it gets muckier. Flynn, who represented Montgomery on the copyright lawsuit against Trepp, says that Montgomery quit paying his bills this spring. So he withdrew from the case. And now he's suing Montgomery for the money -- and saying in a recent filing that his former client is a "pathological liar."

Or as he put it:

"Montgomery has told me so many different lies about so many things, it is virtually impossible to determine the 'true facts,' let alone what parts of his statements are outright false, partially false, misleading or have grains of truth..."

"He is a perfect example of the principle that if you tell a big enough lie, people will believe you."

That threatens to put somewhat of a damper on the government's case -- for their potential star witness to be called a "pathological liar." However, Flynn, walking the finest of lines, says that he doesn't doubt Montgomery's accusations of bribery, saying that Montgomery participated in the bribery himself. All this is likely to make Flynn's testimony before the grand jury rather interesting.

Trepp's attorney, somewhat optimistically, says he thinks the investigation is actually of *Montgomery* for being such a big fat liar, not Gibbons and Trepp. More likely, prosecutors are investigating whether Trepp's gifts led to the more than \$100 million in defense contracts for software, which Flynn calls junk -- and whether their case can hold up.

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November 3, 2008

Governor of Nevada Is Cleared in an Inquiry on Gifts, His Lawyer Says

By [RANDAL C. ARCHIBOLD](#)

Gov. [Jim Gibbons](#) of [Nevada](#) has been cleared by the Justice Department of any wrongdoing in connection with an inquiry into whether he helped a friend win military contracts in exchange for gifts, Mr. Gibbons's lawyer said.

The lawyer, [Abbe D. Lowell](#), said the lead prosecutor in the case informed him on Friday that no charges would be filed and that the investigation, related to Mr. Gibbons's work as a congressman before he was elected governor in 2006, had been closed.

A Justice Department spokeswoman, Laura Sweeney, said the department would not comment.

Mr. Lowell said that Mr. Gibbons, a Republican whose first term as governor has been dogged by legal, political and personal troubles, would make a statement on Monday.

The investigation spanned 18 months, Mr. Lowell said, and began when a former staff member of a technology company run by a friend of the governor made accusations of influence peddling.

The former staff member, Dennis Montgomery, told news media outlets that his boss, Warren Trepp, the owner of eTreppid Technologies, had given Mr. Gibbons money, casino chips and a Caribbean cruise to help eTreppid win military contracts.

Mr. Lowell called the accusations "ridiculous" and "hogwash" and said, "The governor does not even gamble."

"Neither the governor nor I," Mr. Lowell added, "have any problem with the Justice Department having to investigate allegations, even if they are crazy, because he is a high-ranking public official and he knows the world he lives in.

"They handled it in a way and a speed that was up to them. Though we wish it were sooner, they came to the right conclusion."

Mr. Lowell said Mr. Gibbons had cooperated in the investigation and in recent months had been interviewed by [Federal Bureau of Investigation](#) agents.

The investigation, Mr. Lowell said, might have been slowed by a civil lawsuit between Mr. Montgomery and eTrepid, which was settled last month.

Blxware LLC, the company where Mr. Montgomery now works, said the terms of the settlement were confidential, but the company, based in Bellevue, Wash., disclosed that the agreement included a payment to Mr. Trepp as “compensation for certain allegations” made against him in the news media. Blxware was a party in the lawsuit.

The closing of the investigation provides welcome news to Mr. Gibbons in a trying period.

A former cocktail waitress filed a lawsuit against him last month, alleging that he pushed her and threatened to rape her after a night of drinking in Las Vegas just before the November 2006 election. Mr. Gibbons denied the accusation, and criminal charges were not filed.

Mr. Gibbons, 63, and his wife, Dawn, 54, began divorce proceedings this year after 22 years of marriage. The news media in Nevada have made much of her accusation of adultery and the disclosure of hundreds of [text messages](#) he sent to a woman he has said was a friend but who Ms. Gibbons’s lawyers suggest was a mistress.

A state employee filed a lawsuit last month claiming that she was removed from her post on the belief that she had leaked the messages.

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NeV. governor may sue accuser over federal probe

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By Brendan Riley, Associated Press Writer

CARSON CITY, Nev. — Nevada Gov. Jim Gibbons, cleared by the Justice Department in a corruption investigation that clouded half of his first term, said Monday his "thoughts remain open" to suing the person whose accusations led to the probe.

The investigation of the former Republican congressman involved claims that he improperly received gifts from a software company that received military contracts while he was in Congress.

The allegations proved to be "baseless, and there's not a shred of evidence that I did anything wrong," Gibbons said at a news conference.

"This certainly took a lot longer than I wanted to be resolved. I wish it would have been resolved a year ago, two years ago," he said. "But this is good news, and it doesn't matter to me when the good news comes, even a day before an election."

His attorney, Abbe Lowell, of Washington, said Sunday that the Justice Department told him Gibbons wouldn't be charged. A law enforcement official close to the case, who spoke anonymously because authorities never officially acknowledged the probe, confirmed the substance of Lowell's statement.

Gibbons, who was elected governor in 2006 after five terms in Congress, had steadfastly denied any wrongdoing despite claims by Dennis Montgomery that eTreppid Technologies LLC founder Warren Trepp lavished Gibbons with money and a Caribbean cruise in exchange for help winning contracts for his company.

Montgomery's credibility was put in doubt after a computer expert questioned the authenticity of e-mails Montgomery claimed proved Gibbons was accepting gifts.

Gibbons said defending himself against the allegations cost about \$200,000 in legal fees. He had to solicit contributions to help cover those costs.

Asked if he would consider suing Montgomery now that the Justice Department and FBI have ended the investigation, Gibbons said: "You know, some days you're harmed and the doors to the courthouse should remain open. And let me say that my thoughts remain open."

An attorney for Montgomery, Mark Gunderson in Reno, didn't return a call seeking comment Monday.

The governor said he had been the target of "bogus charges trumped up by certain biased individuals," mentioning the eTreppid case as well as a claim by a state Democratic Party official that he pressured a county assessor to get an unwarranted property tax break.

A state Ethics Commission panel concluded in September that there was no evidence to support the tax break claim.

Along with the federal investigation, Gibbons has seen his approval ratings drop following a budget crunch, a messy divorce that is still pending and lawsuits involving his private and public activities.

Gibbons still faces a lawsuit from a woman claiming he threatened to rape her. He's also being sued by a government staffer who claimed she was forced from her job because he thought she was leaking information about his personal use of a state cell phone.

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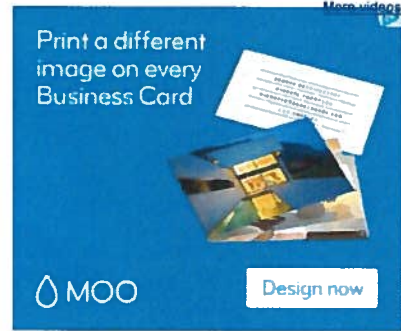


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Nevada company's troubles entangle Gibbons, federal government

June 7, 2009 - 10:00pm

In a virtual world, all things are possible.

A brilliant programmer designs an innovative application with unlimited potential. He finds a deep-pocketed benefactor and boss who just happens to have a buddy in Congress who is also a true believer. The congressman helps convince others that the software might play a key role in the war on terror. Millions of federal research and development dollars flow and, when officials show up to see the application tested, success is just a keystroke away.

The real world is a lot messier.

Former co-workers tell federal investigators that among other things, designer Dennis Montgomery was an overbearing boss with a gambling problem. He also tried to dupe potential investors by manipulating demonstrations of technology to help drones such as the Predator find images on a battlefield, they say.

When things started to sour, Warren Trepp, a multimillionaire with an influential friend, sued his former employee Montgomery, who responded in kind. Jim Gibbons left Congress for a successful 2006 campaign for Nevada governor -- financed in part by \$100,000 from Trepp or his companies -- but was sullied by bribery allegations and other equally curious situations.

At the center of this real-world story, however, is the software and its lofty national security promises.

Software that didn't work.

ALLEGATIONS OF DECEPTION

Warren Trepp and Dennis Montgomery could not have been more different. Trepp earned his fortune as a well-known trader with connections to Michael Milken, the junk bond king turned philanthropist who pleaded guilty to securities fraud after a massive insider trading scandal erupted in the 1980s. At the time, Trepp was Milken's chief trader in Beverly Hills for Drexel Burnham Lambert.

Trepp was never criminally charged in the financial scandal, but did contribute \$19 million to a settlement stemming from the bond market collapse.

Montgomery, a tech-savvy, self-described scientist, was born in Mena, Ark., about 100 miles west of Little Rock. He attended Grossmont College in El Cajon, Calif., in the early 1970s and studied to be a biomedical technician.

Trepp and Montgomery, now in their late-50s, met through a mutual friend in the late 1990s after Trepp had moved to Incline Village, a wealthy enclave on the north shore of Lake Tahoe.

Trepp was interested in Montgomery's compression technology, which could shrink large amounts of data for better storage and sharing. Montgomery set up a demonstration for Trepp, using the software to highlight images in the 1939 black-and-white movie "Gunga Din."

3/31/2015

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At the time of Montgomery's demonstration, Hollywood applications for the software appeared promising. By highlighting images in old films, film editors could scan movies to remove props like cigarettes or more easily colorize the entire film.

Trepp, during one court hearing, described how Montgomery had dazzled him with the "Gunga Din" demo: "Basically, in front of me, (Montgomery) showed me how he could colorize it by identifying a jacket on a person running up a valley."

In 1998, the two men formed a Reno-based company that would become eTreppid. Trepp put up a substantial amount of the capital, and Montgomery ran the day-to-day operations as chief technical officer, getting \$1.3 million for his software and 50 percent ownership.

It took four years, but eTreppid received its first big contract in 2002 from General Electric, which planned to use the company's video compression technology in GE's security and surveillance division for the gaming industry.

The military soon became intrigued, and a bigger payday was coming.

Battlefield applications had as much potential as any Hollywood use, if not more so. For instance, soldiers using the software could view footage from a battlefield to locate improvised explosive devices or even wanted fugitives.

In 2003, eTreppid gave demonstrations to the military in Nevada and Washington, D.C., and the U.S. Special Operations Command at Fort Bragg, N.C., awarded the firm a contract to develop its automatic target recognition software.

In July 2004, Gibbons, then a congressman, announced that eTreppid had been awarded a \$3 million contract for the product. That same year, the Special Operations Command revealed it had granted eTreppid a no-bid contract with a potential maximum value of \$30 million.

The military was buying the software "to test," to see if it would work.

From the outside, it appeared eTreppid's star was ascending. But for Montgomery, another story was unfolding.

Some in the company doubted his abilities; his reach exceeded his grasp, they said. He had personal problems, financial problems.

And, according to court records, ethical problems.

During software demos, Montgomery ordered employees to manipulate exhibitions in front of potential investors, two employees claimed. During these demonstrations, the software appeared to identify targets independently, but in essence there was a man behind the curtain.

An eTreppid designer, Jesse Anderson, told federal agents that Montgomery instructed him to monitor a remote computer screen displaying the same images being watched by investors. Anderson was to hit the "A" key on his keyboard whenever a specific target, in this case a bazooka, came into view.

The investors never knew what was going on, Anderson said.

He told federal agents that he repeated this during 40 demonstrations, according to an investigative report by the U.S. Air Force. Anderson said he finally balked in the fall of 2005 when he learned officials from the Department of Homeland Security were coming to check out the software.

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Anderson no longer works for eTrepid, and declined comment for this story.

Another eTrepid employee, James Bauder, gave investigators a similar account. He said that during the summer of 2003, Montgomery called him into an office and told him to shut the door and close the blinds.

In this room, out of view of clients, Montgomery instructed Bauder to hit a "space bar" on a keyboard whenever Bauder heard a tone on his phone, the report states. Montgomery then went into a field behind the company headquarters for the demonstration, holding a bazooka while the clients sat in a warehouse watching a laptop computer.

With a camera trained on the bazooka, Montgomery sent Bauder a cell phone tone, and Bauder hit the space bar, the report states.

Bauder told investigators that he was unsure what hitting the space bar did, but he believed it highlighted the bazooka in the laptop display. He said he thought Montgomery was using "trickery" during the demonstration.

Bauder said he knew better than to inquire about it because "if you questioned (Montgomery) you were eventually fired," the report states.

Bauder no longer works for eTrepid, and did not return phone messages left at his home.

Authorities said Trepp had no knowledge of the demonstrations.

Montgomery would not comment for this story, and Ellyn Garofalo, one of his attorneys, wouldn't discuss the matter in detail.

"I would be very careful because something said in a (court) filing is not necessarily true," she cautioned. "I would suggest you check your facts."

CONCERNS AND INVESTIGATIONS

Anderson and Bauder weren't the only eTrepid employees with concerns about Montgomery.

Sloan Venables, a computer security officer for eTrepid, had known Montgomery since 1999 and, according to the federal report, called him "nuts and a compulsive liar."

Venables told investigators that Montgomery's boasts of his technical know-how went beyond his abilities. This was reinforced when he discovered Montgomery's work station didn't even have the necessary applications installed to develop source codes, the report said. And Trepp himself accused Montgomery of owing more than \$300,000 to various casinos.

The breaking point came in late 2005, when Montgomery is alleged to have stolen "source codes" from eTrepid.

The codes -- the written computer programming language that makes up software commonly stored as text files in databases -- were the backbone of the technology. Without the source code, software production ceased. As a result, Trepp stated in court papers, the company lost \$6,000 to \$10,000 a day in wages and other costs.

Montgomery was fired effective Jan. 20, 2006, and his alleged theft sparked dueling lawsuits over the software's ownership. For more than two years, Trepp and Montgomery lobbed grenades in court papers, each claiming to be the rightful owner.

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And because the software was being tested for the military, the federal government entered the fray. In February 2006, the FBI opened an economic espionage and theft of intellectual property investigation.

The U.S. Air Force office of Special Investigations also joined in. Special agents interviewed current and former eTrepid employees and delved into Montgomery's life.

In March 2006, FBI agents served a search warrant on Montgomery's house in Reno. During that search, Montgomery berated agents and became "visibly upset" because he feared the FBI would trash his house and look at personal items, according to a statement by FBI agent Mike West filed in federal court.

At one point during the search, agents told Montgomery he wouldn't be allowed to go inside the house because he was disruptive. His attorney, Eric Pulver, who was present during the search, told agents they were being "very courteous" to Montgomery, according to West's statement.

Among the items seized were computer discs, an HP laptop and more than 500 tablets of prescription drugs from India, found in a shoebox. The drugs included Valium, muscle relaxants and sleep aids, and, according to the search warrant results, Montgomery didn't have a prescription for them.

DISPUTE ENTANGLES GIBBONS

The legal dispute between Trepp and Montgomery quickly enveloped one of Nevada's top officials. In November 2006, during the heated gubernatorial election, the Wall Street Journal published a front-page story suggesting Gibbons inappropriately steered millions in federal contracts to eTrepid.

As a member of the House Intelligence and Armed Services committees, Gibbons helped company staff meet military officials in Washington, D.C., and Reno. Gibbons' and Trepp's friendship spans two decades, from a fundraiser both attended.

While the company wanted federal money, Gibbons said he wanted the best technology to fight the war on terror and to bring high-paying technology jobs to Nevada. Sen. Harry Reid, D-Nev., and former Republican Rep. Jon Porter, R-Nev., also sought funding for eTrepid.

In 2005, Trepp had hosted Gibbons, his wife Dawn and their high school-aged son Jimmy on a star-studded, weeklong Caribbean cruise that included actor Patrick Swayze.

Montgomery's lawsuit accused Trepp of giving Gibbons casino chips and a suitcase with \$100,000 in it during the cruise.

Montgomery also accused Gibbons of influencing then-Nevada U.S. Attorney Daniel Bogden to authorize the raid on Montgomery's house.

Those and other allegations sparked a U.S. Justice Department investigation that would distract Gibbons for much of his first year as governor. He hired high-profile white-collar lawyer Abbe Lowell to represent him.

Gibbons eventually spent more than \$250,000 in legal fees in 2007 fighting this case and others, including accusations that he assaulted a woman, Chrissy Mazzeo, in a Las Vegas parking garage.

Last year, the Justice Department cleared Gibbons of any wrongdoing involving eTrepid. Police did not bring charges on Mazzeo's allegations, and she has since filed a civil suit.

Gibbons declined comment on whether he regretted helping eTrepid obtain military contracts. He said through a spokesman only that the matter is a civil dispute between Montgomery and Trepp.

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The FBI raid on Montgomery's home drew criticism from a federal magistrate, who said it was performed in "callous disregard" of his Fourth Amendment rights, and that the agency had become an "unwitting pawn" in the civil lawsuit. The FBI disagreed, and agent West recently said the investigation was thorough and objective.

Montgomery was not charged and, despite the rancor, the three-year civil war ended quietly.

In September 2008, eTreppid and Montgomery's new employer, Blxware LLC in Bellevue, Wash., announced a confidential settlement regarding the software. Under the agreement, Blxware gained ownership of the technology but would pay eTreppid a percentage of some sales. Blxware's owner, Edra Blixseth, is co-owner of the Yellowstone Club, a resort for the ultra-rich in Montana.

A portion of the settlement for Trepp was compensation for "certain allegations made against Trepp in print and electronic media," according to the announcement. And Trepp said he was pleased with the outcome.

Stephen Peek, an attorney representing Trepp, said the company still believes in the software and that demonstration manipulation "only involved one small test."

Peek said Montgomery wasn't its sole architect: "There were other mathematicians and other developers who worked on developing and writing it. We always wanted our source code and believed in the source code."

Montgomery, now chief scientist for Blxware, is enthusiastic about the technology's future: "With this matter resolved, the media compression solution we provide can now reach its full value potential across a number of industry segments."

If that's the case, then the future will have to be different than the past.

Ken McGraw, a spokesman for U.S. Special Operations Command, said after the government awarded the contract "to test," the results were less than stellar.

"It had multiple parts," McGraw said in an interview. "But only one part worked."

And Capt. Wes Tice, another Special Operations Command official, said in an e-mail that the software "did not function the way it was supposed to."

McGraw said recently that the military contract with eTreppid expired Feb. 12, 2009, and will not be renewed. In all, the company received \$9.6 million.

A General Electric spokeswoman, Michelle May, said her company hadn't used the software for some time, and had entered into an agreement with a different firm.

May said GE was looking for a "more capable" product.

Contact reporter David Kihara at dkihara@reviewjournal.com or 702-380-1039.

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WHAT'S NEW IN THE NEW WEST New from August Publications: One More Ride

Home » Rockies » Montana » Western Montana » Bozeman » Yellowstone Club Chronicles: The Edra Blixeth Bankruptcy

The Yellowstone Club bankruptcy may be all but over, but lest the lawyers - or the journalists for that matter - worry that they'll be out of work, we now have what might be called Yellowstone Club 2: The Edra Blixeth Bankruptcy. Like the original Yellowstone Club case, this is anything but a normal bankruptcy proceeding, with Edra Blixeth initially filing a Chapter 11 bankruptcy that showed personal debts of more than \$500 million. Earlier this month, Judge Ralph B. Kircher - the same federal bankruptcy judge who heard the Yellowstone Club case - converted her Chapter 11 filing to a Chapter 7 liquidation - a decision Blixeth is now trying to get reversed. In a court filing late last week, Edra Blixeth outlined how she hoped to reorganize her affairs and get people paid, namely by developing (and then selling) her Porcupine Creek estate in Palm Springs as a residential golf club, reviving her highly controversial software company, Blxware, and pursuing legal claims against her ex-husband Tim and others. (A PDF of her affidavit is here). On Thursday, Tim Blixeth fired back in spectacular fashion, filing a court declaration that lays out in great detail his argument that his ex-wife's wild spending and "dishonest tactics" were actually the cause of all the problems. (PDF here) The affidavit offers lurid details of Edra's alleged excesses - including a supposed "divorce celebration" party which cost \$90,000 and included "invitations in the shape of a parking meter which, when opened, revealed my face and read 'your time has expired'."

YELLOWSTONE CLUB CHRONICLES: THE EDRA BLIXETH BANKRUPTCY

Posted by: Jonathan Weber June 12, 2009 In Bozeman, Development, Missoula, The Story of the Yellowstone Club 0 Comments

The Yellowstone Club bankruptcy may be all but over, but lest the lawyers - or the journalists for that matter - worry that they'll be out of work, we now have what might be called Yellowstone Club 2: The Edra Blixeth Bankruptcy.

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In a court filing late last week, Edra Blixeth outlined how she hoped to reorganize her affairs and get people paid, namely by developing (and then selling) her Porcupine Creek estate in Palm Springs as a residential golf club, reviving her highly controversial software company, Blxware, and pursuing legal claims against her ex-husband Tim and others. (A PDF of her affidavit is here).

On Thursday, Tim Blixeth fired back in spectacular fashion, filing a court declaration that lays out in great detail his argument that his ex-wife's wild spending and "dishonest tactics" were actually the cause of all the problems. (PDF here) The affidavit offers lurid details of Edra's alleged excesses - including a supposed "divorce celebration" party which cost \$90,000 and included "invitations in the shape of a parking meter which, when opened, revealed my face and read 'your time has expired'."

More substantively, Tim Blixeth in the declaration rejects in great detail the notion that Edra had been kept in the dark about the club's - and the couple's - financial affairs, and accuses her of sabotaging an earlier deal to sell the club to Sam Byrne, the CrossHarbor Capital principal who eventually gained ownership of the club in the bankruptcy. It also advances the allegation - also made repeatedly by Credit Suisse in the Yellowstone Club case but consistently rejected by the Judge - that the bankruptcy was a plot by Byrne and Edra to get the club on the cheap. Her motive, he says, was to ruin him - the same motive that she attributes to him.

Tim Blixeth also says that the reorganization plan Edra proposes will not yield the best recovery for creditors - dismissing as not viable her plans for Porcupine Creek, discussing in great detail why the software company was allegedly a fraud and will yield no value, and arguing why her various other claims, including the ones against him relating to the divorce settlement, are not valid.

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Edra Blixeth, for her part, says a reorganization will yield between \$131 million and \$176 million more than an abrupt liquidation of her assets, which in addition to the Porcupine Creek estate and the software company also include choice property at the Yellowstone Club. But even without Tim Blixeth's allegations, she faces numerous obstacles in getting Kirscher to reverse his decision to hand everything over to a court-appointed Chapter 7 Trustee.

The judge, in converting the case, was quite critical of some of Edra Blixeth's actions, especially her failure to protect key assets (mostly real estate and cars) with appropriate insurance. She argues that the Yellowstone Club bankruptcy effectively prevented her from tending diligently to her personal bankruptcy, but as one of her most aggressive creditors, Western Capital of Colorado, points out in its opposition to her plan, the Yellowstone Club case certainly had plenty of lawyers on hand.

Even in a case involving an incredibly tangled web of big-dollar loans from a wide variety of institutions, numerous properties in the U.S. and abroad, and a host of issues relating to the divorce settlement and how money from the Credit Suisse loan flowed, the Blixware situation stands out as the most convoluted. To keep a very long story short: Blixware was founded by Edra and a software developer named Dennis Montgomery in 2006 after Montgomery had a falling out with his previous partner, the well-connected Nevada businessman Warren Trepp. Blixware's key product is software designed to recognize patterns and objects in video streams, and the company had obtained a government contract to develop it for national security applications.

But Trepp and Montgomery were engaged in an extraordinarily nasty legal battle, which included allegations that Trepp had bribed then-congressman and now Governor of Nevada Jim Gibbons to get the government contract (Trepp and Gibbons were later cleared). There was also an FBI raid on Montgomery's home and office that was later denounced as illegitimate in a scathing ruling from a federal judge. The litigation, which was fundamentally a dispute about ownership of the technology, was eventually settled last year, with Blixware and Blixeth and Montgomery agreeing to pay \$25 million to Trepp and his company, eTreppid Technologies. But the settlement payments were missed, and several weeks ago eTreppid seized computers and other assets from all-but-defunct Blixware's offices to satisfy that obligation.

Blixeth says in her court filing that if Blixware can just get its gear back from Trepp, it can finish its current Department of Defense contract and will then be in line for another long-term government contract. A story this week in the Las Vegas Review Journal repeats court allegations questioning the legitimacy of the technology, and quotes two government officials saying they are no longer interested in it (though it's possible that other government agencies might remain interested.) And Wachovia Bank this week filed suit in bankruptcy court alleging that \$8 million in loans it made to Blixware were obtained under false pretenses — i.e., that the litigation with Trepp was never disclosed — and thus the Blixware assets should not be entitled to bankruptcy court protection.

Montgomery's attorney through much of the Blixware litigation was none other than Michael Flynn, who now represents Tim Blixeth.

Flynn was the lead lawyer for Tim Blixeth in the bankruptcy court lawsuit in which the club and the creditors committee accused Blixeth and Credit Suisse of fraudulent transfer and breach of fiduciary connection with the infamous \$375 million loan to the club. Judge Kirscher issued a partial ruling against Credit Suisse, which led to a settlement in the main bankruptcy case and the sale of the club to CrossHarbor. On Thursday Kirscher issued a ruling re-opening the case against Tim — rejecting key aspects of his defense and making it clear that he was skeptical, but at the same time acknowledging that the fast-track trial created some issues and thus giving Tim Blixeth a chance to make further arguments.

And you thought the Yellowstone Club bankruptcy saga was over?

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bearbait says:
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Gertrude Stein on Edra: "There is no there, there."
Tim, however, is right in the stew where he thrives. It is never over for Tim, only for his "partners" or the people he has done "business" with. Sort of.
The saga will continue, and continue. Good students will graduate law school, pass the bar, and the saga will Energizer Bunny itself into the sunset sometime in the far, far, future.
It is not over until it is over. The Blixeth Cliche'

Yes we can't says:
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I suppose Edra also caused Mike Flynn and Tim to say they were bidding for the Yellowstone Club and the money was in the bank... but hang on that was after the divorce.
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Special Ed says:
June 21, 2009 at 3:00 am
I have read everything - That I can find and in all cases it is not only one persons fault. So on a positive note Edra, try and hang in there and some how what is ment to be will be. You know what really happened and you will have to own that the rest of your life. huggs

lowlife says:
June 27, 2009 at 7:41 am
Any word when Discovery Management will move in?

Pamela Joy Price says:
February 21, 2011 at 5:54 pm
I am mystified to this day about Ms Blixeth's role in "charities" in enabling well meaning charities work for her! While this is heresay I was told that she did a lot of her "shopping" at charity events -pilfering donations that "mysteriously" go missing. This I know for a fact because I had arranged a donation (to a luxury resort) which "went missing". I was politely asked to replace it.
I refused. How off that MS. B. showed up at this very same "luxury resort" few months later possibly claiming a stay and possibly paying for it with the same Gift Certificate that "Went Missing"? We may never know the truth- How this woman got away with all of the monetary manipulations we read about is a credit to her skill in evading financial responsibility and outsmarting the authorities- for the moment anyway. Her "performance" is remarkable

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NEWS / POLITICS / DEMOCRAT

Man that accused Governor Gibbons arrested

July 22, 2009

8:55 PM MST



Dennis Montgomery, the man who accused Nevada Governor Jim Gibbons of taking bribes has been arrested. Montgomery was arrested on July 16 near Palm Springs California. Clark County authorities issued a warrant for his arrest back in June, for allegedly passing around \$1 million worth of bad checks at Caesars Palace back in 2008. Montgomery a 56 year old software designer who sparked controversy along with a federal investigation into whether Gov. Gibbons took bribes.

In the warrant which alleges he spent a total on nine checks, among the nine checks was one for \$250,000. He now has to answer one count of obtaining money under false pretenses and one count of theft. Montgomery was able to post bail on Tuesday night and was subsequently released from the Robert Presley Detention Center in Riverside, California.



Dennis Montgomery

He is on the docket to be arraigned in a Las Vegas court on August 17th. He has not responded to e-mails or phone calls seeking a comment. Montgomery is a former chief technical officer for the Reno-based software company e Treppid. E Treppid is a company who has won military contracts for video compression and target recognition software.

During Gibbons reelection bid back in 2006, Montgomery accused the governor of accepting bribes from e Treppid, to help them secure the military contracts they were then awarded. Court papers showed that he alleged the governor took \$100,000 worth of casino chips and cash during a week long cruise in the Caribbean.

Later in 2007, the FBI opened an investigation into the bribe allegations. The Department of Justice also investigated the allegations and subsequently cleared the governor of any wrong doing. Reports of Montgomery having a gambling problem first surfaced back in 2006, after the federal government and the United States Air Force began investigating him as part of an investigation they were doing into economic espionage and intellectual property claims.

Warren Trepp, who is Montgomery's former business partner, told authorities back in 2006 that Montgomery borrowed somewhere north of \$1.3 million. The money was in part to pay off casino debts Montgomery had incurred in the amount of \$300,000. This is according to OSI, the Air Force's Office of Special Investigations. When Tripp made the allegations against Montgomery, the two were locked in a dispute over the ownership of e Treppid software that was being used by the military.

E Treppid was awarded a no-contract bid for a maximum value of \$30 million dollars for some of its software. The software was supposed to help unmanned drones, similar to the Predator drone find images on the battlefield. How ever the military never renewed the contract because they said the technology simply did not work.

For more information contact: Ruben Christopher, e-mail: ruben.christopher@gmail.com





Ruben Sarmiento

Clark County Liberal Examiner

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The man who conned the pentagon: Dennis Montgomery claimed he could intercept satellite transmissions being sent to Al Qaeda agents. for a while he had the U.S. government believing he was right. Playboy January 1, 2010

lawyer tells me the technology Montgomery claimed to have invented is an asset in the bankruptcy proceedings. "It'll be between the government authorities and Dennis," he says.

So in the end, was there ever any software designed by Montgomery? Sloan Venables and Jim Bauder say they doubt it. They shrug and laugh. "I never saw it," says Venables. But if it's all bogus, why is it still classified? And if Montgomery's claims have any truth, why can't anyone else find what he found? Did that \$100 million appropriation ever exist? And who will Dennis Montgomery reach out to with his next scheme?

"The aliens who stripped you naked—did they say which planet they were from?"

"Ours was okay. How did your office holiday party go?"

"It's been done."

LOAD-DATE: February 20, 2010

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5 of 7 DOCUMENTS

National Public Radio (NPR)

December 19, 2009 Saturday

SHOW: Weekend All Things Considered 7:00 PM EST NPR

'The Man Who Conned The Pentagon'

LENGTH: 1306 words

GUY RAZ, host:

Back during the Bush administration, officials like Defense Secretary Donald Rumsfeld often accused Al Jazeera of serving as al-Qaida's favorite TV station. That may explain how a man named Dennis Montgomery convinced the CIA that Al Jazeera was sending coded messages through its broadcast signal to al-Qaida operatives. And Montgomery claimed he had the computer software to break the code.

For several months starting in the fall of 2003, Montgomery's analysis led directly to national code orange security alerts and cancelled flights. The only problem: he was making it all up. And you and me, the taxpayers, well, we paid for it.

'The Man Who Conned The Pentagon' National Public Radio (NPR) December 19, 2009 Saturday

The story is told in the new issue of Playboy magazine. And the author, Aram Roston, joins me from our New York bureau.

Welcome to the program.

Mr. ARAM ROSTON (Author, "The Man who Conned the Pentagon"): Thank you, Guy.

RAZ: Let's start at the beginning. What was Dennis Montgomery claiming he could find in Al Jazeera's broadcasts?

Mr. ROSTON: First of all, let me point out it's still all classified. That said, what he was claiming to find were barcodes in essence. Sequences of information that he said then revealed the targets of intended terrorist attacks.

RAZ: Barcodes from a television signal?

Mr. ROSTON: Yeah. He said they were sort of embedded within the digital feed from Al Jazeera, so - and which is potentially technically possible, of course. You could sort of scramble the pixels in various ways. But he said he could decode all this and find these barcodes or sort of things like barcodes. And he said these translate into coordinates - latitudes or longitude, times, flight times, flight numbers - and those were terrorist targets, he claimed.

RAZ: Let's back up for a moment. How did Dennis Montgomery convince the CIA to give him business, because they gave him business? I mean, they actually put some money into this.

Mr. ROSTON: He was in business with another man, as the article describes, in a company called eTrepid. They were the initial contractor, although later, he would sell the same, or try to sell the same software through another company with another partner.

The first partner was a man named Warren Trepp. Now, people who are familiar with Michael Milken and the big scandal of the '80s, the Drexel Burnham scandal...

RAZ: The junk bonds.

Mr. ROSTON: ...the junk bonds scandals, exactly, they'll be familiar with Warren Trepp because he was Michael Milken's right-hand man in the junk bond schemes.

RAZ: And he was running this company that hired Dennis Montgomery and that company managed to get the contract with the CIA.

Mr. ROSTON: Exactly.

RAZ: You write about some of the code orange security alerts that came directly from Montgomery's so-called analysis of those al-Jazeera signals. Describe some of them.

Mr. ROSTON: On the 21st of December in 2003, there was this huge announcement - it was a Sunday. Everything seemed to be going fine that Christmas season, and then suddenly on that Sunday, Tom Ridge, the secretary of Homeland Security, made this announcement: we're going to orange alert - and nobody knew what it was.

Reporters, you know, investigative reporters and then people who cover the intelligence community and so forth, were all trying to gauge what was going on. They talked about was there chatter intercepts and informants and so forth. What it was was this guy's analysis or supposed analysis of al-Jazeera.

And people in the CIA, people who knew what they were talking about, were furious. Every quote I got from them was basically full of expletives. They were so upset. They were just losing it.

'The Man Who Conned The Pentagon' National Public Radio (NPR) December 19, 2009 Saturday

RAZ: But who believed him? I mean, who believed him there?

Mr. ROSTON: What happened was there was a particular division called science and technology, and they were the CIA's, you know, sort of high tech group. The ones that you often like in the movies - they make disguises and intercepts and special little gadgets. They were the ones that believed it. They were the ones that gave him the contract.

RAZ: And some of this data reached Frances Townsend, who was President George W. Bush's senior counterterrorism advisor.

Mr. ROSTON: Yeah. Well, what happened was sources told me she was chairing the meetings during this time that resulted from this stream of supposed intelligence. She was the one who President Bush appointed to oversee the response meetings - and she would hold them every day. And so I talked to her and she did admit she held those meetings. She agreed she held those meetings. She remember all the intelligence, she sort of laughed about it. She said, well, they had to take it seriously.

RAZ: Is it possible that the decision to announce a code orange alert in December of 2003 was based on additional intelligence but not just this information from Dennis Montgomery?

Mr. ROSTON: That's what some of them have said. They say this was part of it but not all of it. There were other concerns. But ex-CIA guys I talked to say that's not the case. They say this was it.

RAZ: How long did it take before the CIA found out the truth about Montgomery?

Mr. ROSTON: Some of them knew the truth about it all from the beginning. But eventually, what they did is parts of the CIA tried to recreate this. It was hard because nobody was being told exactly what it was, which was one of the secrets to its success, if you want to call it that. If you can never figure out what intelligence is, how do you knock it down?

They did it with the cooperation of the French intelligence services, I was told. The French were affected tremendously because of this Air France flight that was cancelled over and over and over again. Nobody was telling them why anybody was cancelling their flights. Eventually, the agency did tell them, and that's when this all came, they did some real analysis and found, you know, this isn't there. This was just irrational.

RAZ: So, what happened? Did the CIA just sort of drop all contacts with Montgomery or did they launch an investigation?

Mr. ROSTON: Well, that's sort of complex. He was under a federal investigation in 2006. So many agencies have touched on: the FBI, the U.S. Air Force, special investigations and others that it's unclear where he stands legally in all that. But he's not in good shape right now legally.

Caesar's in Vegas, they filed criminal charges against him. The county attorney in Clark County, Nevada, filed criminal charges against him for bouncing checks to Caesar's Casino - almost a million dollars. He liked to gamble, in other words.

RAZ: He's living in Nevada?

Mr. ROSTON: No. He lives in Rancho Mirage. It's a very nice house. I tried to go there. It was a very beautiful estate...

RAZ: This is in California.

Mr. ROSTON: In California, yeah. Sort of a Spanish tile on top.

RAZ: And he wouldn't talk to you.

Mr. ROSTON: He wouldn't, no.

'The Man Who Conned The Pentagon' National Public Radio (NPR) December 19, 2009 Saturday

RAZ: Why do you think Dennis Montgomery was ultimately believed? I mean, was it the atmosphere of the times? The sort of deep fear and concern that terrorists would strike again or was it pure carelessness by folks at the CIA and Homeland Security and other government agencies?

Mr. ROSTON: It's always so hard. You know, I wrote a book about Ben Ahmad Chalabi and it's sort of hard to figure out why he was believed so much. I think it's mainly because he offered an easy solution. If you go to somebody in government and say, listen, I've got a secret technology that can solve your terror problems right now and tell you exactly what al-Qaida's thinking, you know, a lot of people will say, well, I can't ignore that. That sounds great. That sounds perfect. That's what I think it was.

RAZ: That's investigative reporter Aram Roston. His article, "The Man who Conned the Pentagon," can be found in the new issue of Playboy, which you might be surprised to know has great articles.

Aram Roston, thanks so much.

Mr. ROSTON: Thank you, Guy.

LOAD-DATE: December 23, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Transcript

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6 of 7 DOCUMENTS

Reno Gazette-Journal (Nevada)

August 4, 2007 Saturday
Final Edition

eTreppid court documents unsealed

BYLINE: MARTHA BELLISLE mbellisle@rj.com

SECTION: MAIN NEWS; Pg. 3A

LENGTH: 1094 words

In a statement unsealed by the court Friday, former eTreppid software designer Dennis Montgomery said his special technology has been used to thwart or warn of terrorist attacks around the world.

But company owner Warren Trepp tried to halt the use of the life-saving technology in order to get more money from the government, the documents said.

His software helped stop the terrorist plan to blow up jetliners leaving London for the U.S. in August 2006, and helped lead to the U.S. airstrike in Iraq that killed al-Qaida leader Abu Musab al-Zarqawi last year, Montgomery said in the declaration made Oct. 30 and unsealed Friday.

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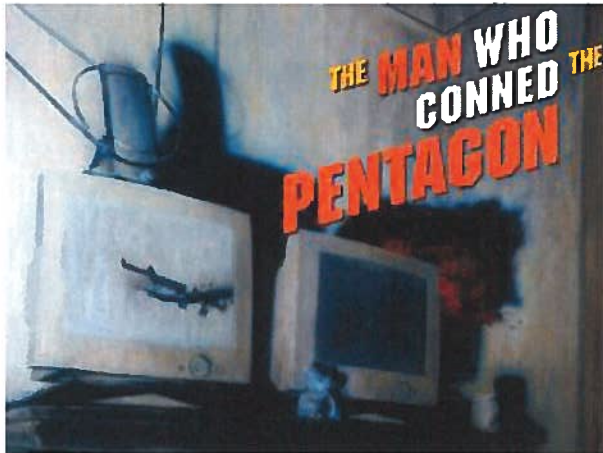
Playboy undercover with Dennis Montgomery, who 'fooled CIA over Al-Jazeera codes'

BY BY STAFF WRITERS AND WIRES

FROM AFP

DECEMBER 22 2009 9 10AM

17 COMMENTS



Playboy magazine's expose on CIA scam / Image supplied

- Man claims to have conned CIA
- Claimed messages hidden in Al-Jazeera
- Report contained in Playboy expose

PEOPLE who say they read Playboy magazine for the articles might be telling the truth, after it published an account of an elaborate scam that had the CIA believing Al-Jazeera was sending coded messages for Al-Qaeda.

The con artist convinced the CIA and other US agencies that he could decode secret messages sent by al-Qaeda through Al-Jazeera broadcasts in 2003, [Playboy magazine reported](#).

Duped by claims that "bar codes" on Al-Jazeera television contained targeting information for al-Qaeda attacks, former president George W. Bush's administration raised the terror alert and cancelled several transatlantic flights in December 2003, the report said, citing former CIA officials.

The swindler at the centre of the scam was Dennis Montgomery, head of a small software company in Reno, Nevada.

He persuaded the Central Intelligence Agency and the Department of Homeland Security that his technology could decipher messages with flight numbers and longitudes and latitudes meant for al-Qaeda operatives.

With assistance from French intelligence, CIA officials eventually concluded there were no secret messages in Al-Jazeera television broadcasts, said the report, published in the magazine's latest edition.

"A branch of the French intelligence services helped convince the Americans that the bar codes were fake," it said.

CIA and French officials asked another technology company to find or re-create codes from Al-Jazeera transmissions and "found definitively that what Montgomery claimed was there was not," it said.

But even after the CIA stopped cooperating with Mr Montgomery, he succeeded in convincing other government agencies that he had valuable code-breaking technology.

In January 2009, he signed a \$US3 million (\$3.39 million) research contract with the US Air Force, according to

Playboy.

"We were testing some of the software. We were just looking at it to see if there was anything there," Joseph Liberatore, an Air Force program manager, told the magazine.

Mr Montgomery has faced a number of lawsuits and last year was charged with bouncing nine checks worth a total of one million dollars in Las Vegas.

Playboy ran the story online with a gallery of "military-themed nude pictorials".

- with AFP



The Nevada gambler, al-Qaida, the CIA and the mother of all cons

Chris McGreal in Washington

Wednesday 23 December 2009 16.47 EST

The intelligence reports fitted the suspicions of the time: al-Qaida sleeper agents were scattered across the US awaiting orders that were broadcast in secret codes over the al-Jazeera television network.

Flights from Britain and France were cancelled. Officials warned of a looming "spectacular attack" to rival 9/11. In 2003 President Bush's homeland security tsar, Tom Ridge, spoke of a "credible source" whose information had US military bracing for a new terrorist onslaught.

Then suddenly no more was said.

Six years later, Playboy magazine has revealed that the CIA fell victim to an elaborate con by a compulsive gambler who claimed to have developed software that discovered al-Jazeera broadcasts were being used to transmit messages to terrorists buried deep in America.

Dennis Montgomery, 56, the co-owner of a software gaming company in Nevada, who has since been arrested for bouncing \$1m worth of cheques, claims his program read messages hidden in barcodes listing international flights to the US, their positions and airports to be targeted.

The CIA took the information seriously, working with Montgomery at his offices and paying him an undisclosed amount of money. The "intelligence" Montgomery claimed to have found was passed on to the White House and homeland security where it kickstarted an alert that bordered on panic.

According to Playboy, Montgomery's claims caused the cancellation of British Airways and other flights supposedly mentioned in the codes.

Some officials were not at all surprised to hear the allegation that al-Jazeera was involved. The then defence secretary, Donald Rumsfeld, later vilified the station for "vicious, inaccurate and inexcusable" reporting of the US invasion of Iraq.

For months, the source of the information was kept under wraps within the CIA but once it became more widely known in the agency it immediately came under question. Playboy quotes one former counterterrorism official who attended a briefing on the source as being furious. He said: "I was saying: 'This is crazy. This is embarrassing.' They claimed they were breaking the code, getting latitude and longitude, and al-Qaida operatives were decoding it. They were coming up with airports and everything, and we were just saying: 'You know, this is horseshit!' "

Frances Townsend, a homeland security adviser to Bush, defended the decision to work with Montgomery. "It didn't seem beyond the realm of possibility. We were relying on technical people to tell us whether or not it was feasible. I don't regret having acted on it," she told Playboy.

But the doubts began to prevail as Montgomery refused to reveal how he was finding the barcodes, when no one else could, and he demanded \$100m for the software. The CIA also began to wonder why al-Qaida didn't use emails and web pages to communicate with its agents.

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Software fraudster 'fooled CIA' into terror alert

Spooks 'f*cking livid'

24 Dec 2009 at 11:58, Christopher Williams

98

63

A con man fooled US spooks into grounding international flights by selling them "technology" to decode al-Qaeda messages hidden in TV broadcasts, it's claimed.

A long and highly entertaining *Playboy* article explains that in 2003, 50-year-old Dennis Montgomery was chief technology officer at Reno, Nevada-based eTrepid Technologies. The firm began as a video compression developer, but Montgomery took it in new and bizarre directions.

He reportedly convinced the CIA that he had software that could detect and decrypt "barcodes" in broadcasts by Al Jazeera, the Qatari news station.

The Company was apparently impressed enough to set up its own secure room at the firm to do what Montgomery called "noise filtering". He somehow produced "reams of data" consisting of geographic coordinates and flight numbers.

In December 2003, it's claimed CIA director George Tenet was sufficiently sold on Montgomery's data to ground transatlantic flights, deploy heavily armed police on the streets of Manhattan and evacuate 5,000 people from the Metropolitan Museum of Art.

Homeland Security secretary Tom Ridge told the press the terror alert was the result of "credible sources" - about near-term attacks that could either rival or exceed what we experienced on September 11".

In fact, according to evidence from his former lawyer, Montgomery, the "credible source", was a "habitual liar engaged in fraud".

Montgomery worked with the CIA's Directorate of Science and Technology - its Q Branch - engaged in exotic research and intelligence gathering. According to *Playboy*, one counter-intelligence official briefed on the programme said: "We were fucking livid. I was told to shut up. I was saying, 'This is crazy. This is embarrassing.'"

Eventually a branch of French intelligence helped the CIA prove that the Al Jazeera "messages" never existed. Files were handed over to counter-intelligence to investigate the scam.

The FBI uncovered a series of frauds by Montgomery, who was a compulsive gambler. As well as his "noise filtering" technology, he had rigged video software to convince officials it could detect weapons.

Following a dispute with eTrepid's financial backer, Montgomery took off with his "technology" and tried to win more government contracts alone. By now though, the officials he was trying to sell to were part of the FBI investigation. It reportedly "went nowhere", however.

By 2008, the financial dispute had come to court. Montgomery said he was still doing classified government work, for \$3m. In June this year however, his gambling led to personal bankruptcy, listing his still-classified "technology" as a \$10m asset.

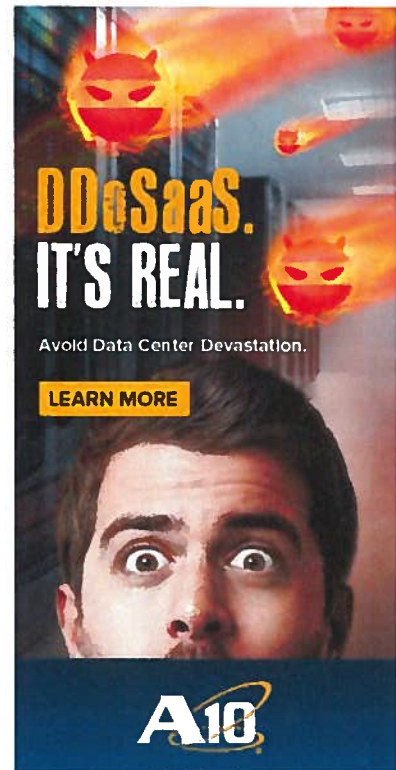
Frances Townsend, a homeland security adviser to Bush, said she did not regret having relied on Montgomery's mysterious intelligence. "It didn't seem beyond the realm of possibility. We were relying on technical people to tell us whether or not it was feasible," she said. ☺

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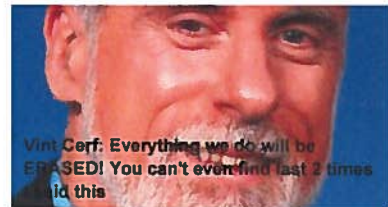
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A PROGRAMMER WHO claims he produced software that detected hidden terrorist messages in Al Jazeera broadcasts was apparently responsible for a false alert in 2003 that grounded international flights. The 2003 incident raised the government's security level, according to a remarkable story published by *Playboy*.

The developer also allegedly faked software demonstrations and conned the Pentagon into investing in a program that fellow workers suspect never existed or couldn't do what the developer claimed.

In December 2003, DHS secretary Tom Ridge announced a terror alert based on intelligence from "credible sources" about imminent attacks that "could either rival or exceed what we experienced on September 11." Dozens of French, British and Mexican commercial "flights of interest" were canceled, and news agencies were reporting that the threats

3/12/2015

Report: Programmer Conned CIA, Pentagon Into Buying Bogus Anti-Terror Code | WIRED

extended to “power plants, dams and even oil facilities in Alaska.”

Playboy says the source of the intelligence was never revealed publicly. But the evidence points to Dennis Montgomery, who had convinced the government that Al Jazeera — the Qatari-owned TV network — was unwittingly transmitting attack orders to Al Qaeda sleeper cells concealed in video it broadcast.

Montgomery claimed he decoded the orders using a program developed by his four-year-old Las Vegas firm, eTreppid Technologies. The software found hidden bar codes in Al Jazeera videos that contained latitudes, longitudes, flight numbers and dates for planes being targeted for attacks, he reportedly claimed. He fed the information to a CIA employee at the agency’s Directorate of Science and Technology, who passed it up to CIA Director George Tenet, who in turn passed it to the White House.

“[Tom] Ridge’s announcement, the canceled flights and the holiday disruptions were all the results of Montgomery’s mysterious doings,” the *Playboy* article asserts.

Over the next few years Montgomery’s intelligence wound its way through the Department of Homeland Security, the Pentagon, the Senate Intelligence Committee and even Vice President Dick Cheney’s office.

But aside from Tenet and a few others, *Playboy* reports, no one actually knew the information was supposedly gleaned from messages hidden in video broadcasts.

In the aftermath of the 9/11 attacks, the government was searching feverishly for any information or tools that would help deter additional attacks, and was willing to throw millions of dollars at any prospector who asserted he had a solution. It was this environment that helped Montgomery convince officials at DHS and elsewhere that he was able to detect hidden messages in video that no one else was able to see.

When one CIA officer finally learned the source of the information his agency was being fed, he says he was livid.

“I was told to shut up,” he told *Playboy*. “I was saying, ‘This is crazy. This is embarrassing.’ . . . I said, ‘Give us the algorithms that allowed you to come up with this stuff.’ They wouldn’t even do that. And I was screaming, ‘You gave these people fucking money?’”

Frances Townsend, a Homeland Security adviser to President George W. Bush, admits to the magazine that the bar code idea sounded far-fetched, but said the government had no choice but to pursue the leads Montgomery passed them.

“It didn’t seem beyond the realm of possibility,” she said. “We were relying on technical people to tell us whether or not it was feasible. I don’t regret having acted on it.”

It was a branch of the French intelligence services that finally helped convince the U.S. government in 2004 that the bar codes were fake after they and the CIA commissioned another company to try to detect the

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Report: Programmer Conned CIA, Pentagon Into Buying Bogus Anti-Terror Code | WIRED

messages and were unable to uncover anything.

But by then Montgomery was already making headway with other software claims. His company got a contract with the Air Force to handle video shot by unmanned Predator drones. He claimed his program could recognize weapons in the surveillance video. In 2004 the U.S. Special Operations Command reportedly gave his company a \$30 million no-bid contract for “compression” and “automatic target recognition” technology. Montgomery even got a security clearance. But a former worker told *Playboy* that he had helped fake some 40 demonstrations of the software.

In January, 2006 Montgomery left the company over disputes with one of his business partners and investors. The company claims the software disappeared and the source code was wiped out when Montgomery left. Hard drives that supposedly stored backup copies of the programs turned out to contain nothing. Montgomery has been called a “habitual liar engaged in fraud” by one of his former attorneys and was charged in Las Vegas with bouncing nine checks in the amount of \$1 million in September 2008. He was arrested on a felony warrant in California.

Montgomery and his former partner sued each other over various claims. When Montgomery named the Department of Defense as a defendant in his suit, Director of National Intelligence John Negroponte intervened and invoked the state secrets privilege, claiming the suit could result in “serious, and in some cases exceptionally grave, damage to the national security of the United States.”

Montgomery went on to find another patron-investor in the form of Edra Blixseth, wife of billionaire Tim Blixseth. He began receiving checks through various businesses connected to the Blixseths and their main company, Blxware, for developing software. The FBI began investigating Montgomery, but this didn’t stop the National Security Agency from discussing work on a project for that agency in 2007. He apparently

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requested \$4 million to develop software for them. *Playboy* doesn't say what happened with that deal, but this year Montgomery was able to pawn his technology off on a new federal customer — the U.S. Air Force. The agency reportedly signed a contract to pay \$3 million for “research, development, test and evaluation” of Montgomery’s software earlier this year.

The results of the evaluation were “inconclusive,” however, and the deal ended there. But not before the Air Force paid out \$2 million in taxpayer funds last February. That same month, Montgomery received \$600,000 from Blxware.

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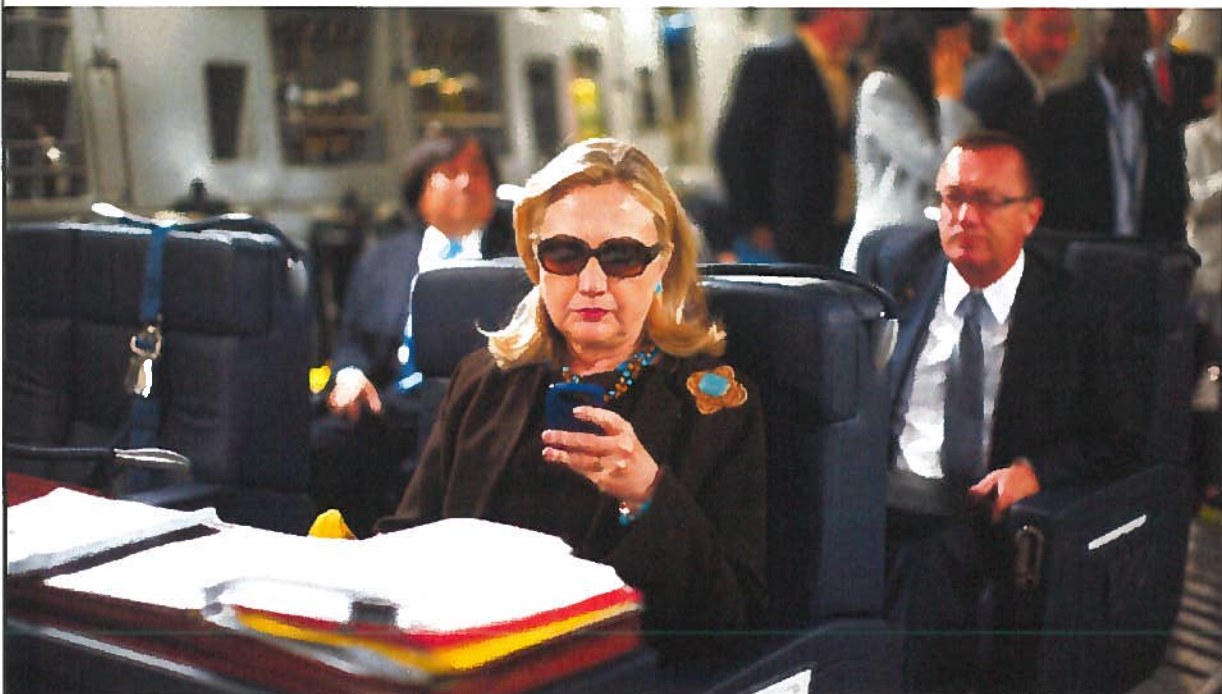
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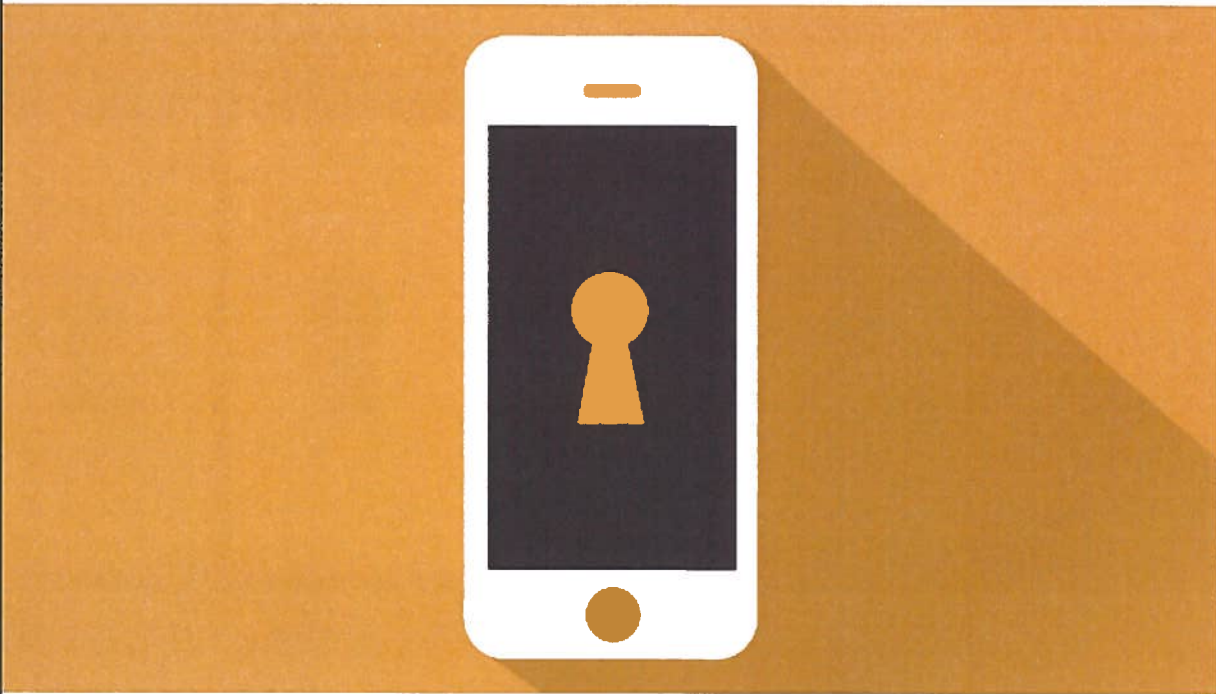
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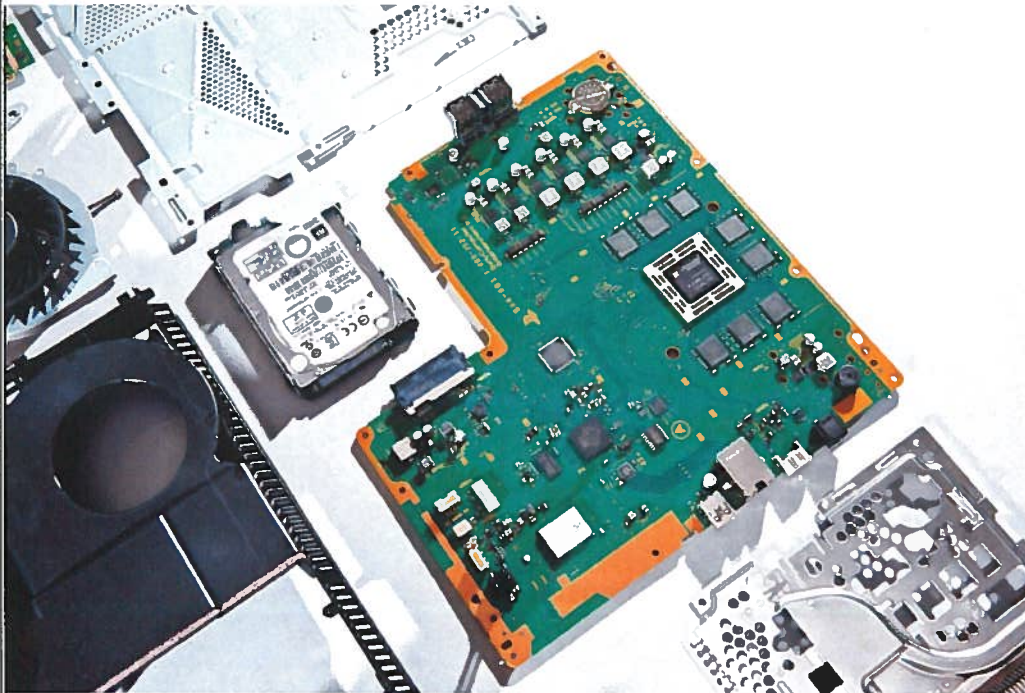
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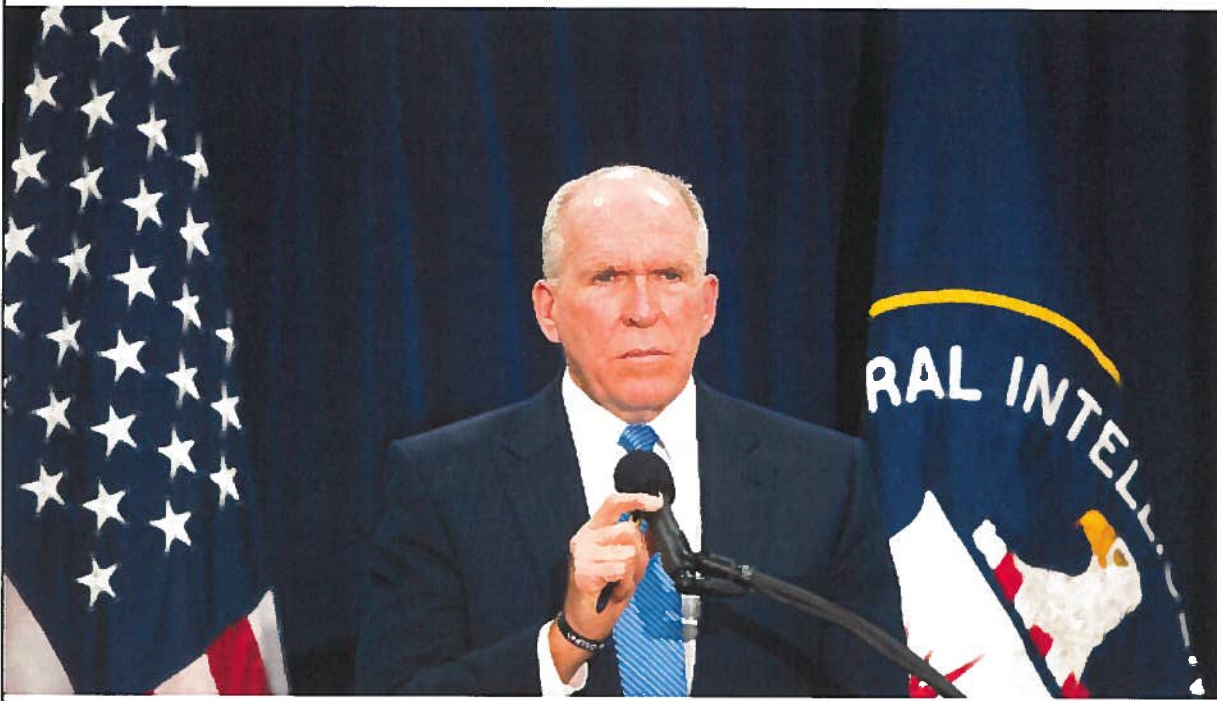
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Man who triggered Gibbons probe faces bad check charges

The software designer who sparked a federal investigation of Gov. Jim Gibbons after accusing him of taking bribes was indicted on charges he has passed \$1.8 million in bad checks on the Strip.

Las Vegas authorities allege Dennis Montgomery from September 2008 to June 2009 passed nine checks totaling \$1 million at Caesars Palace and four checks totaling \$850,000 at the Palazzo, according to the indictment handed down last week.

Montgomery, 57, faces six felony counts, including two counts each of obtaining money under false pretenses, theft and passing a check without sufficient funds.

Montgomery's attorney, Richard Schonfeld, said he was trying to negotiate a settlement with prosecutors, but that "doesn't seem feasible at this juncture."

Schonfeld said he's prepared to move forward and defend his client.

Montgomery is the former chief technical officer for the Reno-based software company eTreppid, which had won military contracts for video compression and target recognition software.

During the 2006 gubernatorial campaign, Montgomery accused Gibbons of accepting bribes to help eTreppid secure the military contracts, including accepting casino chips and \$100,000 in cash during a star-studded, week-long cruise in the Caribbean.

Federal authorities investigated the accusation and ended the probe in 2008 without bringing charges against Gibbons.

In 2009, a published report indicated that eTreppid software designed by Montgomery was the reason for a Christmas 2003 nationwide terror scare that turned out to be false.

The report, published in Playboy magazine, suggested Montgomery claimed eTreppid had technology that could break codes.

According to the story, Montgomery convinced federal authorities that al-Qaida was transmitting information hidden in the broadcast signals of Al-Jazeera, the Arabic language news network and that his software could break the codes. But the technology did not work.

Montgomery remains free on \$110,000 bail. He is scheduled to be arraigned Wednesday in District Court.

Contact reporter Francis McCabe at fmccabe@reviewjournal.com or 702-380-1039.

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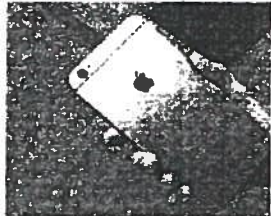


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Springs Preserve
Thursday, Mar 12, 10:00 am-6:00 pm

IN-A-FECT
The Orleans
Thursday, Mar 12, 9:00 pm

BIG LEAGUE WEEKEND
Cashman Center
Friday, Mar 13, 5:05 pm

DJ SKRATCHY
Mandalay Bay
Saturday, Mar 14, 10:00 pm

Tweets

John L. Smith @jinevadasmith 14m
FBI announces 10 New Jersey mafia arrests on cpsj.com/1GwnY9B via @cpsj #lvj

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LV connection: Two Toms River Men Arrested for Role in Mafia Plot to Commit Murder ocsignal.com/2015/03/two-to- via @newsnj #lvj
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Howard Stutz @howardstutz 29m
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