

INDIANA GAMING COMMISSION
BUSINESS MEETING
10:00 a.m., July 29, 2002
115 W. Washington St., Ste. 950 South
Indianapolis, IN 46204-3408

Present: Commission Members: Donald R. Vowels, Chair; Ann Bochnowski, Vice-Chair; Thomas Milcarek, Secretary; Dr. David Ross, David Carlton, and Dale Gettelfinger. Marya Rose was not present. Staff: Jack Thar, Cynthia Dean, Billy L. Hamilton, Jennifer Arnold, Susan Brodnan, Jennifer Chelf, Michelle Marsden, Rhonda Dalton, Major Mark Mason and members of the public.

Call to Order and Roll Call

Chairman Donald Vowels called the meeting to order at approximately 10:50 a.m. local time. A quorum was present.

Approval of the Minutes

Upon motion by Ann Bochnowski, second by David Carlton, and unanimous vote of those present, the minutes of the May 13, 2002 business meeting were approved.

Report of the Executive Director

Commissioner Richard Darko has resigned from the Gaming Commission as a result of the Governor appointing him to be the Chairman of the Indiana Horse Racing Commission. Commissioner Darko was a major asset to the Gaming Commission and will be missed.

As a result of Commissioner Darko's resignation, the Governor appointed Marya Mernitz Rose to the Indiana Gaming Commission. Marya resides in Indianapolis, Indiana with her husband and is vice president, general counsel and secretary of Cummins Incorporated in Columbus, Indiana. Ms. Rose served as an Executive Assistant to both Governors' Bayh and O'Bannon prior to taking her present position at Cummins. Due to a scheduling conflict, Ms. Rose was unable to attend this meeting.

The legislature passed HB 1001 (ss) which amended the Riverboat Gambling Act ("Act"), during the special session. Jennifer Arnold, Director of External Affairs, appeared before the Commission to discuss the changes to the "Act". Changes include:

- An increase in wagering taxes.
- Flexible Scheduling is now permitted.
- Casinos who choose to participate in flexible scheduling will pay a graduated tax beginning at 15% with a maximum tax of 35%.
- The Admissions Tax will remain at \$3 but will be based on a turnstile count.
- Casinos who do not participate in flexible scheduling will pay a flat admissions tax of 22-1/2% and will continue to pay \$3 per person per cruise admissions tax.
- The legislation created \$33 million in revenue sharing for counties that do not have riverboat casinos. It also capped and guaranteed distributions to local governments who currently have riverboat gaming. The local government cannot have more or less than they received in 2002.
- Instituted an on the spot tax withholding on slot winnings greater than \$1200 and on keno winnings greater than \$1500.

- The bill makes it a Class A misdemeanor for a person under 21 to attempt to enter or enter a riverboat casino. It also makes it a Class A misdemeanor for a person to aide, induce, or cause a person under 21 to enter a casino.
- Establishes the Indiana Department of Gaming Research. To fund this agency each riverboat casino and horse track will pay an annual fee of \$25,000. The purpose of the agency is to enhance the gaming industry in Indiana through research and analysis. The agency will be under the authority of the governor who will appoint an Executive Director and other staff as necessary.

This was the end of the Report on HB 1001 (ss) by Jennifer Arnold and the Executive Director continued his report.

On July 29th Commission staff held a telephone conference call with the riverboats to explain the implementations noted above as well as setting timelines and applications for flexible boarding.

The state has instituted a voluntary leave program as a result of the state fiscal crisis. The program requested each employee give 12 days of work without pay in order to reach a potential savings of \$4 million. The \$4 million was broken down by agency as to what each agencies contribution would be. It was determined that if the gaming commission employees who made above \$25,000 would agree to take 1.5 days without pay, the monetary goal for the IGC would be exceeded and would not put added financial pressure on those making less money. The office agreed to do so, had 100% participation on the 1.5 day request, and exceeded the monetary requirement. There were individuals who decided to take 12 days without pay for various reasons and people below \$25,000 who also volunteered to take time off without pay.

On July 12, 2002 Commission staff met with representatives from the United States Coast Guard. The meeting was productive, resulting in several potential issues as a result of HB 1001 (ss), flexible boarding.

Don Barden, Majestic Star, has filed a d/b/a "Barden Gaming" to be used in lieu of Barden Development in connection with his casino properties.

Caesars has delayed the opening of its golf course to October 1 due to water issues.

Arnold Block, Vice President and General Manager of Argosy Casino has been promoted to a regional vice presidency in the corporate office. Larry Kinser who was the general manager at another Argosy property has assumed those responsibilities at the Lawrenceburg property.

Mr. Thar introduced George Carey, field auditor, for the Indiana Gaming Commission. Mr. Carey retired from the Air Force. He has lived in Indiana for the past two years, moving here from Texas. Mr. Carey graduated from New Mexico State University with a degree in accounting and has previous federal and state tax preparation experience.

New Business

Resolution 2002-16

During the recent special session the legislature amended the riverboat gaming act to permit flexible scheduling. On behalf of the Commission, staff chose July 12, 2002, 4:45 p.m. as the deadline for all riverboats to submit a plan for flexible scheduling. As of July 12, 2002 all riverboats submitted a plan for flexible scheduling by 12:00 noon. Each plan was reviewed by staff. Minor revisions were made.

A copy of each plan and a memo describing each plan and/or any revisions were forwarded to each Commissioner.

On July 19, 2002, commission staff met with the general managers to discuss the implementation of flexible boarding and the issue of advertising. Specifically, the general managers were directed not to presume commission approval and advertise "Dockside Gaming begins August 1st with "Pending IGC Action" in small print. Commission staff has been advised that Harrah's, Trump, Majestic Star, and Caesars violated this directive. There was a consensus among the commissioners that those licensees who violated the directive should be penalized by not allowing them to begin flexible boarding until Monday, August 5th. Representatives from each boat were allowed an opportunity to dispute these findings. In the future, matters pending before the Commission will not be advertised.

Action: Upon motion by Dale Gettelfinger, second by Ann Bochnowski, and unanimous vote of those present, the Commission authorized flexible scheduling and the riverboat licensed owners with the exception of Showboat Marina Casino Partnership, known as Harrah's East Chicago Casino, Majestic Star Casino, LLC and Trump Indiana, inc. shall implement the appropriate flexible scheduling plans on the gaming day commencing 6:00 a.m., August 1, 2002. Showboat Marina Casino Partnership, known as Harrah's East Chicago Casino, Majestic Star Casino, LLC and Trump Indiana, Inc. shall implement the appropriate flexible scheduling plans on the gaming day commencing 6:00 a.m., August 5, 2002.

Ron Gifford and William Joyce, appeared before the Commission to appeal the Commission's decision to implement Flexible Boarding for Caesars Indiana commencing August 5, 2002. Mr. Gifford submitted a copy of the advertisement as it appeared in the Courier-Journal. Commission staff confirmed that the advertisement met the criteria established in the July 29th General Manager's Meeting.

Action: Upon motion by Thomas Milcarek, second by David Carlton, and unanimous vote of those present, the Commission amended the prior determination that Caesars had violated the administrative directive.

Resolution 2002-17

New Vision Gaming submitted the game of Boston 5 Stud Poker for approval for play on Indiana riverboats. Gaming Laboratories International, Inc. reviewed the information and materials submitted and found that the game of Boston 5 Stud Poker is a variation of the traditional game of Poker. The Commission granted conditional approval of the game for a period of six months pursuant to Resolution 2001-38. Majestic Star sponsored Boston 5 Stud Poker by introducing one (1) table to its casino floor in November 2001 and has since added a second table. Majestic Star has indicated in writing that it wishes to continue offering the game of Boston 5 Stud Poker.

Action: Upon motion by David Carlton, second by Dr. David Ross, and unanimous vote of those present, the Commission approved the game of Boston 5 Stud Poker for use on Indiana Riverboats. All riverboats who offer the game of Boston 5 Stud Poker must have pre-approved rules of the game and layout schematics.

Resolution 2002-18

BET Technology, Inc., submitted the game of Fortune Pai Gow Poker and requested Commission approval for use in Indiana. Majestic Star advised the Commission, in writing, that it supports the game of Fortune Pai Gow Poker for use in Indiana, and submitted a draft of proposed rules for the game which it proposes to utilize if the game of Fortune Pai Gow Poker is approved. Gaming Laboratories International has reviewed the information and materials submitted by BET Technology, Inc. GLI

forwarded its report to the Commission and has found that the game of Fortune Pai Gow Poker to be a variation of the traditional game of Poker.

Action: Upon motion by Thomas Milcarek, second by Dr. David Ross, and unanimous vote of those present, the Commission approved the game of Fortune Pai Gow Poker for a trial period of six (6) months for use on Indiana riverboats. During the trial period, all riverboats who offer the game of Fortune Pai Gow Poker 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 Fortune Pai Gow Poker, and whether the riverboat licensee wishes to continue offering the game of Fortune Pai Gow Poker. The riverboat licensee must also document any customer complaints or incidents that are generated by the game of Fortune Pai Gow Poker and forward those reports to the Commission. At the end of the trial period, the Commission will consider approving the game of Fortune Pai Gow Poker to be offered on Indiana riverboats on a permanent basis.

Supplier License Matters

Resolution 2002-19

A Resolution Concerning the Renewal of Suppliers' Licenses issued to Casino Data Systems, Sigma Game, Inc., Shuffle Master, Inc., Gemaco Playing Card Company; Mikohn Gaming Corporation; Osborne Coinage Company; Paul-Son Gaming Supplies, Inc.; Atronic Americas, LLC; Kilmartin Industries, Inc., d/b/a-Roger Williams Mint; The Bud Jones Company.

Action: Upon motion by Dr. David Ross, second by David Carlton, and unanimous vote of those present, the Commission grants the renewal of the Suppliers' Licenses issued to the supplier's listed above on the condition that any outstanding background fees are paid as directed by the Commission staff. The renewed Supplier's Licenses will be valid for a period of one (1) year from the date of issuance.

Resolution 2002-20

A Resolution Concerning the Request of V.S.R. Lock, Inc. to Withdraw It's Supplier's License. Pursuant to correspondence dated July 10, 2002, VSR requested the Commission re-evaluate whether or not VSR should be required to continue to maintain a supplier's license. VSR previously had a gaming division that distributed gaming equipment. VSR has since sold its gaming division but it will continue to supply non-gaming products. On July 25, 2002 requested the ability to withdraw its Supplier's License.

Action: Upon motion by Ann Bochnowski, second by Thomas Milcarek, and unanimous vote of those present, the Commission granted the request of VSR to withdraw its Supplier's License.

Resolution 2002-21

A Resolution Concerning the Request of the Bud Jones Company, Inc., Bourgogne Et Grasset, and Paul-Son Gaming Corporation to Transfer Ownership Interests. Representing Paul-son Gaming was Laura McCallister-Cox. The Bud Jones Company is a wholly-owned subsidiary of Bourgogne et Grasset. Bud Jones received a temporary Supplier's License on August 23, 2001. Paulson Gaming Supplies, Inc. a wholly owned subsidiary of Paul-son Gaming Corporation received a temporary Supplier's License on September 8, 1995, a permanent Supplier's License on August 19, 1997 and renewals of the Supplier's license on August 19, 1998, August 20, 1999, August 21, 2000, and August 23, 2001. On April 11, 2002 a Stock Purchase Agreement was executed by the Shareholders of B & G, whereby they will purchase 670,000 shares of stock of Paul-son from the Paul S. Endy, Jr. Living Trust. B & G Shareholders received 40,000 shares upon execution of the agreement and the remaining 630,000 shares will be

transferred upon consummation of the transaction. Concurrently, B & G and Paul-son entered into an Agreement and Plan of Exchange and Stock Purchase, whereby the 225,184 outstanding shares (100%) of B & G will be exchanged for common stock of Paul-son and Paul-son will purchase 100% of the outstanding shares of Bud Jones. The agreements will result in B & G and Bud Jones becoming wholly-owned subsidiaries of Paul-son a publicly traded corporation, with the current shareholders of B & G cumulatively owning in excess of 50% of Paul-son. The transaction is anticipated to close during the first week of September 2002. Both Paul-son Gaming and Bud Jones will retain their respective Supplier's Licenses when the transaction is completed. Counsel for Bud Jones and B & G has represented to the Commission that there will be no new key personnel as a result of this transaction. Alain Thieffrey will be the new director of Paul-son. Mr. Thieffrey will be an outside director of Paul-son, the parent company of the supplier licensee Paul-son Gaming and will have minimal contact with operations affecting Indiana. It has been determined that due to this limited involvement, a personal disclosure form for Mr. Thieffrey is not necessary. Bud Jones and B & G has requested that the Commission waive the normal transfer of ownership procedures and attendant background investigations due to the fact that no new key persons or substantial owners are being introduced as a result of this change in ownership.

Action: Upon motion by David Carlton, second by Dr. David Ross, and unanimous vote of those present, the Commission granted Bud Jones and B & G's request for a waiver of the normal transfer of ownership procedures and attendant background investigations.

Action: Upon motion by Ann Bochnowski, second by Thomas Milcarek, and unanimous vote of those present, the Commission granted Bud Jones and B & G's request for approval of the resulting transfer of ownership in Bud Jones, B & G, and Paul-son.

Settlement Agreement in Lieu of a Disciplinary Action

WMS Gaming Complaint No. 02-WMS-1

Derek Harmer, representing WMS Gaming, addressed the Commission. During the Spring of 2001 the company issued several notices to Commission staff of deficiencies in its machines. The notices were not sufficiently specific to provide the commission staff with enough information to make a determination as to how to address the problem. In addition WMS was not proactive in addressing or correcting problems with its machines. By doing this, the commission's ability to effectively regulate and ensure the integrity of gaming was compromised. Because WMS acknowledged the shortcomings in its notification procedures and initiated remedial steps to correct the compliance problem, commission staff determined that a settlement agreement in lieu of a disciplinary action was warranted. Pending Commission approval WMS and commission staff recommend that WMS pay a monetary fine in the amount of \$5,000.00. In addition, WMS agrees to provide specific and detailed notification to the Commission of any and all problems, or potential problems with goods or services supplied by WMS.

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

Occupational License Matters

Felony Waiver Request of Mr. Justin Reese Case Number TR-FEL-02-1

On or about February 5, 2002, Mr. Justin Reese submitted an application for a level 3 occupational license to work at the Trump Casino as a deckhand. Mr. Reese's application was denied because he

revealed a 1981 felony conviction for theft. Mr. Reese filed a request for a felony waiver on or about February 8, 2002. Susan Brodnan, previously appointed as a review officer, conducted a hearing on the property of Trump Casino in Gary, Indiana on April 17, 2002 to consider Mr. Reese's request for a felony waiver. Mr. Reese was present as was his mother. The review officer has issued written Findings of Fact and Recommendation to the Commission that the Request for Felony Waiver of Justin Reese be denied.

Action: Upon motion by Ann Bochnowski, second by Dr. David Ross, and unanimous vote of those present, the Commission adopted the recommendation of the review officer denying the request for felony Waiver of Mr. Justin Reese.

Amelia Godley
HH-DEN-02-2

Amelia Godley applied for an occupational license, level 2 for employment as a cage cashier at Horseshoe Casino. On or about December 12, 2001 the Commission issued Ms. Godley a temporary occupational license. During her employment at Horseshoe Casino, it was discovered that Ms. Godley had taken money from another employee's cash drawer. Her employment was terminated as a result of this incident.

Action: Upon motion by Thomas Milcarek, second by Dr. David Ross, and unanimous vote of those present, the Commission denied Ms. Godley's application for an occupational license, level 2. Pursuant to IC 4-21.5-3-6 the order will become effective fifteen (15) days after it is served.

John Webber
MS-DEN-02-1

On or about February 5, 2002 John Webber submitted a Personal Disclosure Form I so he could work at Majestic Star Casino as the Director of Surveillance. Mr. Webber was issued a temporary license, level I, on or about February 15, 2002. During a routine background investigation it was discovered that Mr. Webber had failed to disclose and or falsely stated certain information on his Personal Disclosure Form I and to investigators during his investigative interviews. Pursuant to IC 4-33-8-7 the Commission may refuse to issue an occupational license to an individual who does not disclose or states falsely any information required by the application. On this basis, the Commission staff revoked Mr. Webber's temporary occupational license and denied his application for a permanent license.

Action: Upon motion by Dr. David Ross, second by Ann Bochnowski, and unanimous vote of those present, the Commission denied Mr. Webber's application for an occupational license, level 1. Pursuant to IC 4-21.5-3-3 the order will become effective fifteen (15) days after it is served.

Minority Business Enterprise/Womens Business Enterprise

Appeal of the Denial of a Request for Certification as a Woman Business Enterprise Submitted by Accutool, Inc. Appeal No. IDOA/IGC-WBE-02-06

The Indiana Department of Administration denied Accutool's request for certification as a Women's Business Enterprise on or about May 15, 2002. Accutool received written notice of the denial. The denial advised Accutool that, pursuant to 68-IAC 3-5-2 a request for hearing must be submitted no later than June 4, 2002. The Indiana Department of Administration received a fax containing a Request for a Hearing on June 5, 2002. The Commission appointed Bernard L. Pylitt as the Administrative Law Judge in this matter. Judge Pylitt issued a Notice of Proposed Recommended Order Dismissing Appeal on June 17, 2002 advising Accutool that it could file a response indicating why a dismissal should not be imposed. As of June 28, 2002 Accutool had not submitted a response. On or about June 28, 2002 Judge Pylitt submitted a Recommended Order of Dismissal of Accutool recommending Accutool's appeal of the

denial of its request for certification as a Woman Business Enterprise be dismissed due to the untimely filing of the request for hearing.

Action: Upon motion by Thomas Milcarek, second by Dr. David Ross, and unanimous vote of those present, the Commission accepted the Recommended Order of Dismissal filed by Judge Pylitt. Commissioner Dale Gettelfinger abstained from voting.

Action: Upon motion by Ann Bochnowski, second by Thomas Milcarek, and unanimous vote of those present, the Commission Dismissed Accutool's appeal of the denial of its request for certification as a Woman Business Enterprise. Commissioner Dale Gettelfinger abstained.

Plan Presentations

Trump Indiana

Trumps MBE/WBE participation continues to increase as indicated in their written report dated July 29, 2002. While Trump is not required to make an oral presentation, Mr. Del Redd appeared on behalf of Trump to answer any questions the Commission might have. Included in the packets submitted were brochures containing information about minority business programs. Commission staff requested clarification about the portion of the brochure which states:

"Trump Casino requires all minority and women-owned businesses from which we purchase goods and services, to be certified in the State of Indiana." The brochures go on to state "The purchasing department will require certification, or proof that an application has been submitted before MBE/WBE approval is granted."

Of particular concern is that businesses who choose not to do business as a certified minority business will perceive this type of advertising to mean that they are prohibited from competing with non-minority owned businesses. Commission staff has received complaints from throughout the state that licensees will not conduct business with a minority owned firm if that entity is not certified.

There was consensus among the commission that the wording in Trump's brochure was confusing and that clarification was necessary. Trump will change the wording in the brochure.

Majestic Star

Majestic Star's MBE/WBE participation continues to improve. The Commission did not require that representatives of Majestic Star make an oral presentation. A written report dated, July 2002 was submitted. David Wolf, general manager of Majestic Star appeared before the Commission to answer any questions.

Belterra Casino and Resort

Alain Uboldi, General Manager; Kay Fleming, Ice Miller appeared on behalf of Belterra Casino and Resort to report on their MBE/WBE participation. Belterra submitted a report dated July 29, 2002. Footnotes referencing revised numbers for 2001 were included in this report. Belterra is experiencing problems with the computer software. If expenditure in the first quarter is voided in the second quarter, the expenditure is then kicked back into the first quarter skewing the numbers. The 2002 numbers have been confirmed through an audit by Ice Miller.

Consideration of License Renewal

Resolution 2002-22

A Resolution Concerning the Renewal of the Riverboat Owner's License Held by Blue Chip Casino, LLC. The Commission issued a riverboat Owner's license to Blue Chip Casino, Inc. on August 19, 1997 to operate a riverboat casino in Michigan City, Indiana. The owner's license was transferred to Blue Chip Casino, LLC on November 8, 1999. The Commission has not completed the reinvestigation of the renewal of the riverboat owner's license issued to Blue Chip and the Commission intends to hold a public hearing at the blue chip property located in Michigan City, Indiana. Blue Chip has submitted the request for renewal and a fee of \$5,000.00.

Action: Upon motion by Thomas Milcarek, second by Dr. David Ross, and unanimous vote of those present, the Commission made a preliminary determination to renew the Riverboat Owner's License issued to Blue Chip Casino, LLC. The owner's license will remain valid until the Commission reconvenes to hold a public hearing concerning the renewal of the Riverboat Owners License held by Blue Chip Casino.

Grand Victoria

Mark Hemmerle, General Counsel; and Larry Buck, General Manager appeared before the Commission. On September 16, 1996 the Indiana Gaming Commission issued a Riverboat Owner's License to Grand Victoria Casino and Resort, LP. On December 6, 2001, the Commission granted a renewal of the owner's license for a period of one year. On July 22, 2002, Grand Victoria submitted a request for renewal of the riverboat owner's license and submitted payment of the annual renewal fee in the amount of five thousand dollars \$5,000.00.

Action: Upon motion by Ann Bochnowski, second by David Carlton, and unanimous vote of those present, the Commission granted the renewal of Grand Victoria's Riverboat Owner's License for a period of one year subject to continued compliance with Indiana Code 4-33, Title 68 of the Indiana Administrative Code, and the conditions directed by the Commission on December 6, 2001. The renewal of the Riverboat owner's license shall be valid for a period of one year from September 16, 2002 to September 15, 2003.

Bond Reduction

Request to Reduce Surety Bond Posted by Blue Chip Casino, LLC

Pursuant to the Surety Bond posted by Blue Chip Casino, LLC, the amount of \$1,600,000 was posted to secure the performance by Blue Chip of its obligation to the Michigan City Endowment Corporation. On September 18, 2000, the Indiana Gaming Commission approved a 3/5 reduction (\$960,000) of the Endowment Corporation obligation. Blue Chip has satisfied the remaining 2/5 (\$640,000) of the Endowment Corporation obligation. Therefore, the amount of the Surety Bond posted by Blue Chip that is allocated to the Endowment Corporation may be reduced by \$640,000.

Action: Upon motion by Thomas Milcarek, second by Dr. David Ross, and unanimous vote of those present, the Commission authorizes the Fidelity and Deposit Company of Maryland to reduce the Surety Bond posted by Blue Chip in the amount of \$640,000. The new bond posted by Blue Chip will be in the amount of \$2,100,000.

Settlement Offers on Disciplinary Actions

Complaint No. 02-TR-2 Trump Indiana, Inc.

On or about May 27, 2002, a Commission agent reviewed Trump's excursion log at approximately 9:30 a.m. The log indicated that the riverboat was not cruising and the reason given was "fuel." The agent was advised by Trump's Captain on duty that the boat was low on fuel and they were conserving fuel in anticipation of an impending storm and the possibility that generator power would be needed and requiring the use of more fuel. The daily excursion reports for May 26, 2002 and May 27, 2002 were reviewed showing sixteen excursions that were cancelled due to "fuel". Pursuant to Indiana Code 4-33-9-2, low fuel is not a valid basis for canceling required excursions. Trump submitted procedural changes to the Commission that will be implemented to prevent future occurrences of this nature. Commission staff recommends that Trump pay a monetary fine in the amount of \$12,000 for violations of IC 4-33-9-2. Ms. Cathy Walker, General Manager and Executive Director John J. Thar have signed a settlement agreement, pending Commission approval, with respect to the action against Trump Casino.

Action: Upon motion by Dr. David Ross, second by David Carlton, and unanimous vote of those present, the Commission approved the proposed terms of the Settlement Agreement.

Complaint No. 02-OL-BT-1

Mr. Robert Wagner and Mr. Ted Nicholas, from the law firm of Lewis & Wagner appeared on behalf of R.D. Hubbard who is relevant to this agreement. Mr. R.D. Hubbard is the Chairman of the Board of Pinnacle Entertainment, Inc. Pinnacle is a licensee of the Indiana Gaming Commission and operates the Belterra Casino and Resort. From June 26, 2001 through June 29, 2001, the Belterra Casino conducted a golf outing called the Hubbard Invitational Golf Classic. Specific individuals were invited to attend this golf outing. The invitations were mailed out by Belterra Marketing employees based upon a list provided by Pinnacle corporate personnel. On June 26, 2001, eight or more women were flown to an area airport on an aircraft leased by Pinnacle. According to numerous witnesses these women were brought to Belterra for the entertainment of the guests of the golf tournament. On several occasions several of the women were referred to as "hookers". On the evenings of June 26, 2001 and June 27, 2001, Hubbard directed Belterra casino employees to provide money to the invitees for gambling and to pay other fees without the necessary paperwork. On at least one occasion, on Hubbard's authority, Belterra employees made a distribution from the cage to an associate of Hubbard's. On the evening of June 27, 2001, Howie Mandel performed in the Belterra concert arena. At this concert, a party was hosted in the Celebrity Room of the concert arena where the women and the invitees of the golf outing were present. The party was loud and Mandel had to stop the concert several times because of the disturbances caused by the group in the Celebrity Room. On the evening of June 28, 2001 Waylon Jennings performed in the Belterra concert arena. Again, during this concert a party was hosted in the Celebrity Room for the women and the invitees to the golf tournament. The party became loud and disrupted the concert several times. After the concert the invitees and the women retired to a room on the 15th floor where the party continued. On June 29, 2001 the majority of the invitees and the women left the casino via ground transportation or air transportation.

Potential Regulatory Violations:

- 68 IAC 1-5-1 Obligation to report certain events.
- 68 IAC 16-1-7 Issuance of Markers
- 68 IAC 16-1-10 Check Cashing
- 68 IAC 15-1-3 and 15-1-6

R. D. Hubbard, Robert F. Wagner and Theodore L. Nicholas, counsel for R.D. Hubbard and Executive Director Thar have signed a settlement agreement, pending Commission approval, with respect to the action against R. D. Hubbard. Staff recommends:

- R.D. Hubbard resigned his position as Chairman of the Board of Directors of Pinnacle Entertainment, Inc. on April 10, 2002 and retired from the Board on April 26, 2002. Hubbard has agreed to voluntarily relinquish his Indiana license as a Key Person and a Substantial Owner upon the final approval of this settlement by the IGC. His resignation and retirement occurred during the course of an investigation into the above described events by the Indiana Gaming Commission. Hubbard acknowledges that at the time of his resignation, retirement and the relinquishment of his Indiana license, he was aware of the possibility of a finding of unsuitability by the IGC.
- At the time the investigation began, R.D. Hubbard was the single largest owner of Pinnacle stock, owning 10% (+/-) of the stock. Hubbard voluntarily agrees to place all of his Pinnacle stock in a voting/non-voting trust acceptable to the Commission and to sell all of the stock within a time period agreed to between Hubbard and the Commission. The time period is to remain confidential so as to not unduly affect the price of the Stock. Hubbard and IGC shall each make a full disclosure of all facts and circumstances necessary to carry out the requirements of this trust arrangement to effectuate the spirit and intent of this Settlement Agreement.
- R. D. Hubbard voluntarily agrees to pay \$10,000 investigative costs, being the costs of investigation of Pinnacle and its officers and directors to date and a \$740,000 monetary fine.
- Even though no finding of unsuitability has been made by the IGC, R.D. Hubbard voluntarily agrees not to apply for any license issued by the IGC at any time in the future.
- R. D. Hubbard agrees to cooperate with the IGC's investigation and to provide such further information and testimony as may be requested by the IGC in furtherance of its investigation.

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

Complaint No. 02-BT-3 Belterra Casino and Resorts

Dan Lee, CEO Pinnacle Entertainment; Alain Uboldi, General Manager; Lacy Johnson, Ice Miller; Jack Godfrey, Nevada Counsel; Wade Hunley, and Loren Ostrow representing Pinnacle Entertainment appeared before the Commission. Representative Bischoff, Mike Jones, President Switzerland County Council spoke on behalf of Belterra.

On June 26-29, 2001 R.D. Hubbard, the former Chairman of the Pinnacle Board of Directors and a substantial owner of Pinnacle hosted the Hubbard Invitational Golf Classic at Belterra. Invitations were mailed to specific individuals inviting them to attend the Golf Classic. Approximately 48 patrons attended. Approximately 8-10 women were flown to Belterra for the entertainment of the guests of the golf tournament. On several occasions the women were referred to as "hookers". The women were flown to an area airport on an aircraft leased by Pinnacle and arranged by an associate of Mr. Hubbard. During the golf classic, Belterra employees violated various Commission rules and/or Belterra internal control procedures with respect to golf classic participants at the direction of, or due to the presence of, Mr. Hubbard.

The violations included: The issuance of chips and tokens to golf classic participants prior to the completion of the paperwork required. At Mr. Hubbard's direction, funds were issued by the Belterra cage to an associate for prize awards for the golf classic. Subsequently, rather than simultaneously as required by Indiana regulations, Mr. Hubbard issued a personal check to cover the amount of funds withdrawn from the cage. Members of Pinnacle management became aware that the Golf Classic and surrounding events transpired. Neither Pinnacle nor Belterra reported in a timely fashion to the Commission the fact that the Golf Classic and surrounding events had transpired. On April 10, 2002 Mr. Hubbard resigned as Pinnacle Chairman of the Board. On April 10, 2002 Paul Alanis resigned as President, Chief Executive Officer and a Director of Pinnacle. On April 26, 2002 Mr. Hubbard retired as a Director of Pinnacle.

At the May 13, 2002 Business Meeting the Commission directed staff to negotiate a settlement agreement with respect to the disciplinary action against Belterra Casino and Resorts. Pending Commission approval, staff recommends that:

- The gaming license and operations of Belterra be suspended from 6:00 p.m. Sunday, October 6, 2002 through October 9, 2002.
- Belterra shall pay a fine in the amount of \$2.26 million.
- Construction of Guestroom Tower.
- R.D. Hubbard and Paul Alanis. Pinnacle shall use its best efforts to ensure that no corporate directors' officers or property general managers have any ongoing business relationships with Mr. Hubbard or Mr. Alanis.
- Pinnacle/Belterra the officers and directors of Pinnacle and/or Belterra will cooperate with any ongoing investigation by the Commission Staff with respect to the Golf Classic and related events.
- Pinnacle/Belterra, the officers and directors of Pinnacle and/or Belterra will make themselves available to testify in Indiana in any action related to this matter.
- Belterra will pay the cost of the Commission investigation, including any future investigation deemed necessary by the Commission, with respect to the Golf Classic and surrounding events.
- Pinnacle and Belterra will indemnify and hold harmless the Commission, the Indiana State Police and the State of Indiana for any matters arising out of this investigation.
- Pinnacle shall be required to provide to the Commission staff, a compliance plan.

Action: Upon motion by Dr. David Ross, second by Ann Bochnowski, and unanimous vote of those present, the Commission approved the proposed terms of the settlement agreement.

Financing

Belterra Casino

Pinnacle Entertainment has notified the commission of its desire to build additional hotel rooms at its Belterra Casino and Resort property in Vevay and is seeking a \$300 million bank facility at 5%. Pinnacle would also like to offer 80 million in public offerings. Pinnacle would then retire \$75 million existing

debt. Dan Lee, CEO Pinnacle Entertainment appeared before the Commission as a first meeting appearance. Pinnacle is also seeking a waiver of the two meeting rule. The Commissioners directed staff to approve and act on financing in the event it becomes necessary.

Next Meeting

The next meeting of the Indiana Gaming Commission will be announced at a later date.

Adjournment


Upon motion by Ann Bochnowski, second by Thomas Milcarek, and unanimous vote of those present, the meeting was adjourned.

Minutes

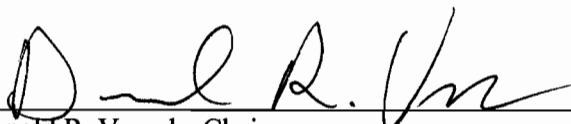
Baynes & Shirey Reporting Services transcribed the July 29, 2002 Business Meeting. Consequently, the transcript is the complete record of the meeting. Anyone wishing to see the transcript can review it in the Commission office or obtain a copy of the transcript from Baynes & Shirey, Bank One Center/Circle Center, 111 Monument Circle, Ste. 582, Indianapolis, IN 46207, (317) 231-9003.


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

Respectfully Submitted,


Rhonda K. Dalton

THE INDIANA GAMING COMMISSION


Donald R. Vowels, Chairman


Thomas Milcarek, Secretary