



by Claudia Winkler & David Moon

100 DAYS

The conversion of the Las Vegas Hilton

The background to our story...Caesars Entertainment Corporation (NYSE: CE) had announced on December 28th 2003 that it had entered into a definitive agreement to sell the Las Vegas Hilton to an affiliate of Colony Capital, LLC, a Los Angeles based international private investment firm, for approximately \$280 million. The transaction was expected to close by the end of the second quarter of 2004 and would be subject to customary closing conditions as outlined in the purchase agreement.

IN THE BEGINNING . . .

It was a cold, sunny December day in New York as Nick Ribis, vice chairman of Colony Resorts, left his Madison Avenue office. Colony Capital, one of the few private investment firms licensed in gaming, owner of Resorts International in Atlantic City and partner in Accor Casinos in Europe, had just agreed to acquire the Las Vegas Hilton from Caesars Entertainment. Named a partner in the Las Vegas Hilton acquisition, and as the former CEO of Trump Hotels & Casino Resorts, he had a thorough understanding of the complexity of converting a major casino resort - and of the critical role of IT in that process. Driven by Nick's initiative, the effort to form a technology team was underway.

While moving quickly to get a management team in place in Las Vegas, in the near term, Colony relied on their resources from their existing North American gaming property, Resorts Atlantic City. Colony was aware of Tatum Partners, a specialist in high-level project management and transitional CFO and CIO services, and contacted Tatum with their challenge. Audrey Oswell, President and COO of Resorts Atlantic City briefed David Moon, Tatum's Partner for Hospitality and Real Estate, on January 16th. In that conversation, Audrey explained, "The transaction was just completed, now the challenge is making the transition happen in a way that keeps all the vital functions of the property operating."

And with that, the charter was laid out. The Resorts Atlantic City team had been to Las Vegas in January and created an initial survey document, framing the scope of the effort. Ernst & Young, in their overall estimate of the conversion effort, had gauged projected costs for the replacement of key IT systems.

Based on these early inputs, Colony had an understanding that there were critical

dependencies in almost every operational system on property. Nick Ribis signed the agreement to retain David Moon as overall project executive, in charge of running the program management (PMO) function and getting the property's core systems in place in the dwindling time allotted - and within budget.

PURCHASE AND SALE AGREEMENT

The purchase and sale agreement covered those conditions known to Colony at the time. It became clear, very early in the process, that the shared service center structure used by Caesars to deliver key systems capabilities to the Las Vegas Hilton meant that a multitude of systems would have to be replaced. The magnitude of this effort could not have been anticipated fully at the time the purchase was put together. Overall, the central reality from an IT perspective was that nearly all critical systems would go away at the time the deal closed. And the starting gun had already gone off.

David Moon arrived on property on February 3, 2004. It soon became clear that we were in a race against the impending cutover of the property, and that the exit of Caesars and its systems would leave the property with huge gaps to be filled.

The project team came to refer to the shared services arrangement that the property operated under as the "umbilical cord". And we knew that its' imminent severing would leave the property with very few functional, operational systems. The dozens of impacts included:

No A/P function. Not only was there no A/P system, but the only A/P staff to manage vendors and payments resided at Caesars shared service center. There was not even a printer on property capable of producing the vendor payment checks necessary.





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No room reservations. All incoming guest reservation calls were handled by Caesars shared services. The telephone system, staff, facilities, and reservation system would all have to be built from the ground up.

Caesars players' club would of course go away entirely. While Colony had agreement about obtaining the player marketing and hotel databases associated with the property, these arrangements were far from complete. A new players' club and card program would have to be defined and organized. Until the new players' club and comp polices were established, the systems to support them could not be configured or built.

Since many of the systems, most notably the casino management system (CMS) were proprietary to Caesars, they would not only have to be replaced but a true replacement would not be available to Colony commercially, thus necessitating requirements definition, functional evaluation, vendor negotiation, customization and integration, and ultimately training. All of which would require

our most limited resource - time.

WORKING ARRANGEMENTS WITH CAESARS ENTERTAINMENT

Within 24 hours of arriving on property, David had his first meeting with Caesars Entertainment IT management. A working arrangement was put in place for weekly meetings, with Colony (David) developing the agenda to assure full review of accomplishments, goals, discoveries, and additional needs on the part of both parties to assure a successful transition.

The two teams, Colony's and Caesars Entertainment, had one principle in mind: that both the organizations had an overriding goal of getting the property sold, and that this goal had to overcome any roadblocks.

FRAMING THE PROJECT

Bob Schaffhauser, former CFO & EVP of finance for Trump Plaza, arrived on-property as Executive Vice President & CFO for Colony on February 13, 2004. His arrival marked the first element of Colony management "on the

ground," and he was met with a host of opening tasks in a fast-moving project. Bob stepped up to the challenge and made himself highly available for project updates, decisions and to discuss any new discoveries or necessary adjustments.

Although there were many additional priorities Bob needed to attend to, he made himself the prime management sponsor of the systems conversion project. In reviewing the needed project resources, it became clear that several business systems for the property would represent a project in their own right. Yet the largest, and most challenging of these by far would be the gaming systems. And while David brought extensive hospitality and real estate background, he had never been directly involved in a major casino conversion.

Soon after Bob's arrival, Rudy Prieto, most recently senior vice president of operations for Boyd Gaming Corporation was named Colony's CEO and general manager for the Las Vegas Hilton. Rudy identified the



gaming systems leadership need early on, and brought in Claudia Winkler of GHI Solutions, Inc. to lead the gaming systems and system integration teams. Claudia quickly identified the key gaps in gaming systems, player card program needs, slots compatibility issues and integration issues. She quickly set about vendor coordination to match up solutions that, not just alone but in combination with one another, would address these gaps in an aggressive timeframe.

Bob Schaffhauser stated: "Early on, I came to realize the immense complexity of the conversion. It was Claudia and David and their professional approach to managing the results that gave me comfort it would be possible."

COLONY'S EXPECTATIONS

The budget established by Colony would be tight, since additional gaps had already been identified. But even tighter was the time frame: complete conversion by mid-April. Standing in late February with only two or three people focused on the effort, this meant 60 days to completion and going live with systems that had not even been fully defined, with minimal availability to the property's staff.

INCLUSIONS, EXCLUSIONS, AND GAPS

Already many additional gaps had been identified, but many more came to light well after the establishment of the original budget. Among these:

- No retail supply chain would be established in time for cutover. While a system could be implemented, how would the (several thousand) individual items be sourced for the retail outlets on property?
- The time clock systems, and its associated time and attendance software, were proprietary to Caesars and despite weeks of negotiations, would not be made available to Colony.
- The Hilton relationship itself was still taking shape between the parties, and there was the likelihood that agreement would not be reached in time for the cutover. This left undefined the role of Hilton central reservations, and the prospect of no source of travel agent commission processing, not to mention the electronic distribution links to the travel agents and meeting planners for reservations.
- There was no usable space on property to house the call center that would need to be created.
- There was no access to key systems on property, and no arrangement for Colony systems to be built on property.



"The level of attention to detail on the part of the project team assured our success. It was beyond anything I had previously experienced with outside consultants"

*– Bob Schaffhauser,
EVP / CFO Las Vegas Hilton*

BUDGET FORMULATION

With the best knowledge available, and with very preliminary vendor quotes, the key systems vendors were identified and negotiations were accelerated. With the most basic level of understanding of the numbers, a detail budget was put in place. By mid-March the project budget had been approved by the management team, and the project was fully funded and operational.

PROJECT TEAM: ROLES AND RESPONSIBILITIES

As a result of the project resourcing effort that David and Claudia had started in late February, a team of industry professionals was retained to serve as key project leaders for the seven core project threads:

1. Gaming
2. Hotels Systems

3. Infrastructure
4. Procurement & Inventory control
5. Reservations
6. Financials & HR
7. Ancillary / Miscellaneous systems

VENDORS AND VENDOR DELIVERABLES

By early March, most of the key vendors had been selected and contracting was well underway. In addition to purchasing new systems for many of the core operational systems, there was also a requirement to identify and transfer over 38 other software application licenses that were part of the Purchase and Sale Agreement. Working with Bob Schaffhauser and Colony's legal counsel, contract administration processes were put in place, and processing arrangements were defined and communicated to each vendor.

It is important to note that without the vendors and the level of cooperation they afforded the project team, we would not have been successful. Notably Bally Systems and Agilysys (Parent company to LMS and MMS - formerly Stratton Warren) provided an exceptional level of resources as well as their most experienced project managers.

THE FIRST REPRIEVE

By the middle of March the closing and transfer process for the property itself was taking shape. It soon became clear that the regulatory process could not be completed at any point prior to May 15. Colony management met and approved the new cutover target. Needless to say, the project team breathed a small and short sigh of relief. Timelines and schedules were adjusted to allow for the reasonable amount of training and basic testing time now possible.

DESIGN AND SPECIFICATIONS PHASE – THE LIKE FOR LIKE PRINCIPLE

The key principle that David and Claudia focused on was providing as much "like for like" system functionality as possible. Given the fact that the casino management system was a proprietary Caesar's Entertainment system and the hotel property management system was highly modified, this proved to be a difficult and challenging task. Adding to the challenge was the fact that the project team has very little access to property personnel and the key property executive management had not been formally identified.

Every attempt was made to review existing system functionality and requirements



with the identified property subject matter experts. Gaps were identified and custom modification specifications were written to submit to the selected vendors. With time at a premium, we were not sure we would be able to deliver most of the custom modifications by the May 15 sale date.

ANOTHER REPRIEVE AND A DEFINING MOMENT

In late April as our weekly IT steering committee meeting, Rudy and Bob informed David and Claudia that we had another reprieve. The sale was now going to close on Friday, June 18th. However, there was a big "but" in this development. Colony wanted to begin the conversion on Friday, June 18. The project team was relieved and grateful that we had another 30 days to get the systems, modifications, testing and training completed.

But, the thought of starting the conversion on a busy weekend, with a sold-out hotel and two major gaming tournaments going on, was another story. After additional consideration and further negotiations with Caesars Entertainment, Caesars agreed to continue operating their systems for Colony through the busy weekend and the conversion started at midnight on Sunday, June 20.

IN THE INTEREST OF TIME AND SPACE

Given the scope and schedule of this project, it would be easy to write a great American novel about our experience. There were many other factors and deliverables that challenged the project team and Colony executive management on a daily basis including the Hilton dimension, regulatory requirements, data extraction and conversion and the construction of the physical IT infrastructure.

The important thing to note is that we got through them all. It may have been a little rough at times, but we never lost sight of the end zone!

THE MAIN EVENT

On Sunday night, June 20, the entire project team, vendors and property personnel assembled to begin the 48-hour effort to "cutover" and "go live" with all the new systems and interfaces.

Prior to June 20, the entire IT infrastructure has been built out and tested. The office automation and email network had been migrated to the property the week

before and now it was time to convert the data from the Caesars systems and turn on the new, stand-alone Colony systems. The hotel system and all the associated interfaces were first, followed by the casino management system. By 8PM on Tuesday, June 22, all the data had been converted and the systems were operational. As with any implementation there were a few data conversion issues that were quickly resolved by the project team and the vendors. Other outstanding conversion issues were identified and resolved over the next two weeks.

Our overriding concern and mandate was that this all needed to happen in a 48-hour period with no visible interruption in business operations or guest service. The executive team at the Las Vegas Hilton was extremely pleased with the outcome and Bob Schaffhauser pointed out that, "Claudia and David took full accountability for the project. Their ownership of the results made all the difference."

We had achieved our objective.

RESULTS AND LESSONS LEARNED

Key project results included:

- 2500 employees transitioned to new time & attendance system, new payroll system and HR/benefits system. Despite complete reconstruction of all employee detail records and pay rate tables, staff transitioned without disruption.
- Multi-year player tracking records were successfully reconstructed in a new commercially available casino management system.
- A full general ledger and accounts payable implementation were completed without availability of a single accounts payable staff member.
- Entirely new functions and facilities were created for accounts payable, reservations and other areas from the ground up.
- The technology project successfully negotiated and developed, with counsel, more than fifty contractual agreements including the key operating and resource-access agreements between Colony and Caesars.
- Settlement of room and tax, review of final reporting, and validation of new interfaces at the time of property transition between Colony and Caesars, were all accomplished in the course of the same business day, without interruption of hotel operations.
- 38 separate vendors were managed to a fully orchestrated result, including cross-

system integration, contract administration, and project management requirements.

- Core networks supporting over 600 users were physically transitioned in one day, including all security provisions.
- Hotel systems, financial and HR systems, and gaming systems were delivered on time and within Colony's technology project budget.

Overall lessons learned include:

- Despite tight deadlines, well-structured and organized planning sessions pay huge dividends in assuring final results.
- Communication and facilitation within the project team, with senior management, and with end users, are invaluable.
- Project controls must be established early on to direct project resources, timelines, budgets and deliverables.
- Contract administration processes must be developed and maintained tightly throughout the project.
- A regular, organized steering committee meeting is essential for formal management review and approval of key steps and adjustments throughout the project.
- Creativity is vital to find alternative means to accomplish an equivalent result when the original plan becomes unavailable.
- While overall project team meetings and cross-project communication are critical, a balance must be constantly maintained to allow each project group to focus on their individual deliverables. An effective program management office (PMO) keeps the administrative overhead out of the way of the project teams, allowing them to do their best.
- Finally, and perhaps most important, was the support and encouragement of Colony's Las Vegas Hilton senior management team. Their leadership and focus were essential elements in the success of a project of this magnitude.

THE CREDITS

The success of this endeavor would not have been possible without the extraordinary effort of the team of professionals that were assembled to form the project team. Our sincere thanks and gratitude to:

- **Gaming Systems, Kiosks and Website:** Pat Nave & Tony Kurilla – Bally Systems project managers, Jack Plattner – data conversion, Daniel DeWaal, Friendly



GHI SOLUTIONS



Matrix - Website, IBM & Bally Systems - Kiosks

- **Hotel Systems:** David Miller - Igmas Technologies, Jody Hickey, Agilysys (LMS)
- **Infrastructure** - Marc Guarino (now the VP of IT for the LVH!), Agilysys, Igmas Technologies, BMD Solutions and IBM
- **Procurement & inventory control** - Joann Slavin, project manager and Agilysys
- **Reservations** - Mary Loftness - Profitable Customers, Global Cash Access for supplying the location and human resources to enable the central reservations department.
- **Financials & HR** - Joseph Parks, Yuri Lotakov and John Pullen - a team of extraordinary programmers that worked a miracle on the Financial and Time &

Attendance systems and wrote and tested over 100,000 lines of code in less than 100 days.

- **Ancillary/Miscellaneous systems** - David Le Favor, project manager, Kronos Systems, Infogenesis and Productive Solutions.
- **And a special thanks to Deb Dulaney** for managing the project management office and keeping the "wheels on" the contract, budget and payment processes.
- **The Caesars Entertainment team** for all the assistance and resources that they provided to ensure that the deal closed and that the employees and customers made a smooth transition.
- **The entire staff and management of the Las Vegas Hilton** for their assistance, support, flexibility and determination.

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