

**INDIANA GAMING COMMISSION  
BUSINESS MEETING**

**10:30 a.m., February 26, 1999  
115 West Washington St., Ste. 950 South Tower  
Indianapolis, IN 46204-3408**

**Present:** Commission members Donald R. Vowels, Chair; Thomas Milcarek, Secretary; Dr. Ross, Richard Darko and Robert Swan. Commissioner Ann Bochnowski was not present.  
**Staff:** Jack Thar, Floyd Hannon, Cindy Dean, John Krause, Michelle Marsden, Jennifer Byrd, Rhonda Dalton, Cpt. Mark Mason and members of the public.

**Call to Order and Roll Call**

Chairman Don Vowels called the meeting to order at approximately 10:47 a.m. (local time). A quorum was present.

**Approval of the Minutes**

Upon motion by Dr. Ross, second by Richard Darko, the minutes of the November 16, 1998 business meeting were unanimously approved.

**Report of the Executive Director**

Jack Thar, Executive Director, gave a report to the Commission on the activities of the riverboats and the commission office. Mr. Thar welcomed two individuals to the commission staff. The two new staff are Lisa Slack, receptionist; and Abraham George, Field Auditor.

**New Business**

**1999-1**

A resolution concerning the Issuance of Permanent Occupational Licenses.

**Action:** Upon motion by Robert Swan, second by Richard Darko, and unanimous vote of those present, the Commission approved the issuance of Permanent Occupational Licenses to those individuals listed in Resolution 1999-1.

**Denial of Occupational License  
Rhonda R. Davis SB-DEN-99-1**

Rhonda R. Davis applied for an Occupational License, Level 2 to work for the Harrah's Showboat Mardi Gras Casino ("Showboat") as a cage cashier. During her employment with Showboat, it was discovered that she removed two (2) purple gaming chips valued at \$500.00 each from a storage cabinet at the casino. Ms. Davis then enlisted the help of an acquaintance to redeem these tokens for cash. The Commission staff revoked Ms. Davis' temporary license on or about January 19, 1999.

**Action:** Upon motion by Thomas Milcarek, second by Dr. Ross, and unanimous vote of those

present, the Commission upheld the revocation of the temporary license and denies the application for Occupational License, Level 2 submitted by Rhonda R. Davis.

**Michelle Ware MA-DEN-98-5**

Michelle Ware applied for an Occupational License, Level 2 to work for the Majestic Star Casino as a cage cashier. During her employment with Majestic Star, it was discovered that she stole \$2,000.00 from the Majestic Star and passed the money to unknown patrons. The Commission staff has revoked Ms. Ware's temporary occupational license.

**Action:** Upon motion by Richard Darko, second by Thomas Milcarek, and unanimous vote of those present, the Commission upheld the revocation of the temporary license and denies the Application for Occupational License, Level 2 submitted by Michelle Ware.

**Denial of Felony Disqualification Waiver**

**Roy Morgan SB-FEL-98-1**

On or about March 9, 1996 Roy Morgan submitted an application for an Occupational License, Level 2 to work at the Majestic Star Casino as a dealer. Mr. Morgan was granted a temporary occupational license since he did not reveal a 1992 conviction. Mr. Morgan subsequently filed a second application with the Commission on March 24, 1997 in order to work at Showboat Mardi Gras Casino as a dealer and floor supervisor. Mr. Morgan failed to reveal his felony conviction on that application. While conducting a background investigation, the Commission determined that Mr. Morgan's 1992 conviction was a felony conviction. Mr. Morgan's temporary license was revoked on August 20, 1998. Mr. Morgan submitted a Request for Felony Waiver form on or about September 28, 1998 requesting a Waiver of the felony disqualification pursuant to IC 4-33-8-1 and 68 IAC 2-4. On November 4, 1998 a hearing on Mr. Morgan's request for a felony waiver was conducted by Review Officer John Krause at the Showboat Mardi Gras Casino Pavilion in East Chicago, Indiana. The review officer recommends that the Request for Felony Waiver of Roy Morgan be denied.

**Action:** Upon motion by Richard Darko, second by Robert Swan, and unanimous vote of those present, the Commission approves the review officer's recommendation and upholds the revocation of the temporary license and denial of the Permanent Occupational License. Additionally, pursuant to 68 IAC 2-3-7(b) the Commission granted Mr. Morgan to immediately reapply for an Occupational License.

**Rudy Pacheco SB-DEN-98-6**

On or about March 20, 1997 Rudy Pacheco applied for an Occupational License, Level 2 to work for Showboat Mardi Gras Casino as a floor supervisor. Mr. Pacheco's temporary Occupational License was revoked and his application for a permanent license was denied by the Commission staff on or about May 11, 1998, when it was discovered that Mr. Pacheco was convicted of the offense of Promoting Gambling in the State of New York in 1982. The Commission staff took this action pursuant to 68 IAC 2-3-5(c)(4), wherein it is stated that an occupational licensee "must not have been convicted of any offense involving violation of a gaming law in any jurisdiction". The Commission upheld the Commission staff's revocation of the temporary license and denial of the application for a permanent license on June 12, 1998. Mr. Pacheco subsequently appealed the decision of the commission to Administrative Law Judge Bernard Pylitt who had previously been appointed as an ALJ by the Commission. On November 12, 1998, ALJ Pylitt issued a Notice of Fourth and Final Telephone

Prehearing Conference in which a prehearing telephone conference was scheduled for December 21, 1998. No contact was made by either Mr. Pacheco or Ira Cooper, Mr. Pacheco's counsel of record. Subsequently, on December 21, 1998 ALJ Pylitt issued an Order to Show Cause why Mr. Pacheco's appeal should not be dismissed. Mr. Cooper contacted Commission staff, saying he was unable to persuade the Queens County Court in New York City to expunge Mr. Pacheco's gambling conviction, and that he was withdrawing his appearance on behalf of Mr. Pacheco. ALJ Pylitt issued a Supplemental Order to Show Cause why the appeal should not be dismissed on January 19, 1999, directing Mr. Pacheco to show cause by no later than the close of business on January 26, 1999. No response by or on behalf of Mr. Pacheco was filed. The ALJ Pylitt issued a Recommended Order Dismissing Appeal in this matter on January 26, 1999. ALJ Pylitt recommends that the commission dismiss with prejudice the appeal of Rudy Pacheco.

**Action:** Upon motion by Robert Swan, second by Thomas Milcarek, and unanimous vote of those present, the Commission approves the ALJ's recommendation and upholds the revocation of the temporary occupational license and denial of the Permanent Occupational License.

#### **Maurice Rivas Jauregui 98-OL-AZ-1**

On or about December 3, 1996 Maurice Rivas Jauregui applied for an Occupational License, Level 3 to work for Casino Aztar as an executive chef. The commission issued a temporary occupational license to Mr. Jauregui on or about December 3, 1996. On or about July 8, 1998, the Commission issued a permanent Occupational License to work for Casino Aztar as an executive chef. Subsequently, Commission staff discovered that Mr. Jauregui had been convicted of several criminal offenses which he had failed to disclose on his application. These offenses included two unrelated felony offense convictions. On October 20, 1998, the Commission initiated a disciplinary action against Mr. Jauregui seeking a determination that Mr. Jauregui was both ineligible and unsuitable for licensure. Mr. Jauregui responded to the Complaint for Disciplinary Action on November 4, 1998. This matter was assigned to Bernard L. Pylitt who had previously been appointed as an Administrative Law Judge. On or about November 26, 1998, Mr. Jauregui was arrested and charged with theft for taking six collectible basketball trading cards from the gift shop at Casino Aztar while he was on duty as a licensee. Mr. Jauregui voluntarily terminated his employment at Casino Aztar. On or about December 18, 1998, the Commission filed a Verified Statement of Facts and Motion to Dismiss as well as its Proposed Findings of Fact, Conclusions of Law, and Recommendation with the ALJ. No response was filed by or on behalf of Mr. Jauregui. ALJ Pylitt recommends that the disciplinary action initiated against Mr. Jauregui 98-OL-AZ-1 be dismissed for the reason that the Commission no longer has jurisdiction over Mr. Jauregui. ALJ Pylitt also recommends that Mr. Jauregui be deemed ineligible and unsuitable for licensure should he reapply in the future.

**Action:** Upon motion by Dr. Ross, second by Robert Swan, and unanimous vote of those present, the Commission voted to accept the ALJ's recommendation that the disciplinary action against Mr. Jauregui be dismissed and also accepted the recommendation that Mr. Jauregui be deemed ineligible and unsuitable for future licensure.

#### **Thomas Halveland AG-DEN-98-7**

Thomas Halveland applied for an Occupational License, Level 2 for employment with Argosy Casino in the position of Surveillance Agent on August 17, 1998. On December 29, 1998 a notice of revocation of the temporary license and denial of the permanent license application was issued to Mr. Halveland. Mr. Halveland truthfully disclosed on his application that he had

been convicted of the two (2) misdemeanor convictions of possession of gambling records in St. Louis, Missouri. On December 31, 1998 Mr. Halveland responded to the letter of revocation by requesting a continuance of his temporary license until the next scheduled Commission meeting. A hearing regarding this matter was scheduled before Administrative Law Judge (ALJ) Pylitt. An emergency hearing was scheduled for January 6, 1999 before ALJ Pylitt. Mr. Halveland was present. Cynthia L. Dean, John Krause and John J. Thar were present representing the Commission. The issue presented to the ALJ was whether 68 IAC 2-3-5(c)(4) is reasonable.

ALJ Pylitt immediately ruled concerning this matter and issued Findings of Fact, Conclusion of Law, and Recommendation on January 6, 1999. The ALJ found that a rational basis existed for the additional limitation of 68 IAC 2-3-5(c)(4) and the Commission was justified by imposing that requirement. The ALJ further found that just as the general assembly found a need to create a waiver mechanism for the denial of a license due to a felony conviction, the Commission likewise created a safeguard to address unfair results with built-in waiver provisions in 68 IAC 2-3-11 and 12. The ALJ recommended that the Commission staff consider the statutory factors provided of IC 4-33-8-11(c), the Felony Waiver Statute in making a determination of a waiver. Judge Pylitt concluded that Mr. Halveland's request for a hearing be deemed a request for a waiver of the prohibition in 68 IAC 2-3-5(c)(4), and remanded this matter to the Commission staff for a waiver hearing and reissue a temporary license to Mr. Halveland. Due to the fact that all parties were present on January 6, 1999 and Mr. Halveland agreed to an expedited hearing on his request for a waiver of the prohibition in 68 IAC 2-3-5(c)(4) pending Commission review and acceptance of the ALJ's recommendation, Executive Director, John J. Thar acted as the hearing officer for the Commission and immediately proceeded to a waiver hearing.

John J. Thar, as the hearing officer, adopted the prior record created in the hearing before Judge Pylitt. Mr. Thar recommends to the Commission that the request for waiver of the prohibition in 68 IAC 2-3-5(c)(4) be granted and that Mr. Halveland be eligible for permanent licensure. Mr. Thar further granted Mr. Halveland a conditional reinstatement of his Temporary Occupational License pending review and approval by the Commission.

**Action:** Upon motion by Richard Darko, second by Robert Swan, and unanimous vote of those present, the Commission voted to accept the ALJ's recommendation that Mr. Halveland's request for a hearing be deemed a request for a waiver of the prohibition in 68 IAC 2-3-5(c)(4) and that a waiver provision does exist in 68 IAC 2-3-11 and 12 and Mr. Halveland's temporary license could be reissued.

Upon motion by Robert Swan, second by Thomas Milcarek and unanimous vote of those present, the Commission voted to accept the recommendation of the hearing officer that the request for waiver of the prohibition in 68 IAC 2-3-5(c)(4) be granted and that Mr. Halveland be eligible for permanent licensure.

### **Settlement Offers on Disciplinary Actions**

**Complaint No. 98-AZ-1, Casino Aztar.** The disciplinary action against Casino Aztar consists of 1 Count. By allowing an employee to work aboard the riverboat without the employee having submitted an application and without a temporary Occupational License having been issued Casino Aztar violated IC 4-33, 68 IAC 2-3, and directives issued by the Commission. The Commission staff and Aztar have reached a settlement agreement whereby a fine in the amount of \$1,500.00 would be paid and that Aztar take steps to insure that all Aztar employees

working aboard the riverboat have obtained the appropriate level of Occupational License before beginning duties aboard the riverboat.

**Action:** Upon motion by Dr. Ross, and second by Richard Darko, and unanimous vote of those present the Commission approved the proposed terms of the settlement agreement.

### **Suppliers License Issues**

#### **Resolution 1999-2**

A resolution granting permanent supplier's license to Atlantic City Coin & Service Company, Inc. ("AC Coin"), GameCash, Inc. and Southwest Systems Limited.

**Action:** Upon motion by Dr. Ross, second by Richard Darko, and unanimous vote of those present, the Commission granted permanent supplier's license to Atlantic City Coin & Service Company, Inc. ("AC Coin"), GameCash, Inc. and Southwest Systems Limited. The Permanent Supplier's Licenses will be valid for a period of one (1) year, from February 26, 1999 through February 25, 2000.

#### **Resolution 1999-3**

A resolution concerning the renewal of supplier's licenses for GDC, Inc.; International Electronic Protection ("IEP"); IGT; WMS Gaming, Inc.; Lodging & Gaming Solutions, Inc.; and Anchor Coin.

**Action:** Upon motion by Richard Darko, second by Dr. Ross, and unanimous vote of those present, the Commission granted the renewal of the Supplier's Licenses issued to GDC, Inc.; IEP, IGT, WMS Gaming, Inc.; Lodging & Gaming Systems, Inc.; and Anchor Coin. The renewed supplier's licenses will be valid for a period one (1) year from the date of issuance.

#### **Resolution 1999-4**

A resolution concerning the request of Four Aces, Inc. to withdraw its application for a supplier's license.

**Action:** Upon motion by Robert Swan, second by Dr. Ross, and unanimous vote of those present, the Commission approved the request by Four Aces, Inc. to withdraw its application for a supplier's license.

#### **Resolution 1999-5**

A resolution denying supplier's license to Jerry Beck Casino Connection.

**Action:** Upon motion by Dr. Ross, second By Richard Darko, and unanimous vote of those present, the Commission denied a supplier's license to Jerry Beck Casino Connection.

### **New Games**

#### **Resolution 1999-6**

A resolution concerning conditional approval of the game of Guarantee 20.

**Action:** Upon motion by Robert Swan, second by Dr. Ross, and unanimous vote of those present, the Commission approved the game of Guarantee 20 for a trial period of six (6) months for use on Indiana riverboats. During the trial period, all riverboats who offer the

game of Guarantee 20 must have pre-approved rules of the game and must report those matters as directed by the Executive Director or the Executive Director's designee, which matters include, but are not limited to, the following information: the amount of play, the revenue generated by the game of Guarantee 20, and whether the riverboat licensee wishes to continue offering the game of Guarantee 20. The riverboat licensee must also document any customer complaints or incidents that are generated by the game of Guarantee 20 and forward those reports to the Commission. At the end of the trial period, the Commission will consider approving the game of Guarantee 20 to be offered on Indiana Riverboats on a permanent basis.

**Request for Bond Reduction  
Casino Aztar**

On February 9, 1996, March 5, 1996, April 4, 1996, October 5, 1998, November 6, 1998, December 8, 1998 and January 7, 1999 Casino Aztar made the following identical payments to the City of Evansville pursuant to the Development Agreement between Casino Aztar and the City of Evansville and as a condition of the Riverboat Owner's License issued to Casino Aztar:

Downtown Revitalization	\$ 83,333.33
Economic Development	16,666.67
<u>Pigeon Creek Greenway</u>	<u>4,166.67</u>
Total	\$104,166.67

On January 8, 1996, Casino Aztar made the following payments to the City of Evansville pursuant to the Development Agreement between Casino Aztar and the City of Evansville and as a condition of the Riverboat Owner's License issued to Casino Aztar:

Learning Center	\$1,000,000.00
Victory Theatre	1,000,000.00
Dress Plaza	1,000,000.00
Downtown Revitalization	83,333.33
Economic Development	16,666.67
<u>Pigeon Creek Greenway</u>	<u>4,166.67</u>
Total	\$3,104,166.67

On January 21, 1997, Casino Aztar made the following payment to the City of Evansville pursuant to the Development Agreement between Casino Aztar and the City of Evansville and as a condition of the Riverboat Owner's License issued to Casino Aztar:

<u>Neighborhood Assistance</u>	<u>\$250,000.00</u>
Total	\$250,000.00

**Action:** Upon motion by Robert Swan, second by Dr. Ross, and unanimous vote of those present, the Commission authorizes the National City Bank to reduce Letter of Credit 102, posted by the Casino Aztar, in a total amount of \$4,083,333.36

**Request for Bond Reduction  
Trump Indiana, Inc.**

Pursuant to the Surety Bond posted by Trump Indiana, Inc. ("Trump"), the amount of \$4,500,000.00 was posted to secure the performance by Trump of its obligation to construct a 300-room hotel in Gary, Indiana. As of December 28, 1998, the 300-room Trump Hotel in Gary, Indiana is complete and open. Therefore, the amount of the Surety Bond posted by Trump that is allocated to the construction and completion of the hotel may be reduced by \$4,500,000.00

**Action:** Upon motion by Richard Darko, second by Robert Swan, and unanimous vote of those present, the Commission authorizes the American Home Assurance Company to reduce the Surety Bond posted by Trump in a total amount of \$4,500,000.00.

**Request for Bond Reduction  
Showboat Marina Casino Partnership**

On January 12, 1998, Showboat Marina Casino Partnership ("Showboat") made an annual lease payment to the City of East Chicago Department of Redevelopment in the amount of \$400,000.00. Pursuant to the Surety Bond posted by Showboat, the portion of the bond securing the annual lease payment is eligible for reduction at a rate of \$353,000.00 per year. Such reduction may take place after each annual lease payment is made by Showboat.

**Action:** Upon motion by Thomas Milcarek, second by Dr. Ross, and unanimous vote of those present, the Commission authorizes the Aetna Casualty and Surety Company to reduce the Surety Bond posted by Showboat in a total amount of \$353,000.00

**Request for Bond Reduction  
Blue Chip Casino, Inc.**

On December 5, 1998, Blue Chip Casino, Inc. paid \$100,000 under a promissory note which is secured by a mortgage on the Smith Brothers property in Michigan City, Indiana. The payment of the mortgage on the Smith Brothers property was made a condition of the Surety Bond that was posted by Blue Chip Casino, Inc.

**Action:** Upon motion by Thomas Milcarek, second by Dr. Ross, and unanimous vote of those present, the Commission authorizes the Aetna Casualty and Surety Company to reduce the Surety Bond posted by Blue Chip in a total amount of \$100,000.00.

**Resolution 1999-7**

A resolution concerning the surety bond posted by RDI/Caesars Riverboat Casino, LLC.

**Action:** Commissioner Darko abstained from voting. Upon motion by Robert Swan, second by Thomas Milcarek, and unanimous vote of those present, the Commission approves the reduction of the surety bond posted by RDI/Caesars Riverboat Casino, L.L.C. in the amount of \$4,100,000. This reduction is to be subtracted from the Eight Million Two Hundred Thousand Dollars (8,200,000) appropriated to secure the construction of additional hotel rooms and parking spaces in lieu of a gondola system. As a result, the total amount of the surety bond posted by RDI/Caesars Riverboat Casino, L.L.C. will be \$30,900,000.

## Other Business

### Minority Business

Addison Simpson, Executive Assistant for Governor Frank O'Bannon, Chairperson of the Minority Business Commission for the State of Indiana appeared before the Commission on behalf of the Governor, the Indiana Black Legislative Caucus and the Governor's Commission on Minority Business to address the Commission regarding concerns about the percentage of minority participation throughout the gaming industry in the State of Indiana. Mr. Simpson commended Executive Director Thar and Commission Staff for their assistance in acting as a liason between the riverboats and the Governor's Commission on Minority Business. In an effort to address these concerns Mr. Simpson and Commission staff will meet with representatives from the Lake Michigan Riverboats on March 9, 1999 at the offices of the Indiana Gaming Commission and on March 10, 1999 Mr. Simpson and Commission Staff will meet with representatives from the Ohio River Riverboats to discuss specific concerns on how to ensure that the goals for minority participation are met throughout the State of Indiana. This is being done throughout the entire state government to ensure that Public Law 34 goals are met. The Commissioners expressed their complete support of the Governor's Commission on Minority Business. Mr. Simpson expressed he would relay the Commissioners support to Governor O'Bannon. Commissioner Ross requested the figures for minority participation be provided to the Commissioners on a quarterly basis. Executive Director Thar will request the riverboats put the numbers for minority business participation in a format so that this information can be presented to the Commissioners on a quarterly basis.

### **Resolution 1999-8**

A resolution concerning the request of Waterfront Entertainment and Development, Inc. to recognize a change in ownership and a request of Showboat Inc. and Waterfront Entertainment and Development Inc. to transfer its ownership interest in Showboat Marina Casino Partnership to Harrah's Operating Company, Inc.

Michael Pannos spoke before the Commission regarding the request of Waterfront to approve the transfer of shares into trusts by Margaret Louise Pannos, Michael A. Pannos, Samuel L. Cappas, Elizabeth Cappas, and Thomas S. Cappas.

**Action:** Upon motion by Robert Swan, second by Dr. Ross, and unanimous vote of those present, the Commission approved the request of Waterfront to transfer shares of stock into trusts by Margaret Louise Pannos, Michael A. Pannos, Samuel L. Cappas, Elizabeth Cappas, and Thomas S. Cappas.

George Loveland, Vice-President Associate General Counsel and Compliance Officer; Tim Wilmott, Eastern Division President; and Joe Domenico, Senior Vice President and General Manager of the Indiana properties appeared before the Commissioners to speak on behalf of their request for Approval of Transfer of Ownership Interests and Tender Offer made by Harrah's Operating Company, Inc.

**Action:** Upon motion by Robert Swan, second by Dr. Ross, and unanimous vote of those present, the Commission granted the application of Harrah's Entertainment, Inc. through Harrah's Operating Company, Inc. for the acquisition of the Forty-four point Fifty-five percent (44.55%) of the ownership interest in Showboat Marina Casino Partnership



through the acquisition of Waterfront, and Fifty-five percent (55%) of the ownership interest in Showboat Marina Casino Partnership through the acquisition of Showboat, Inc., and the tender offer of Harrah's Operating Company, Inc. for all outstanding 13-1/2% First Mortgage Bonds due 2003 of Showboat Marina Partnership and Showboat Marina Finance Corporation.

### **Second Century**

Showboat Marina Casino Partnership obligation to Second Century East Chicago was to fund that organization with 5.7% gaming wins. Harrah's has agreed to assume this obligation but will not actively participate in the operation of the organization. This organization was originally created to bring economic development to the City of East Chicago and that it would be funded through the 5.7%. The question has arisen that since the Waterfront group no longer holds any ownership in the casino that the City of East Chicago would like to oversee the development of Second Century and that the function of the Commission would be to oversee the funding of the 5.7%. John Artis, Director of Redevelopment for East Chicago appeared before the Commission. Mr. Artis, on behalf of Mayor Pastrick and the City of East Chicago, indicated that Second Century remains a vital and integral part of the revitalization efforts for the City of East Chicago. Mr. Artis provided a history of Second Century and discussed the future goals of the organization. The question presented to the Commission was what role the Commission would play in overseeing the operations and involvement of Second Century.

**Action:** After discussion, the Commission decided there would not be a need for the Commission to play any type of regulatory role in overseeing Second Century. Second Century will continue to report revenues for the SPEA Report.

### **Next Meeting**

The date and time of the next Business Meeting will be announced at a later time.

### **Adjournment**

Upon motion by Richard Darko, second by Dr. Ross, and unanimous vote of those present, the meeting was adjourned at 12:50 p.m.

### **Minutes**

Baynes & Shirey Reporting Services transcribed the February 26, 1999 business meeting. Consequently, the transcript is the complete record of the meeting. Anyone wishing to see the transcript can review it in the Commission office or obtain a copy of the transcript from Baynes & Shirey, Bank One Center/Circle Center, 111 Monument Circle, Ste. 582, Indianapolis, IN 46207. (317) 231-9004.

Rhonda K. Dalton, Executive Secretary of the Indiana Gaming Commission Staff, prepared these minutes.

Respectfully submitted,

  
Rhonda K. Dalton

THE INDIANA GAMING COMMISSION:

  
Donald Vowels, Chair

  
Ann Bochnowski, Vice-Chair