

# He blew into town like tornado made of money

But the party ended in 1988 when federal agents swooped down on Gentry McKinney

By Edith Decker  
Of the Daily Courier

A few sorts of crimes really get people's attention. When Riverside Inn owner and local businessman Gentry McKinney was alleged to be laundering money for the mob through Grants Pass, people couldn't get enough. McKinney came into town like a tornado made of money in 1984, buying real estate and the Riverside Inn and Convention Center and floating plans for million-dollar developments.

He planned a space pilot training center and a destination resort for Grants Pass, as well as donating land for an arts center across the Rogue River from the Riverside Inn. He did revitalize and expand the inn, but none of the other big plans came to pass.

The party was over in April 1988, when federal agents swooped down on McKinney's

homes and businesses and on local banks, seizing records that would help convict him on 61 counts of making illegal currency transactions and one count of conspiracy. Prosecutors said he and his stepson, Samuel E. Waller, made frequent large cash deposits at local banks in order to launder profits from an international ring of marijuana smugglers associated with organized crime. They deposited nearly \$2 million without informing the IRS. They also paid taxes and for services in cash; for instance, McKinney paid his \$89,000 taxes to the county in 1988 in \$20 bills. McKinney mounted several appeals, but he began his sentence of four years and two months in November 1991, though he was ill with liver disease.

McKinney died July 2, 1993, at age 72, at the Mayo Clinic in Rochester, Minn., while in federal custody.



Gentry McKinney, seen here with his wife, died in federal custody in 1993.

Waller, who had managed the inn's restaurant, was proved to have helped with the money laundering and was convicted on the same 62 counts. He was released from federal prison Oct. 8, 1993. In the long run, the Riverside Inn was auctioned, although McKinney had given up ownership to his business partners, who failed to make payments on the property. Other Josephine County property in McKinney's estate, which was estimated to be worth \$3.5 million, was auctioned as well. He also owned Jot's Resort in Gold Beach, where he lived from early 1991 until his appeals were exhausted and he was ordered to jail. Eventually, McKinney was ordered to forfeit \$1.36 million, the largest forfeiture in Oregon history to date, and to pay a total fine of \$2.6 million. In 1993, after an extensive investigation, the IRS hand-delivered a check to the Josephine County Sheriff's Office for \$222,622, with another check for about \$287,000 from sales of real estate delivered in 1995. The majority went

to the Josephine Interagency Narcotics Team. In the middle of it all, in 1990, former Grants Pass resident George Oliver Jones was charged, then convicted, of planning to kill then-Sheriff Bill Arnado and the IRS special agent in charge of investigating McKinney in 1988. He said McKinney offered him \$250,000 to have the men killed, but McKinney denied knowledge of the plot. Jones had moved to Texas, but was extradited for the trial. McKinney was never charged with hiring Jones. In May 2003, the city of Grants Pass bought the 3.9 acres previously donated by McKinney for an arts center. Because it was bought with drug money, a judge ruled the property was not McKinney's to donate. The city paid \$532,660 for the property to John Collins, who had bought the land at auction. The property, adjacent to the Caveman Bridge, is now part of Riverside Park. Money raised by the community for the arts center went toward the Grants Pass High School Performing Arts Center instead.



Larry Lacey is seen in front of landmark building he purchased at G and Fifth streets.

By Jim Moore  
of the Daily Courier

Like a human supernova Larry Lacey burst into the news in 2005, dominated the scene, and was out of the picture three years later. He was embroiled in lawsuits, sparked protests, owned a prominent historic Grants Pass landmark and fought City Hall, all the while walking with a swagger and wearing a smile. The adventure began in the summer of 2004, when Lacey took the first steps in converting his Sunny Valley business, the Dirt Bike Diner, into a strip club at exit 71 off Interstate 5. The fireworks began when he opened the doors to Club 71 in February 2005, despite multiple protests by local residents and allegations he was violating county building permit requirements and perhaps the county's charter. But Lacey challenged the county and won.

# Larry Lacey fought City Hall, sparked protests

Entrepreneur who walked with swagger and smile was constantly in headlines during three tumultuous years

He also revealed his penchant for attacking the opposition in the courts that August when he filed a notice of plans to file a \$100,000 lawsuit against Josephine County for trying to close the strip bar the prior spring, but no suit ever materialized. And he sued 14 people who protested outside Club 71. The case was dismissed on constitutional grounds of free speech and Lacey was ordered to pay \$19,000 in attorney's fees for the 14 defendants. However, the controversy was just beginning. As rumors swirled in the spring of 2006 that Lacey had his eye on the historic Palace Hotel, at G and Fifth streets in Grants Pass, the city expanded Debo Park near the building from a third of an acre to more than half an acre and declared it as parkland.

The city's development code does not allow an "adult business" within 1,000 feet of a public park that covers at least 20,000 square feet and has facilities such as a playground. Undeterred, in June, after months of negotiation, Lacey bought the Palace Hotel from Ron Mills, who loaned him \$650,000. Lacey immediately began renovating the building and barely a week later he found himself facing a stop work order from the city for doing remodeling work without permits. He racked up multiple fines for assorted violations in a few short weeks. But Lacey couldn't focus all his attention on City Hall because he was also entangled in a battle with Vicky Keller, who owns the Hunan Garden and Shiki restaurants, which

were located in the Palace building at the time. The Keller-Lacey fight began in earnest when the city declared the building unsafe to enter because of fears that Lacey's remodeling, which he initially refused to allow to be inspected, had sapped the building's strength and safety. Keller eventually moved Shiki to the G Street Supper Club, which she also owns, and Hunan Garden to the Grants Pass Shopping Center. But not before Lacey changed the locks on Hunan because she refused to sign a new lease with higher rent, prompting Keller to sue him for \$750,000. He was eventually ordered to pay \$40,000. But that was small potatoes compared to Lacey's suit against the city that August. He went after Grants Pass and various city employees for

\$3.7 million saying his civil rights were violated. He sought \$460,000 in economic damages, another \$150,000 for upset, fright and loss of freedom; and punitive damages of \$3.1 million against city employees. Meanwhile, in addition to being the target of the city and Keller, Lacey found himself being sued in May 2007 by Mills for failing to make monthly payments of nearly \$5,000 on the loan to buy the Palace building. That was apparently settled when Lacey finally sold the building in September 2007 for \$910,000. Jon and Kathryn Bowen purchased the landmark and have begun restoration plans. In February 2008, a U.S. District Court judge granted a summary judgment in favor of the city regarding the \$3.7 million suit and Lacey appealed. However, the U.S. Court of Appeals for the Ninth Circuit Court of Appeals dismissed Lacey's appeal that December.

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