



1 Environmental Affairs at IUPUI.

2 MR. KLASICK: Thank you, Mr. Chairman.

3 Commissioners, Gaming Commission Staff. I just thought I'd  
4 let you know that I, too, took the SAT test and in spite of my less  
5 than perfect performance, I am now a senior analyst at the  
6 Center for Urban Policy and Environment, which is part of  
7 Indiana University. And since the beginning of the gaming  
8 process we, along with two professors from Purdue, Charlene  
9 Sullivan and Larry, Larry Deboer, have served as the analysts  
10 for the Gaming Commission on license applications, as well as  
11 license renewals. This is the seventh eight year report we have  
12 brought in front of the Commission and we will present  
13 information regarding Harrah's performance in the City of East  
14 Chicago. Particularly we will cover today local spending,  
15 including capital investments as well as employment and wages,  
16 incentive payments and local tax generation, the economic  
17 impact of the spending by local government and foundations of  
18 the local taxes and gaming related incentives, as well as results  
19 of local focus groups. In addition, there will be more detail in  
20 the written report which you will receive in the next month or  
21 so and we also have additional data covered, including the fiscal  
22 impact on local community, particularly schools and city of the  
23 riverboat revenue, as well as a survey of current employees.  
24 That's for those of you who are new, a look at various types of  
25 impressions the employees have of the benefits and risks of the

1 riverboat looking at things like prior employment status, what  
2 types of career opportunities are presented for them, how good  
3 of access they have to training and other benefits and changes  
4 in quality of life, such as have you or have you not bought a new  
5 home since you moved, since you've moved your place of  
6 employment to the riverboat. Finally, we look at an analysis of  
7 changes in the local economy, including unemployment and  
8 wages relative to other communities that do not have  
9 riverboats. So we carry on to the parts that we have completed  
10 today. First of all, look at local spending. Harrah's has spent  
11 nearly \$103 million dollars in capital improvements and site  
12 improvements during the eight years that they've been in  
13 operations. Approximately half of that has been spent in the  
14 last three years. In addition they have provided eight hundred  
15 seventy-five thousand dollars of voluntary contributions to local  
16 area organizations. About four hundred seventy thousand of  
17 that in the last three years. Average annual employment over  
18 the eight years of operation has been approximately one  
19 thousand seven hundred. As of December 31, 2004, there were  
20 eight thousand, sorry, one thousand eight hundred forty-one  
21 individuals employed at Harrah's. On average over the course of  
22 those eight years about sixty-two percent of the employees have  
23 been minorities. Fifty-nine percent female, twenty-one percent  
24 have typically have resided in East Chicago. Corporate wages  
25 paid over the eight years of Harrah's operation have been over

1 four hundred million dollars. In the year 2004 Harrah's paid  
2 out forty-eight point two million dollars of wages. The average  
3 wage per employee including tips was slightly over thirty-one  
4 thousand dollars. Harrah's generates a large, as do all the other  
5 boats, generates a large amount of local gaming related taxes as  
6 well as incentive payments. Over one hundred fifty-six million  
7 dollars of gaming related tax revenue has been generated for the  
8 City of East Chicago and other taxing jurisdictions.  
9 Additionally, approximately four hundred million dollars has  
10 been generated for the state of Indiana. Harrah's has paid over  
11 twenty-six point three million dollars in property tax which is  
12 not directly gaming related to East Chicago, Lake County, and  
13 other local taxing jurisdictions and provided over eighty million  
14 dollars in incentive, locally negotiated incentive payments.  
15 There is typically two types of incentive payments. The first is  
16 performance related, which relates to some form of revenue  
17 measure at the boat and the second is a one time negotiated  
18 cash transaction. All negotiated incentives at Harrah's have, are  
19 up to date and are in compliance with any project agreement.  
20 All one time payments are also in agreement with any, with any  
21 arrangements that have been made, except for the home buyers  
22 assistance program which has only extended one hundred forty-  
23 five thousand out of the five point five million dollars that had  
24 been dedicated. From what we can tell, the underuse appears  
25 more to be related to the housing market in East Chicago than it

1 does to Harrah's performance. Only thirty-eight families have  
2 used this loan fund, which allows them to take up to a five  
3 thousand dollar grant in downpayment insurance and we  
4 believe that the uncertain property tax situation as well as the  
5 home market has affected that, their performance in that area.  
6 One of the, I think, more underappreciated values of the  
7 riverboat are the economic impact of the spending of the local  
8 regenerated tax revenue and incentive payments. And that's  
9 part of our evaluation. What we have seen is that, since  
10 Harrah's has opened they've provided the City of East Chicago,  
11 the Twin City Education Foundation and East Chicago  
12 Community Development Foundation over one hundred thirty  
13 million dollars which has then been spent, that provides  
14 economic opportunity for the citizens of East Chicago and Lake  
15 County. Over eight years that the spending of the gaming  
16 related tax revenue and incentives has provided over two  
17 hundred two million dollars in total economic impact,  
18 generated seventy-six million dollars in wages and created  
19 approximately three thousand two hundred eighty new jobs. In  
20 the last three years since the five year application, East Chicago  
21 and the foundations have spent about forty-four million dollars  
22 of gaming related taxes and incentives, and that's generated  
23 about sixty-seven million dollars in total economic impact,  
24 including twenty-nine point eight million dollars in wages and  
25 one thousand two hundred sixty-seven new jobs. We also, in

1 another part of our evaluation we hold local focus groups with  
2 interested individuals and corporations within the community.  
3 We typically hold three of these. One with community leaders  
4 primarily from the public sector, another with business leaders  
5 and a third with social service providers. There are certain  
6 themes that have emerged across all three meetings. Some  
7 positive, some negative. Go over the positives first. I think the  
8 most impressive thing about the positive part of the  
9 communication is that the riverboat has seemed to provide  
10 citizens for additional reasons for hope for good prospects in  
11 the City of East Chicago. Generally, you can separate them  
12 between economic opportunities and increased revenues for  
13 local investments. In the area of economic opportunities, the  
14 participants in the focus groups believe that the riverboat  
15 provides increased awareness of East Chicago and attracted  
16 many visitors to the city who otherwise would not have likely  
17 attended. They also believe that the riverboat has encouraged  
18 new development in the city. Particularly providing  
19 opportunities to start local businesses for women and  
20 minorities and provided employment opportunities, especially  
21 for unskilled labor, low income families and single income  
22 parents. The riverboat, in the terms of the positive  
23 contributions, is also increased revenue for local investments.  
24 Particularly an inflow of cash for not-for-profits and  
25 foundations, which has allowed them to make many meaningful

1 grants, facilitating arts community education, scholarships and  
2 other opportunities and, to be invested in community  
3 infrastructure programs, as well as local beautification  
4 programs. It is not to say the citizens have no negative  
5 impressions of the riverboats performance. Some of their  
6 critical comments were concerns about government's lack of  
7 accountability and oversights of how gaming revenue is  
8 distributed throughout the region. There are complaints about  
9 employment benefits, such as healthcare and insurance and a  
10 lack of access to them. Some citizens complaint that there is too  
11 much . . . that the development along the lakeshore has denied  
12 the community access to the lakeshore. And that, there are  
13 some comments about concern over negative social impacts of  
14 the boat. I describe those more as an increased sensitivity and  
15 awareness to the problem rather than an over concern about the  
16 absolute value, if that makes sense to you. So as the boat, as the  
17 eight years have gone, citizens have become increasingly aware  
18 of and sensitive to potential negative social impacts related to  
19 gaming. Of particular concern was that while many treatment  
20 programs exist, they are not being fully utilized. In terms of  
21 how the citizens of East Chicago perceive the future, they  
22 generally agree that if the boat were to leave, it would be  
23 devastating with losses of both jobs and tax and incentive  
24 revenue. However, they would like to see a long reach strategic  
25 plan for more complete integration of the casino into the city,

1 particularly to promote tourism and maximize the economic  
2 and fiscal impacts of the boat. That's all I have today. There  
3 will be additional details on these items and other research will  
4 be available upon our completion of the final report.

5 MR. CALLOWAY: Thank you.

6 MS. BOCHNOWSKI: Since we're going to be having to  
7 deal with some issues here, can you tell me exactly how much  
8 money went into the Second Century? Do you have that  
9 amount? I missed that in the middle.

10 MR. KLASICK: Um, we, actually all we have, my analysis  
11 is . . .

12 MS. BOCHNOWSKI: Allegations, too.

13 MR. KLASICK: We only received data to date for the City  
14 of East Chicago and two of the three, two of the three  
15 foundations. I believe Second Century is the one that we do not  
16 have data. We do not have data on the Second Century  
17 foundation.

18 MS. BOCHNOWSKI: Could you please tell me again how  
19 much the foundations receive?

20 MR. KLASICK: I would have to . . . what I know is that  
21 our analysis is based on a hundred thirty million dollars of  
22 expenditures which includes both tax revenue and foundations,  
23 I have the detail.

24 MS. BOCHNOWSKI: Okay.

25 MR. KLASICK: At my office and I would be glad to . . .



1 MS. BOCHNOWSKI: Thank you.

2 MR. CALLOWAY: Thank you. I failed to mention, when  
3 we started that, each comment, if they could keep their  
4 comments to fifteen minutes or less, we would appreciate it.  
5 Um, thanks Drew. From Harrah's, we have Anthony San  
6 Philipio to speak.

7 MR. SAN PHILIPPIO: Thank you very much. Good  
8 afternoon, Chairman Calloway, members of the Commission,  
9 Executive Director Yelton, and staff members. I am Anthony  
10 San Philipio. I am the president of the central division which  
11 has responsibility for our properties in Indiana. We were  
12 before, it just seems like yesterday, but it was about a year ago,  
13 asking your approval for the Horseshoe transaction which you  
14 did give to us and we took ownership of Horseshoe in July, July  
15 1, 2004. And while we're here to talk about East Chicago, I'd  
16 like to let you know that has gone quite well. Rick Mazer was  
17 the general manager then. And he's here with us today. He's  
18 the general manager today and he's done a super job and the  
19 transition has been a good one. With me is Michael San Pierre,  
20 who is the general manager of our property in East Chicago.  
21 Michael has been with our company well over ten years and has  
22 been the general manager of East Chicago since January of 04.  
23 And also with us is Dr. Ed Williams, who oversees our  
24 community affairs. You just heard a very thorough review of  
25 our performance, and us living up to our commitments. What

1 we have done in the spirit of trying to keep this timely, have put  
2 together the presentation that is before you. And Mike is going  
3 to come up and quickly take you through it. We have been a  
4 license holder with this property since 1998. We have been very  
5 proud to be a part of Indiana. And we're going to talk with you  
6 a little more about a property that is a little bit further south  
7 and we look forward to continuing to have the presence that we  
8 do and growing our presence in the state of Indiana.

9 MR. SAN PIERRE: Mr. Chairman, members of the  
10 Commission, staff, I'm Michael San Pierre. I'm the general  
11 manager of Harrah's East Chicago. You've heard Mr. Klasick  
12 give you really a quantitative overview of the impacts of our  
13 business in East Chicago and the Lake County area. What we  
14 would like to do is spend a few moments talking about the  
15 qualitative side of our business and to give you some  
16 impressions about us. Particularly for the new members of the  
17 Commission. It's bittersweet. The first time that I stand before  
18 the Indiana Gaming Commission is likely to be the last time  
19 that I stand before you, as I will be transferring out of the state  
20 pending your decision on the transfer of our properties to  
21 Resorts. We're very pleased with the performance of our  
22 business over time and the packet in front of you talks about  
23 commitments. And we want to talk about our obligations that  
24 we have imposed upon ourselves and those that we feel have  
25 been imposed upon us. We are guided by the Harrah's code of

1 commitment, which basically codifies the way that we think  
2 philosophically about the business, about making commitments  
3 to key constituencies. It basically governs the way that we do  
4 our business. And this is important, not so much for East  
5 Chicago any longer, but we'll continue to have a presence in the  
6 state of Indiana and I think it's important for you to know more  
7 about our company. The key constituencies that our code of  
8 commitment recognizes are our employees, our customers, the  
9 local community in which we do business and the economy as a  
10 whole. With regard to our employees, Harrah's is the only  
11 casino company that has a bonus program that touches every  
12 single employee in the organization, not just the executive tier  
13 of the organization. And since its inception, Harrah's East  
14 Chicago has paid over two and a half million dollars of bonuses  
15 to our employees based on their performance against elevating  
16 service delivery to our customers. It's a win-win situation .  
17 Customers win, the employees win, the business wins. Mr.  
18 Klasick talked about some of the other financials and the  
19 amount of median income of our employees. The number of  
20 jobs. Our packet outlines. Where those jobs are. How they're  
21 broken up between the casino and non-casino areas. Since  
22 we've owned this business we've invested one hundred twenty  
23 million dollars, including the recent twenty-seven million  
24 dollars invested in renovating our facility and the addition of a  
25 hotel tower since we took over the property from Showboat.

1 With regard to the community, there's a quote in there from  
2 Lou Martinez. We believe in responding and sharing the  
3 resources that we have with our community. And for us, the  
4 two key resources that we have are money and time. And we  
5 have seen a consistent increase in the amount of time that our  
6 employees have contributed to local charitable or civic  
7 endeavors. Approximately fifteen hundred hours this year  
8 alone. We believe also that an important part of our  
9 commitment to our community is our commitment and our, our  
10 support for responsible gaming initiatives. You may not know,  
11 but our company, Harrah's Entertainment, is the acknowledged  
12 leader in responsible gaming programs and has started many of  
13 the programs that are standard within the industry today. And  
14 we are very proud of our performance there. We recognize that  
15 that there are some people who are afflicted with a problem as it  
16 relates to gaming and we want to do what we can to help them.  
17 Anyone who doesn't come to Harrah's casino for the sheer  
18 enjoyment of the gaming experience and come for any other  
19 reason is not welcome at our facility. You see, the numbers that  
20 Mr. Klasick talked about, the importance of our business in  
21 terms of the local economy and the amount of tax revenue that  
22 we've had. Thirty-four percent of our revenue approximately  
23 goes for paying for local taxes. And we are committed to  
24 Indiana. We've spent almost forty-one million dollars with  
25 Indiana vendors in 2004 and we have many success stories of

1 great partnerships that we've built over time with our, our local  
2 suppliers. Purchases from Indiana vendors are outlined on  
3 page 11 where you see that we've spent sixteen point four  
4 million dollars in the last year with northwest Indiana vendors  
5 and as I said twenty-one million dollars with Indiana vendors as  
6 a whole. We're very proud of our, of our fulfillment of our  
7 obligations to purchase goods and services from minority and  
8 women owned businesses. And we have greatly exceeded the  
9 commitments and obligations that are, are imposed upon us.  
10 And finally, on the somber side of our business, since we've  
11 owned this business we've entertained twenty million  
12 customers at Harrah's East Chicago and we've invested one  
13 hundred and twenty million dollars, we've created a great  
14 employee community, a great work force. Energized, motivated  
15 employees and we just wanted to say thank you. Thank you to  
16 this Commission, to the state of Indiana, and our to key  
17 constituencies in East Chicago and Lake county for giving us the  
18 privilege of working in your state. Thank you. I stand ready to  
19 answer any questions that you might have regarding our  
20 request for license renewal. Thank you.

21 MR. FESKO: I have, I have a question. . .

22 MR. SAN PIERRE: No sir. That's a commitment we do  
23 exclusively in Indiana. We also have corporate programs that  
24 are much more significant in terms of their commitments.

25 MR. SAN PHILIPPO: Well corporately we have

1 committed to the National Problem Gaming Council a little over  
2 a million dollars and then in every state we operate, we make  
3 commitments to be part of the association.

4 MR. SAN PIERRE: Thank you.

5 MR. CALLOWAY: Okay, Mr. Jack Thar?

6 MR. THAR: Good afternoon, Mr. Chairman, Mr.  
7 Executive Director, members of the Commission and staff. My  
8 name is John Thar. I'm commonly known as Jack Thar. I'm a  
9 partner at Ice Miller and today I have the pleasure to represent  
10 RIH Acquisitions IN LLC, which will do business as Resorts  
11 East Chicago in their application for the transfer of the license  
12 to them from Harrah's. I would like to take this time to  
13 introduce co-counsel, Mr. Ron Gifford. Ron is a partner in the  
14 law firm of Baker and Daniels. He's participating in this  
15 application. I'd like to also take the time now to introduce Mr.  
16 Nick Amato, general counsel for Resorts parent company.

17 MR. AMATO: Mr. Chairman, members of the  
18 Commission, Executive Director Yelton, Deputy Director  
19 Arnold, staff. It's really a pleasure for us to be here today. And  
20 my one simple task is to introduce the people who are going to  
21 speak before you today. But two people will not be speaking  
22 that I would like to acknowledge. One is Lance Millage and if  
23 this Commission is going to grant this transfer he will be the  
24 CFO of the East Chicago property. Lance is formerly from  
25 Indiana where he ran a casino and he was also in Las Vegas,

1 Nevada. Also with us is Michael Ramono, our Vice President of  
2 Compliance. Michael is formerly Deputy Chief of the Gaming  
3 Enforcement for the state of New Jersey. Moving on up, we  
4 have, if this transfer is granted, again we hope it is, we have  
5 Joseph DeRosa, who will be the general manager of East  
6 Chicago property. And Rudy Prieto, who is now the general  
7 manager, CEO of Las Vegas Hilton. He will have oversight of  
8 this property. Corporate CFO would be Eric Matejevich and  
9 two principles, the guiding light behind this company, Thomas  
10 Barrack, Jr., and Nicholas Ribis. With that, I'll turn the  
11 program back over to Nick Ribis.

12 MR. RIBIS: He didn't know who to turn it over to. I  
13 guess he didn't want to turn it over to me. I'm disappointed.  
14 Thank you very much. And I'm so happy to be back, Mr.  
15 Chairman, in Indiana, and Commissioners, some of who have  
16 known me from my prior life. I've been involved with a great  
17 partner, Thomas Barrack and his company, Colony Capital, for  
18 the past five years. Just quickly, four years ago we purchased  
19 Resorts Atlantic City. And we've improved that property. Built  
20 a new tower. That was four years ago. Last year we completed  
21 the acquisition with the Las Vegas Hilton and this year we're  
22 going to be completing the acquisition of four properties,  
23 including East Chicago from Harrah's, and we are very proud to  
24 be here. The company is well capitalized. Mr. Barrack's  
25 company is one of the largest real estate holdings in the world.

1 Over fifteen billion dollars of assets around the world. I'm  
2 proud to be his partner. I'm proud to be here before this  
3 Commission, and I'm not going to say much because we have  
4 our operating people, Rudy Prieto, who reports in to me. I will  
5 be the Chief Executive Officer, and of course, Mr. DeRosa, who  
6 was here in a prior life. He worked for a number of years for me  
7 at the Gary boat and now will be running the boat for us in East  
8 Chicago. And with that I will turn it over to Mr. Barrick.

9 MR. BARRACK: Good morning, Chairman Calloway,  
10 Commissioners, Executive Director and staff. It's an honor to  
11 be here before you for my first time this morning. Although I  
12 have to say I'm overwhelmed by your generosity, sending Darth  
13 Vader and Chewbacca to meet me on my arrival. I had to look  
14 at my itinerary and make sure I was at the correct place. Just a  
15 little brief outline on Colony Capital. Colony Capital is a private  
16 equity real estate fund. Private equity meaning that our  
17 beneficial owners are primarily public and corporate pension  
18 funds and college endowments. And our mandate is to find  
19 great operating partners such as all of those who were seated by  
20 us today. And the best capital in businesses and industries that  
21 require significant capital expenditures and growth. And we've  
22 been very fortunate in picking the right partners, in the right  
23 places to do that. Gaming was one of those that private equity  
24 had excluded for quite a long time because it was unfamiliar  
25 with the territory of the regulatory environment in which it had



1 to operate and as the years have gone on, we started with the  
2 initial acquisition of Harveys Resorts and Casinos, which we  
3 culminated in a sale to Harrah's, which was our first delightful  
4 experience in dealing with Harrah's. We realized from that  
5 venture that the operation of these casino properties was like  
6 conducting a big symphony. And it's cooperation between the  
7 local regulatory environment, the local governments, the local  
8 groups and the managers and employees and at the end of the  
9 day if our employees have a smile on their face, the customers  
10 will have a smile on their face and that will trickle down and  
11 we're delighted to be the successors in interest to a great  
12 heritage which Harrah's has established. They're one of the  
13 best operators in the world in this business. East Chicago is a  
14 venue which we're really delighted to be in. Colony's  
15 (inaudible) Institution has acquired about fifteen billion dollars  
16 in assets around the world and relies on its ability to adapt to  
17 change, to grow, and to be in the line and sync with the  
18 (inaudible) so we look forward to the opportunity and privilege  
19 of continuing with Harrah's heritage in East Chicago. Thank  
20 you for your time and Mr. Chairman, I herald your wisdom  
21 from the beginning, when you excluded those few of us over 50  
22 males. Thank you very much.

23 MR. THAR: Let me introduce Mr. Rudy Prieto, Chief  
24 Executive Officer of the Las Vegas Hilton.

25 MR. PREADO: Good afternoon. Contrary to Mike San

1 Pierre, it is my first time here and I hope that I will continue to  
2 come before you for many, many times and many years. My  
3 name is Rudy Prieto. I am the Chief Executive Officer of the Las  
4 Vegas Hilton. I will also be responsible for overseeing the  
5 property of East Chicago and together with the great team that  
6 we have assembled with Joe DeRosa, who is no stranger to  
7 Indiana, I am looking forward to continuing the great job that  
8 Harrah's has done in the area. I have special ties with Indiana.  
9 My wife is from Gary, Indiana. My daughter is from Homer,  
10 Indiana, so to me it's like I'm home. And I look forward to  
11 doing a great job to make all of you proud and, of course, with  
12 the privilege of being licensed in the state of Indiana. Thank  
13 you very much.

14 MR. THAR: If I may introduce Mr. Eric Matejevich.  
15 Chief Financial Officer of Resources.

16 MR. MATEJEVICH: Thank you, Jack. Thank you. It's a  
17 pleasure to be here today with you. I'll touch just briefly on  
18 some of the highlights of our financing of this transaction. The,  
19 the total size of our transaction is approximately one point three  
20 five billion dollars. That's the purchase of all four casino assets.  
21 And that is broken down, approximately nine hundred and  
22 eighty five million dollars of that is debt financing and  
23 approximately three hundred sixty million dollars is equity  
24 finance. The debt financing was done through a syndicate of  
25 banks led by Goldman Sachs and Deutch Bank and the equity

1 was provided by Mr. Barrack's company, Colony Capital,  
2 through their Fund, VI, as well as through institutional  
3 investors who invested in Fund VI and wish to invest along side  
4 Fund VI in this transaction. Thank you.

5 (Tape being changed)

6 MR. JOE DEROSA: Good afternoon. Pleasure to see  
7 many of you again for many, many times. As was stated earlier,  
8 I was here at the very beginning of riverboat gambling, where I  
9 did hold a level one occupational license for almost five years.  
10 It's great to be back. Particularly in a market that I feel I know  
11 and understand very well and am familiar with Indiana. We are  
12 very excited that we are taking on virtually every employee that  
13 comes to us from Harrah's with the exception of a very small  
14 group that Harrah's has reserved, so our staff is staying in place.  
15 They know the area. They know what works. They know what  
16 does not work. Um, we are very committed to our minority and  
17 women owned business enterprise goals. They've been  
18 extremely successful and we are inheriting individuals and  
19 programs that work, so we're very committed to keeping that  
20 going. We are very committed to a quality responsible gaming  
21 program. The vision of the market is to improve on what has  
22 been working very well for many, many years. Thank you.

23 MR. THAR: We believe that Resorts has put before you a  
24 very strong application. It is a well financed company with  
25 fantastic casino operations and abilities. We believe that the

1 background investigations have gone without a hitch. That all  
2 the individuals sitting before you should be found suitable and  
3 the company should be found suitable. The company wishes to  
4 extend to this Commission and let people know that we  
5 recognize our economic development commitments and are  
6 committed to paying three point seven five percent. And we  
7 thank you very much for the opportunity not only to address  
8 you today, but to become a member of the casino, riverboat  
9 casino owners in the state of Indiana. We stand before you to  
10 answer any questions which you the Commission and staff may  
11 have.

12 MS. BOCHNOWSKI: I have a couple of questions, if I  
13 can. (inaudible) Um, Jack, do you know when the monies are  
14 paid out to the foundations and to Second Century? Do you  
15 have any idea what, when . . .

16 MR. THAR: It is my understanding, but I can't say  
17 definitively, I think Harrah's can answer definitively.

18 MS. BOCHNOWSKI: Okay.

19 MR. THAR: I think it is a monthly payment.

20 MS. BOCHNOWSKI: So they pay every month. Um, it's  
21 no secret that there's some, there's some difficulty that the city  
22 of East Chicago has with the present setup and Second Century  
23 is currently in litigation with, I guess they filed a lawsuit saying  
24 that they were

25 MR. THAR: Second Century sued us.

1 MS. BOCHNOWSKI: Second Century sued you. Okay.  
2 So my question is since that whole process is under litigation,  
3 are their payments going to be put in escrow, then?

4 MR. THAR: I'm going to, because the litigation is being  
5 handled by Ron Gifford, I'm going to step back and let him . . .

6 MS. BOCHNOWSKI: Because I would think that until  
7 that is resolved, you would want to hold that money.

8 MR. GIFFORD: At this point, Second Century did last  
9 week file a Declaratory Judgment Action, here in Marion  
10 County.

11 MS. BOCHNOWSKI: Okay.

12 MR. GIFFORD: Named Resorts as a party asking for a  
13 declaration of Second Century's rights under the economic  
14 development agreements.

15 MS. BOCHNOWSKI: Okay.

16 MR. GIFFORD: Resorts, as part of that litigation, has  
17 now filed what is called a third-party complaint where we  
18 brought the City and the other two Foundations into the  
19 litigation, since those are the real parties in interest to the  
20 dispute.

21 MS. BOCHNOWSKI: Right. Right.

22 MR. GIFFORD: And that creates then, the form and the  
23 opportunity for the Court to make whatever rulings are  
24 appropriate. We have stated in those pleadings, we have stated  
25 to the Staff, that we understand our obligation to continue to

1 pay the three point seven five percent under the economic  
2 development agreement as it stands until we are ordered to do  
3 so otherwise by the Court or other entity with jurisdiction.

4 MS. BOCHNOWSKI: Okay. So you will continue paying  
5 that money out until you are ordered to do something different?

6 MR. GIFFORD: That's exactly right. We understand that  
7 that's our obligation. Stepping really into the shoes of Harrah's

8 MS. BOCHNOWSKI: No. I understand that. I'm not  
9 making you responsible for this situation at all. But, have you  
10 had conversations with the City? I mean, the City and all of the  
11 parties involved signed off on this agreement. Now that we  
12 have a new administration and the City, I've been kind of  
13 reading some of the past materials that people have sent me.  
14 Materials that indicate that the City does have oversight over  
15 these and I'm just concerned that if the Court finds in the City's  
16 favor that this money is still being paid out, but I guess that's  
17 the way it will be. It can't be held in escrow?

18 MR. GIFFORD: Well, to answer your question about have  
19 we been in conversation with the City . . .

20 MS. BOCHNOWSKI: Uh huh?

21 MR. GIFFORD: We have. Actually, Mr. Thar and I met in  
22 December with counsel for the City up in Lake County. This  
23 was actually just a couple of days before the special election up  
24 there. But we met with the counsel for the new administration  
25 to talk about generally these issues and there has been ongoing,

1 um, discussion since that time. The problem that has been  
2 placed on our doorstep is that the City is taking one position as  
3 to the expenditure of the funds and the City maintains the  
4 ability to have the funds directed one way and the foundations  
5 and Second Century have indicated that if we were to follow the  
6 City's demand that they would sue us, and obviously we now  
7 ended up in litigation.

8 MS. BOCHNOWSKI: So your, your position is that the  
9 Court's will decide this and do you have any, have you been  
10 given any indication that the Court's will take this? I mean,  
11 have they taken this case and they will look at it?

12 MR. GIFFORD: The suit has been filed. There has been  
13 no indication by the Court that it would on its own motion  
14 dismiss it. There's been no attempt by the parties that we're  
15 aware of to dismiss the litigation. It is our understanding and  
16 our belief that that's the proper forum and as to the payment  
17 and how the payments proceed, the City and the parties getting  
18 those payments have the ability to ask the Court to impose a  
19 variety of remedies and that's really up to the Court.

20 MS. BOCHNOWSKI: So the City could ask for those  
21 funds to be put into escrow?

22 MR. GIFFORD: We believe that that is one of the options  
23 that they might have.

24 MR. VOWELS: When did you file the third party  
25 complaint?

1 MR. GIFFORD: Monday. Of this week. Second Century  
2 filed its action last Thursday, a week ago today, and so on  
3 Monday we filed a third-party action. On that same day, the  
4 two foundations moved to intervene into the lawsuit in order to  
5 preserve their rights and their interests in that case.

6 MR. VOWELS: What day did they move in?

7 MR. GIFFORD: Last Monday, also. The same day we  
8 filed the third-party complaint.

9 MR. VOWELS: April 18?

10 MR. GIFFORD: Yes. Yes.

11 MR. VOWELS: In this, there was a request to continue  
12 this hearing that was filed by the city of East Chicago and this  
13 was filed or received by the Gaming Commission on April 18,  
14 which would have been Monday, and at that time they state in  
15 here that they weren't a party but now they are a party, right?

16 MR. GIFFORD: Well, the timing of that, we filed the  
17 third-party complaint that afternoon. We were unaware of the  
18 filing of this request until about six o'clock Monday afternoon  
19 when counsel provided that to us. At the time they filed that,  
20 they legitimately understood that they weren't a party.

21 MR. VOWELS: But know they are.

22 MR. GIFFORD: A complaint hadn't been filed.

23 MR. VOWELS: Okay. And the Declaratory Judgment  
24 action that was filed by Second Century, that is to have the  
25 Court declare what?



1           MR. GIFFORD: Well, there's a dispute now over the  
2 effect of the economic development agreements which are in  
3 the form of really contractual agreements. There are  
4 subsequent city ordinances. There was an ordinance which  
5 originally ratified those economic development agreements.  
6 Recently within the last month the common council of East  
7 Chicago passed a new ordinance which directs the payments of  
8 those funds other than pursuant to the economic development  
9 agreements. There were in the interim, in the time period of  
10 1999 or 2000, additional agreements reached between Second  
11 Century, the City . . .at the time of the transfer with Harrah's  
12 there were obligations that were entered into as part of that  
13 transfer of the license in 1999, I believe, and it's the effect of all  
14 of those agreements and the ordinances and the legal remedy  
15 that's now available to all of those parties under those, on their  
16 face conflicting agreements. That's the issue that's really  
17 presented to the Court for resolution.

18           MS. BOCHNOWSKI: But the contracts. I'm sure you've  
19 had a chance to look at the contracts? That the City and the  
20 foundations signed. Do they expire at any point or do they go  
21 on forever or what?

22           MR. GIFFORD: On the face of them, there is no  
23 expiration date in the agreements that we've seen.

24           MS. BOCHNOWSKI: Is that not contrary to the law? I'm  
25 not a lawyer, but I didn't think you could have a contract that

1 had no ending.

2 MR. GIFFORD: No. There's no legal requirement that a  
3 contract have an end date. And in fact I think that many of the  
4 economic development agreements that other communities  
5 have with riverboats around the state are somewhat open  
6 ended.

7 MS. BOCHNOWSKI: But you can't have a contract of  
8 perpetuity. My legal, in-house legal advisor told me that.

9 MR. GIFFORD: I had really rather not get in the rule  
10 against perpetuities before this Commission, if that's okay.

11 MS. BOCHNOWSKI: Okay.

12 MR. YELTON: It's all right. I don't understand it myself.

13 MS. BOCHNOWSKI: I already ran it by Ernie and

14 MR. GIFFORD: (inaudible)

15 MR. VOWELS: Who do you represent in this Declaratory  
16 Judgment?

17 MR. GIFFORD: Resorts.

18 MR. VOWELS: And why did you file it in Marion County?  
19 What's the jurisdiction here?

20 MR. GIFFORD: Well, at the time that the suit was filed  
21 and up to this point, Marion County would be a preferred venue  
22 because this Commission sits in Marion County, and . . .

23 MR. VOWELS: Could you give us a hint . . .

24 MR. GIFFORD: No. I don't know. You're not sued in  
25 this.

1 MR. VOWELS: Cause we're batting a thousand at getting  
2 sued.

3 MR. GIFFORD: But, from our perspective this is  
4 preferred venue because up to this point, Resorts connection  
5 with the state of Indiana was through its request for transfer of  
6 this license. And, and the fact that that's here in Marion  
7 County.

8 MR. VOWELS: All right. So you represent Resorts, Mr.  
9 Thar represents Resorts before the Commission here today.  
10 You represent Resorts in the lawsuit?

11 MR. GIFFORD: Well, both. Both. I represent Mr.  
12 Barrack and Colony Capitol as part of the Resorts transaction  
13 and Mr. Thar has been representing Resorts as part of that  
14 transaction. We really are co-counsel on the matter before the  
15 Commission. In the litigation I'm representing Resorts.

16 MR. VOWELS: So this was just filed last week, then, this  
17 Declaratory Judgment.

18 MS. BOCHNOWSKI: So if you don't care, if the Courts  
19 decide in the favor of the city condition, then you will work with  
20 the city to develop a new, develop an agreement that . . . makes  
21 them happy.

22 MR. GIFFORD: By now, our position is comparable to  
23 that of an insurance company that recognizes an obligation to  
24 pay persons under a policy, but there is a dispute between the  
25 claimed beneficiaries.

1 MS. BOCHNOWSKI: Um hum.

2 MR. GIFFORD: And then the Court will figure that out  
3 and then the company will pay the persons to whomever the  
4 Court determines.

5 MS. BOCHNOWSKI: So you are . . .

6 MR. GIFFORD: We're really in that same position.

7 MS. BOCHNOWSKI: So you, if the City prevails, and you  
8 want and they want to change the development agreement and  
9 you agree and, our precedent is that if the City agrees and the  
10 gaming partner agrees then its fine with us.

11 MR. GIFFORD: We have taken no position on the merits  
12 of the issue between the city and foundations.

13 MS. BOCHNOWSKI: Okay. So you will (inaudible) if  
14 they prevail. Okay.

15 MR. GIFFORD: Yes.

16 MR. VOWELS: So the bottom line is Resorts is going to  
17 pay X amount of money and the question is what entity does it  
18 go to? And then the Court will sort all of that out. Probably not  
19 any time soon.

20 MR. GIFFORD: Yes.

21 MR. VOWELS: To decide where that goes to, has anyone  
22 filed, I would assume at some point in time maybe the city or  
23 somebody will require that it not be paid out to anyone in  
24 particular . . . Your insurance company analogy. They could pay  
25 it to the Clerk's office and its sits there until everybody figures

1 out where it's going to go to. Nothing has been filed yet in that  
2 regard, right?

3 MR. GIFFORD: That's correct. Not yet.

4 MR. VOWELS: Would it surprise you if someone filed  
5 something reflecting that?

6 MR. GIFFORD: It would not.

7 MR. VOWELS: Okay.

8 MS. BOCHNOWSKI: Okay. That clears that up. I just  
9 wanted to make sure you were willing to work with the City. I  
10 think that's very important

11 MR. GIFFORD: We understand our obligation to pay  
12 three point seven percent, three point seven-five percent of our  
13 adjusted gross receipts under the agreement.

14 MS. BOCHNOWSKI: Uh huh.

15 MR. GIFFORD: And we will pay that to whichever  
16 entities we are told to pay that to.

17 MS. BOCHNOWSKI: On the flip side, if, if the  
18 foundations prevail, you're still willing to, you're still going to  
19 have a good working relationship with the new mayor?

20 MR. GIFFORD: It is our absolute desire to have a good  
21 working relationship with the city, with the new administration,  
22 with Resorts, all of the community organizations. That's why its  
23 really awkward for us to be in this, to be drawn into this.

24 MS. BOCHNOWSKI: I understand. Okay.

25 MR. GIFFORD: And that's why we're really wanting to

1 make clear our commitment to pay the three point seven-five  
2 percent and we'll do so as directed.

3 MS. BOCHNOWSKI: Thank you.

4 MR. VOWELS: Second Century. Is that represented by  
5 Ice Miller?

6 MR. GIFFORD: No.

7 MR. VOWELS: Okay.

8 MR. GIFFORD: My understanding is that at some point  
9 previously, um, Mr. Pannos, who is part of Second Century, was  
10 presented by . . . .

11 MR. VOWELS: Was represented by . . .

12 MR. GIFFORD: by Mr. Bieksecker for the purposes of  
13 responding to an information request, but Ice Miller does not  
14 represent Second Century now in these proceedings before the  
15 Commission or in any other way that I am aware of.

16 MR. VOWELS: Who represents Second Century in this  
17 lawsuit?

18 MR. GIFFORD: Mr. Lee McNeely, and I believe there's  
19 also counsel from Lake County, but I know Mr. McNeely from  
20 Shelby County, and we've been in contact with him through the  
21 course of that litigation.

22 MR. VOWELS: Okay.

23 MR. CALLOWAY: Thank you.

24 MR. GIFFORD: Thank you.

25 MR. CALLOWAY: Any further questions from the

1 Commission? Thank you Mr. Thar.

2 MR. THAR: Thank you.

3 MR. CALLOWAY: Appreciate it. Let's see. Okay, we're  
4 going to hear from the City of East Chicago now through  
5 counsel Bruce Kotzan.

6 MR. KOTZAN: It is my pleasure to be here today. Most of  
7 this presentation is going to be presented by Carmen  
8 Fernandez. But briefly before we start I, I was responsible for  
9 filing the bad news with you. If there are any questions with  
10 regard to the matters that we filed, we would like to address  
11 those quickly so we don't eat up our fifteen minute time. That  
12 being the case, there being no questions, Carmen Fernandez  
13 will handle the presentation.

14 MS. FERNANDEZ: Good afternoon, Mr. Chairman,  
15 Judge Yelton, members of the Commission and staff. I did have  
16 an agenda prepared this, well this morning, but since we all  
17 have to be flexible I'm going to be flexible today and I'm going  
18 to deviate from that agenda and read to you a fax I received this  
19 morning at 9:30. It's an editorial that appeared in the local  
20 paper. Northwest Indiana Times. It's entitled, and if you don't  
21 mind my reading it into the record, it's entitled "Shuffle the  
22 deck on distributing East Chicago's Casino Revenue". It  
23 indicates, the issue: East Chicago's casino revenue. Our  
24 opinion: The convoluted machine through which the money is  
25 now filtered needs to be junked. Today the Indiana Gaming

1 Commission will take up the issue of how revenue from East  
2 Chicago's casino should be distributed. The Commission needs  
3 to side with East Chicago Mayor George Pabey's request to get  
4 that eight point seven-five million dollars a year channeled to  
5 the city. "Only in East Chicago" is a familiar expression and for  
6 good reason. Bizarre things have happened often in the city's  
7 political and governmental arenas. Only East Chicago set up a  
8 convoluted matter to handle the money with it being directed to  
9 three non-governmental entities. The money now goes to  
10 Second Century, Corp, a for profit company and two non-profit  
11 foundations: Twin City Education Foundation and the  
12 Community Development Foundation. As non-governmental  
13 entities, it is difficult to get a good accounting of where that  
14 money went. What is clear, however, is that too much of it went  
15 to administrative costs. East Chicago's legal staff estimates the  
16 Foundation has spent as much as one million dollars primarily  
17 in staff and for contract employees to distribute one million to  
18 one point five million in assistance for charity or economic  
19 development. For non-profits, that kind of overhead cost is a  
20 giant red flag. The Foundations are like a black hole for money  
21 and give other foundations in Lake County an undeserved bad  
22 name. The current system in East Chicago isn't working. It  
23 isn't getting the money to the citizens to where it belongs  
24 instead of enriching political allies of former mayor Robert  
25 Pastrick. Pabey resigned as the City's Police Chief in 1993 to



1 join the original group of casino investors. Now he is on the  
2 other side fighting former partners that include political  
3 heavyweights Thomas Cappas and Michael Pannos. The time  
4 for the switch is right. Harrah's casino is being purchased by  
5 Colony Resorts International Holdings. As part of the new  
6 owners agreement the distribution formula should be changed  
7 to favor the city and the citizens who were supposed to get the  
8 money in the first place. The Commission should make sure the  
9 money goes to its intended recipient by making sure there is a  
10 clear, annual accounting for all revenue and expenses. The  
11 convoluted machine through which the money is now filtered  
12 needs to be junked. Northwest Indiana Times, April 21, 2005.  
13 And in order not to take up our time too much, um, we are  
14 going to have a couple of people give their statements and I will  
15 call on Mr., well, before that, I would like to clarify one point  
16 and that would be the distribution of the funds, the three point  
17 seven five percent. One percent of the adjusted gross of receipts  
18 goes to the city, one percent goes to one of the Foundations, one  
19 percent to the other Foundation and point seven five percent  
20 goes to the private corporation, Second Century. It amounts to  
21 about three million per year for each one percent recipient, and  
22 I guess a little less than that for the point seven five percent  
23 going to Second Century.

24 MS. BOCHNOWSKI: You know, I'd like to hear  
25 everybody and reserve time for the questions at the end. That's

1 fine.

2 MS. FERNANDEZ. Yes. Absolutely. I would call on Mr.  
3 Jesse Gomez who will introduce himself to you.

4 MR. GOMEZ: Good afternoon, ladies and gentlemen. My  
5 name is Jesse Gomez. I'm a resident of the City of East Chicago,  
6 and currently councilman at large on the city's common council.  
7 I bring a unique perspective, first hand perspective, actually. I  
8 bring it here today because I was a member of the Board of  
9 Directors of East Chicago Community Development  
10 Foundation. And during my tenure as a board member, I  
11 observed many questionable actions that I forcefully objected  
12 to, including the following five items. One: During the first few  
13 years of the foundation's existence, the bank applications were  
14 routinely approved without any review of grantees or the  
15 programs or projects. And while a review process has now been  
16 implemented for grantees, there is still little review or follow-up  
17 of the programs or projects funded to ensure that the  
18 foundation funds are being used for purposes stated and the  
19 grant application process. Two: There is also expensive and  
20 significant duplications of programs and services funded that  
21 are provided elsewhere in our city. For example, the  
22 foundations fund a thirty thousand dollar CPR training  
23 program already offered for free by the City of East Chicago in  
24 bi-lingual format. The foundations have granted fifty thousand  
25 dollars annually for a diabetes awareness program that

1 duplicates a program already provided by the local hospital, St.  
2 Catherine's, also in bi-lingual format. Three: In the  
3 foundations, all grant recipients are required to maintain an  
4 IRS Section 501(c)(3) status. The foundations, however, give  
5 funds to many organizations not under the 501(c)(3) status. By  
6 allowing them to partner with a church or other 501(c)(3)  
7 organization and use the partner solely as a conduit for grant  
8 funds. Again, there is no oversight either by the foundations, or  
9 their partner, to ensure compliance with foundation rules  
10 regarding the use of grant monies. This may also be why there  
11 are so many churches listed as recipients of foundation grants.  
12 Four: Recently a four hundred thousand dollar grant was  
13 awarded to the Community Development Foundation by LTV  
14 Steel Corporation through the efforts of the previous foundation  
15 board president, Doug Schrader. He, who having just been  
16 downsized by LTV Corp. was then immediately hired by the  
17 foundation at an annual salary of one hundred thousand dollars  
18 for the next 4 years, the exact amount that came into the  
19 foundation. He was hired as an economic development  
20 consultant. I never saw any evidence that he did any economic  
21 development for the City of East Chicago, but in any case, the  
22 city already had its very own active business and economic  
23 development department. The city's police department was  
24 awarded fifty thousand dollars every two years just play  
25 basketball in a tournament located either in Greece, Spain or

1 Canada, bringing no real value to the city or its residents. And  
2 finally, the board of directors of the foundation are self-  
3 perpetuating. That is, they simply renew their terms whenever  
4 they expire. The only exception was when board member Paul  
5 Smilgius moved out of the city. He was removed. And while the  
6 foundation by-laws required board members to live in the city,  
7 other members, those with close ties to the previous  
8 administration, had managed to move out without losing their  
9 positions. Apparently the problem with Mr. Smilgius was not  
10 his residency, but instead that he was meticulous in his review  
11 of the foundations financial documents and both of his inquiries  
12 regarding the foundations administrative expenses, which in  
13 most years equals or approaches one million dollars, the exact  
14 amount of money that we up that they give out. Another one  
15 million dollars each year is never spent. And it is for reasons  
16 and failures such as these, and there are more, that I and my  
17 colleagues voted in favor of City Council ordinance 05-006.  
18 And it is for that reason that I plead with the Commission to  
19 redirect these funds to the city where they can best be  
20 maximized for the good of all our citizens. Thank you very  
21 much.

22 MS. BOCHNOWSKI: Can I ask you a question?

23 MR. GOMEZ: Sure.

24 MS. BOCHNOWSKI: Who appointed the foundation  
25 members to begin with and who appointed the executive

1 director?

2 MR. GOMEZ: It's my understanding the former mayor  
3 appointed board members . . .

4 MS. BOCHNOWSKI: Okay.

5 MR. GOMEZ: (inaudible)

6 MS. BOCHNOWSKI: And, and, I understand that some  
7 of those board members were city employees. Am I correct in  
8 that?

9 MR. GOMEZ: Many of those employees were city, school  
10 system employees or library employees.

11 MS. BOCHNOWSKI: Okay, does it not make sense that  
12 the mayor would, even if those foundations have to exist, that  
13 the mayor would have some authority to . . ., some seats on that,  
14 to a point?

15 MR. GOMEZ: If you're asking if the current mayor have  
16 appointments, I would agree with that.

17 MS. BOCHNOWSKI: If, if, if the Court's find that the  
18 foundations are to exist,

19 MR. GOMEZ: Yes.

20 MS. BOCHNOWSKI: Would it not make sense that the  
21 mayor would have the authority to appoint the executive  
22 director and some of the members of the foundation?

23 MR. GOMEZ: It makes perfect sense to me and I would  
24 also add that some members of that foundation were appointed  
25 under the auspices of a particular organization. For example,

1 banking institutions have an appointment to the board.  
2 Libraries, schools, various organizations. Some of those  
3 members no longer represent those organizations. The board  
4 member that was originally selected as a member from the bank  
5 institution no longer works for the banking institution. I think  
6 by default he should be removed.

7 MS. BOCHNOWSKI: So that, if that's the original setup,

8 MR. GOMEZ: Yes.

9 MS. BOCHNOWSKI: Then the argument could be made  
10 that these seats, this one is appointed by this agency . .

11 MR. GOMEZ: Entity.

12 MS. BOCHNOWSKI: In other words, and so on.

13 MR. GOMEZ: Yes. Yeah. There are a number of people  
14 who are appointed to these positions that no longer represent  
15 the organizations.

16 MR. VOWELS: You're talking, there's the Twin City  
17 Education Foundation, Incorporated, and the East Chicago  
18 Community Foundation.

19 MR. GOMEZ: Yes sir.

20 MR. VOWELS: And these are both charitable  
21 corporations that incorporated under the laws of the state of  
22 Indiana.

23 MR. GOMEZ: I missed the last part of that statement.

24 MR. VOWELS: These are corporations, charitable  
25 corporations.

1 MR. GOMEZ: Yes.

2 MR. VOWELS: Incorporated within the state of Indiana.

3 MR. GOMEZ: Yes.

4 MR. VOWELS: And I would assume, like all corporations,  
5 that there were some by-laws, articles of incorporation laid out,  
6 who would be involved in how this would be set up. Have you  
7 seen any of that?

8 MR. GOMEZ: The by-laws for  
9 (Tape being changed)

10 MR. GOMEZ: Those who move out of town continue to  
11 return their status on the board. They created several of these  
12 discretionary at large positions and said that they couldn't move  
13 to a (inaudible) of expertise. We have board memberships that  
14 are, range in the teens. Lose a few individuals and I don't think  
15 it will benefit the foundations at all.

16 MS. BOCHNOWSKI: How much, is it stated in the by-  
17 laws that, that the members, that the board members of these  
18 foundations will be paid?

19 MR. GOMEZ: I don't recall if that was in . . . .

20 MS. BOCHNOWSKI: Okay. Because I, I serve on  
21 foundations, too, and I happen to know about the Legacy  
22 Foundation, having served on that. That's a nineteen million  
23 dollar foundation. They manage nineteen million dollars.  
24 Generally, board members of the foundations don't get paid.

25 MR. GOMEZ: That's correct.

1 MS. BOCHNOWSKI: I'm shocked to hear that they got  
2 paid.

3 MR. GOMEZ: I could tell you about when I went to  
4 counsel foundations over the last few years. I would share  
5 information with other foundations throughout the United  
6 States. That was the recurring theme, was you guys get paid for  
7 this? You know, we cover two counties. Two hundred thirty-  
8 five thousand people we serve, with a budget half your size and  
9 none of our board members get paid. It's a shame. That money  
10 could have gone to benefit citizens of East Chicago.

11 MR. CALLOWAY: So when you speak about the  
12 foundation, you talking about both foundations?

13 MR. GOMEZ: Well,

14 MR. CALLOWAY: The Twin Cities and the East Chicago  
15 Community Foundation.

16 MR. GOMEZ: Both foundations are set up essentially the  
17 same way.

18 MR. CALLOWAY: So, the members get paid?

19 MR. GOMEZ: The members have an opportunity to  
20 receive a stipend. A few elect not to receive that stipend. The  
21 salaries range from as low as, I think my salary last year, my  
22 stipend was about thirty-five hundred. I've seen some as high  
23 as seventeen thousand dollars.

24 MS. BOCHNOWSKI: What?

25 MR. GOMEZ: Not for one, but for many, many board



1 members.

2 MS. BOCHNOWSKI: Why the difference?

3 MR. GOMEZ: I wish I could answer that question. I'm  
4 assuming because the members sit on the executive board,  
5 which is a problem in itself.

6 MS. BOCHNOWSKI: Who audits these foundations?

7 MR. GOMEZ: Uh, there was firm. Obviously, I can't  
8 recall the firm's name. But there was a firm auditing the  
9 foundations. On occasion audits would come years after the  
10 fact. We were delinquent in some of our audits.

11 MR. FESKO: Couldn't the State Board of Accounts come  
12 in on these non-for profit foundations?

13 MR. GOMEZ: I'm sorry. Could you repeat the question?

14 MR. FESKO: Didn't the State Board of Accounts come in  
15 to review the not-for-profit foundations (inaudible)

16 MR. VOWELS: Do you know if the Department of  
17 Revenue, State Department of Revenue has?

18 MR. GOMEZ: I know there was an investigation by the  
19 IRS. I don't know the outcome of that investigation.

20 MR. VOWELS: So it was federal?

21 MR. GOMEZ: Yes.

22 MR. VOWELS: Okay.

23 MR. GOMEZ: Uh, I'm sorry. I don't know. I don't know  
24 if it was state or federal. I, I don't recall that. But to answer  
25 your question, they obviously define themselves as a private

1 foundation. Even though they were receiving public monies.

2 MR. FESKO: The not-for-profits consider themselves a  
3 private foundation?

4 MR. GOMEZ: The foundations of East Chicago defined  
5 themselves . . . (inaudible)

6 MS. BOCHNOWSKI: Okay. So they consider themselves  
7 a private foundation even though they are funded by an entity  
8 that was created by state legislature?

9 MR. GOMEZ: They

10 MS. BOCHNOWSKI: For the benefit of the state of  
11 Indiana.

12 MR. GOMEZ: And the citizens of East Chicago.

13 MS. BOCHNOWSKI: And the citizens of East Chicago.

14 MR. VOWELS: Well, to put all of this in perspective, I  
15 remember, I think it was in April of 1997 when the East Chicago  
16 boat opened, is that right?

17 MR. GOMEZ: That sounds right.

18 MR. VOWELS: Is that about right Jack? Okay. And I  
19 don't remember when we did the licensing hearing. Back in  
20 those days, particularly the early days, the, companies coming  
21 from out of state really wanted to get the local endorsement and  
22 in this particular situation, there were a lot of people obviously  
23 who were involved in this who had connections, and that  
24 seemed to intimidate other applicants or other potential  
25 applicants to come into East Chicago. I think that was, and that

1 didn't fall on deaf ears with us. We saw what was going on. But  
2 that was the poor counsel that the other potential applicants  
3 received, because the first issue that we did in Gary with the two  
4 boats up there, one of those had successful casinos that were  
5 successful to the license was not endorsed by the city of Gary.  
6 And we were hoping at the time that would send a signal out  
7 there that the local endorsements are great and we like to hear  
8 about them, but we will make the ultimate decision. Over in  
9 Lawrenceburg, they made an endorsement prior to the time of  
10 what we had intended, and I remember Mr. Thar straightened  
11 them out. They had to withdraw that and deal with it. So the  
12 bottom line is that way back when, in East Chicago, the casino  
13 up there wanted to get the local endorsement and the way to do  
14 it was to get it hooked into the people who were hooked into the  
15 people. Okay? And that, that was to, in my mind, to intimidate  
16 the other potential applicants. Why bother coming here.  
17 Nobody else applied. I think it was Gold Nugget or somebody  
18 came in after the application deadline, and I mean, that was,  
19 that could have been a lawsuit right and if we would have  
20 opened that up and that was the way the Commission went  
21 forward. Um, so the people who were involved, the people who  
22 were maybe making some money out of, of what the casino has  
23 to pay in there pursuant to that local agreement, that was just  
24 the way all that added up. I mean, we're not dumb. We know  
25 what was going on and why it was done and if there's anything

1 illegal, (inaudible), we will certainly look into it and things have  
2 shaken up in East Chicago the last year. The question that I  
3 have to Ms. Fernandez when you read the editorial to us and  
4 you're corporate counsel for the city of East Chicago, is that  
5 right?

6 MS. FERNANDEZ: Yes.

7 MR. VOWELS: And there was a line in there about our  
8 power to do this and our power to do that. From, from an  
9 attorney's point of view, can you tell me what power it is that we  
10 have other than making sure that Resorts fulfills its obligations  
11 that, that Harrah's had to take over from Showboat and the  
12 whole thing. Right? So they've got to fulfill all the contractual  
13 obligations. And our job is to make sure that they fulfill those  
14 contractual obligations. What power do we have in your mind  
15 to go into this any further, to determine what's getting paid and  
16 whether the thing is kosher as long as we're here to determine  
17 the suitability of Resorts. What is it that Resorts would be  
18 doing wrong in fulfilling their contractual obligation as assumed  
19 in this transfer, that we have any power to deal with?

20 MS. FERNANDEZ: Well, I believe the board has all the  
21 power in the world.

22 MR. VOWELS: Well,

23 MS. FERNANDEZ: To proceed. And that's my legal  
24 opinion.

25 MR. VOWELS: Well, lets get realistic, there. You know

1 we don't have all the power in the world. Okay. Lawyer to  
2 lawyer. Let's talk turkey here. Cite me a statute or give me  
3 some avenue here where we have power to do something to, to  
4 get involved in, because this sounds to me like Department of  
5 Revenue. I mean, if they're a charitable organizations, and they  
6 have to be audited annually, and those reports have to go to the  
7 Department of Revenue, federal or state, to ensure their 501c3  
8 status as charitable organizations, right? That, that's the check  
9 and balance there? What would be, and for the non, for the  
10 profit organization. That would seem to be the Department of  
11 Revenue, are they doing things kosher. How all this is lined up,  
12 I mean, that's not anything. We're all sitting up here as  
13 pollyannas and have it worked out. But my question is what, as  
14 we sit here today and determine whether the transfer of this  
15 casino license and the company that wants to get it, whether  
16 they're suitable or not, to me that's our issue and our bailiwick.  
17 And if there were things that we could do, I would probably  
18 want to do that, but I don't know the avenue that I have as a  
19 commissioner to do that.

20 MS. FERNANDEZ: Well, by, by statute. . .

21 MR. VOWELS: Uh huh.

22 MS. FERNANDEZ: And by practice.

23 MR. VOWELS: Give me a statute.

24 MS. FERNANDEZ: Well, um, you 68 IAC 1-4-2.

25 MR. VOWELS: What's it say?

1 MS. FERNANDEZ: I'm sorry?

2 MR. VOWELS: What's is, I don't have it.

3 MS. FERNANDEZ: Well, it indicates, it indicates that the  
4 Commission, the Commission reserves the right to disapprove  
5 and cancel any contract or transaction that does not comply  
6 with the act or this type order does not maintain the integrity of  
7 the riverboat gambling industry. And it, and it follows from,  
8 um, a line that says riverboat licensees and riverboat license  
9 applicants shall promote this policy and it's the policy of  
10 integrity, maintaining integrity, by entering into contracts and  
11 transactions in accordance with this Act and Title and shall be  
12 held accountable for all contracts or transactions entered into  
13 under this rule. So, the, the, the board has the duty to maintain  
14 ...

15 MR. VOWELS: Right. I mean if, if the mafia was going to  
16 be selling napkins and they had a contract and we found out the  
17 mafias got the napkins and they want to enter into that contract  
18 we can say, you know, you're the mafia. You've been in prison.  
19 You've done this. You see the giant step that we have to take. I  
20 mean, as far as government entity investigating these  
21 foundations, or for-profit organizations, doesn't it make sense  
22 that it would be the Department of Revenue?

23 MS. FERNANDEZ: Well, I will say this, that there are  
24 government entities investigating these organizations.

25 MR. VOWELS: That there are?

1 MS. FERNANDEZ: Yes there are.

2 MR. VOWELS: Okay.

3 MS. FERNANDEZ: But, if I may also argue my other  
4 point, that is by past practice, when Showboat in 1999, when  
5 Showboat was being tran . . . , Showboat license was being  
6 transferred to Harrah's, all the parties came here to modify the  
7 contract that, uh, the local agreement that had been negotiated  
8 between the city and the boat. So they had agreed, somehow  
9 agreed that it was this board that had the power to modify this  
10 contract with regard to these local agreements where these  
11 three, this three point seven five percent, where it would go,  
12 how it would be distributed, what would be done with it.

13 MR. VOWELS: But, and I was looking at the transcript  
14 that was attached here and it reminded me of Commission Bob  
15 Swan. He was a CPA. He was on our Commission and there  
16 were things that came up over the years when Commissioner  
17 Swan was with us about the local development agreements  
18 between the casino and the city and this and that. And I  
19 remember Commissioner Swan, who was one of the most  
20 intelligent people I know, saying what business does the  
21 Gaming Commission, why do, to be involved in any agreements  
22 as far as at that level and I thought along the lines like you.  
23 That, yeah, when you're sitting in power, you certainly don't  
24 want to give it up, right? So, we wanted to keep our finger in  
25 that, but reasonable minds can differ and Mr. Swan, like I said,

1 one of the most intelligent people I know, and he always  
2 thought that we had no business getting involved. I guess your  
3 angle, from what you're telling me, from having quoted that  
4 Administrative Code section, essentially is that we have the  
5 power to determine whether a casino is suitable, particularly  
6 from the integrity point of view, by who they contract with.

7 MS. FERNANDEZ: And this is a contract.

8 MR. VOWELS: Right.

9 MS. FERNANDEZ: They've made a contract with the city  
10 and let's say we're funneling the money to the mafia, you  
11 certainly have the same right.

12 MR. VOWELS: But that's a lot easier, though. Okay?

13 MS. FERNANDEZ: Well, I mean, you know, you made  
14 that analogy.

15 MR. VOWELS: I was just saying that. That was the  
16 extreme.

17 MS. FERNANDEZ: Yes, but I mean, you know, it could  
18 happen in terms of this contract and I think that, um, it's no,  
19 it's, it's not a coincidence that these boats were set up in areas  
20 that were economically depressed. And the money is not going  
21 to lift up the community, I think this board has the right to say  
22 hey, you're not lifting up the community. As a corporate citizen  
23 you have the right, the duty, the obligation to follow the money  
24 because you're here because we want to uplift these  
25 communities. And these communities are not being lifted up,



1 why are you here? Besides to

2 MR. CALLOWAY: Um, counsel, counsel Fernandez, I  
3 really appreciate you coming. You really brought, you know,  
4 some, highlighted some stuff that I think we need to know. We  
5 have this room until two o'clock. And

6 MS. FERNANDEZ: Okay. Um,

7 MR. CALLOWAY: We have, we have several other people  
8 that need to speak. People from the foundations themselves  
9 would like to something to say.

10 MS. FERNANDEZ: Okay.

11 MR. CALLOWAY: And we have other business we need to  
12 conduct. So I think we got the drift of where you are. Do you  
13 have another point you want to make?

14 MS. FERNANDEZ: We just have two statements. If we  
15 could just read those into the record and we'll, we'll talk very  
16 fast, we promise.

17 MR. CALLOWAY: Okay.

18 MR. YELTON: Just introduce them. Counsel, would you  
19 just introduce them? We'll make it part of the record.

20 MS. FERNANDEZ: Okay.

21 MR. YELTON: Please?

22 MS. FERNANDEZ: Okay. If I may, um, this gentleman  
23 had emergency surgery this morning, I would like to just read  
24 his statement. Oh, just submit them?

25 MR. YELTON: Yes. Please. To the Court Reporter.

1 MS. FERNANDEZ: All right. Okay. Thank you.

2 MR. CALLOWAY: Thank you.

3 MR. NATHANIEL RUFF: Mr. Chairman, if I could, I am  
4 corporate co-counsel. I want to just add something to this.

5 MR. CALLOWAY: One minute.

6 MR. RUFF: If the argument that Mr. Vowels requested to  
7 say why we believe the statute as interpreted by this board in its  
8 rules requires that you determine which economic development  
9 plan should apply. It's not an issue of determining suitability of  
10 the boats as it is determining which economic development  
11 plan, which is why we've set out, I think in infinite detail, in the  
12 document, the petition . . .

13 MR. VOWELS: Well, what does that. . . . when we had to  
14 pick which casino was best?

15 MR. RUFF : Well, the point, the point is the same. If you  
16 look at all the rules and the regulations, it's a concurrent theme.  
17 It doesn't deal with this specific instance when you have one  
18 boat and two competing plans but it talks about repeating  
19 plans. It talks about local development. It talks about the  
20 intent of the legislation is local development and integrity. So  
21 that if you put all of those together, the statutory construction  
22 and rule construction is that in this instance this body should  
23 make the determination of which plan to apply, and there's an  
24 even greater reason. There's an additional reason why this body  
25 should do that. I am only asking . . . I would ask that you look

1 at the objections of the City that were filed on April 11, and the  
2 argument starts on page 3. But in addition, there's a standard  
3 set, a well established rule in Indiana that Courts will look to  
4 the interpretation of the application of the statute by the body  
5 which has been given the responsibility of applying it on the  
6 agency. And this body has been given responsibility of  
7 interpreting and creating rules and applying the gaming statute  
8 so that the litigation is premature. What should occur is that  
9 this board should, in the exercise of its investigative powers if  
10 necessary and its interpretative powers, if necessary, to decide  
11 how the statute applies here. If it applies here. And then if you  
12 believe it does, make a determination as to which plan to  
13 choose. And then supply the information as to why our plan, the  
14 city's plan, is the plan that should be chosen.

15 MR. CALLOWAY: Thank you, thank you.

16 MS. BOCHNOWSKI: Can I ask you a question?

17 MR. YELTON: Yes.

18 MS. BOCHNOWSKI: He raises an interesting point. Is it  
19 possible, I mean, I really don't hold Resorts responsible for any  
20 of this, obviously. Is it possible that we can have our own  
21 interpretation of this and also, that, that we would, that if we  
22 are, if we can make some kind of a decision on that, can that  
23 kind of be a subject to, that we can come back and revisit?

24 MR. YELTON: We could revisit it but that in and of itself,  
25 in my opinion, could become an issue within the litigation.

1 MS. BOCHNOWSKI: So you would rather wait until the  
2 litigation is complete?

3 MR. YELTON: Are you asking my opinion?

4 MS. BOCHNOWSKI: Yes. Is you're,

5 MR. YELTON: Well, after twenty-five years of experience,  
6 I think, I'm not going to predict what, what, what Judge  
7 Bradford would do in this particular instance, but if, if the  
8 Judge is going to take action and exercise jurisdiction of the  
9 issue, then I, I would presume it would be an exclusive act of  
10 jurisdiction, leaving us, probably, with the inability to act until  
11 his ruling on the merits or through disposing of the case as Mr.  
12 Gifford indicated, if there was such a motion filed, would occur.

13 MS. FERNANDEZ: This is the final statement, um, the  
14 statements we tendered were a statement from Mr. John Ardis,  
15 a statement from Mr. David Ryan, who is the Executive Director  
16 of the Lakeshore Chamber of Commerce, and also a statement  
17 from Laura Littlepage from the Center for Urban Policy and  
18 Environment indicating that she had never received any reports  
19 or data from Second Century. Thank you.

20 MR. CALLOWAY: Thank you. We appreciate the  
21 individuals from the Mayor's office of East Chicago. Now we're  
22 going to move to the foundations. Fifteen minutes, people. We  
23 have Jay Boyd and Lee McNeely.

24 MR. BOYD: Actually, speaking for the foundations today  
25 will be my partner, Bob Grand.

1 MR. GRAND: Mr. Chairman, members of the  
2 Commission, members of the staff. Thank you for the  
3 opportunity. My name is Bob Grand, partner at Barnes and  
4 Thornburg and I'll go through this quickly so it will keep with  
5 the time restraints. Um, as Jay said, with me today is Jay and  
6 also Russ Taylor, who is the Executive Director of the  
7 foundation as well, who is here, and we're prepared to answer  
8 any of your questions. Our firm has served as counsel to the  
9 Twin City Education Foundation of East Chicago, Community  
10 Development Foundation. They are an Indiana non-profit  
11 organizations, which the IRS has recognized as a tax-exempt  
12 charitable organization. Because the entities are funded almost  
13 exclusively by Harrah's of East Chicago under a local  
14 development agreement, they're classified as private  
15 foundations for federal tax purposes. The foundations share  
16 expenses and collectively operate as the Foundations of East  
17 Chicago. We are joined here by over a hundred, or by many of  
18 our board of directors and about a hundred citizens who  
19 through their churches, schools, little leagues, community  
20 groups, neighborhood organizations benefit from the grants  
21 and programs made available through the efforts and the  
22 administration of the foundations and the contributions of  
23 Harrah's and its predecessors. They've come a long way today  
24 to show their support and I would ask them to stand now.  
25 They're not going to all speak. Each has a story and be

1 recognized. Thank you. We welcome the opportunity to  
2 introduce you to years of positive contributions to East Chicago  
3 made through the foundations through funds provided by  
4 Harrah's and its predecessors. The foundations were organized  
5 as a result of recommendations made by East Chicago Gaming  
6 Task Force in a report entitled "Investing in the People"  
7 published in March 1994. During the process before the  
8 issuance of the Certificate of Suitability and the license for the  
9 riverboat casino currently operating as Harrah's East Chicago.  
10 Over several months, the eighty person task force studied the in  
11 depth needs of the community and the potential effect of  
12 gaming on the community. Following a comprehensive review  
13 process, the task force made a series of recommendations which  
14 were included in the negotiation process with the perspective  
15 license applicants for East Chicago. Before licensing, the initial  
16 license entered into a long term agreement, licensee, entered  
17 into a long term agreement with the city of East Chicago to  
18 dedicate revenues from the operations to specific purposes and  
19 organizations consistent with the findings of the task force.  
20 That agreement and the dedication of the funds made by the  
21 licensee are above and beyond the revenues required to be paid  
22 by law for distribution to state and local government entities. I  
23 want to emphasize that. Above and beyond. To the extent  
24 those supplemental revenues are directed to non-governmental  
25 entities such as foundations, they are not public funds under

1 any legal definition. The initial licensing decisions of the  
2 Commission for East Chicago and other Hopes communities  
3 were premised upon detailed applications, extensive staff and  
4 consulting review and full public hearing. Those hearings took  
5 place after local review processes and endorsements of  
6 interested candidates. Most communities, including East  
7 Chicago, entered into agreements with licensed applications to  
8 provide incentive payments to certain organizations, causes, or  
9 purposes. In some instances, the incentive payments had a  
10 limited life and other commitments were to be of a continuing  
11 nature. More specifically, an agreement dated April 8, 1994, the  
12 original East Chicago licensee and the City of East Chicago  
13 agreed to the creation of two independent not-for-profit  
14 corporations, totally independent of the city and totally outside  
15 political processes. Each foundation was to receive one percent  
16 of the licensee's adjusted gross and gaming receipts on an  
17 ongoing and continuing basis. One of those foundations was to  
18 focus on education training and scholarship programs. The  
19 other foundation was to focus on community development  
20 projects. The development granted between the licensee and  
21 the City expressly calls for the creation of professionally  
22 managed organizations to administer funds and agree to be  
23 dedicated to those purposes. Clearly the process evidenced by  
24 the development agreement was designed to create  
25 organizations independent of the government process to receive

1 and disperse the agreed upon revenue strain. The development  
2 agreement was amended by another letter agreement dated  
3 April 18, 1994, in which additional commitments of the  
4 endorsed applicant for community development and purchases  
5 for the City were memorialized. On March 26, 1996, the  
6 Commission issued a Certificate of Suitability for the East  
7 Chicago Riverboat Owners License. The Certificate of  
8 Suitability incorporated into the owners license the terms of the  
9 development agreement and specifically mandated that the  
10 licensee pay one percent of its annual adjusted gross gaming  
11 receipts for the East Chicago Community Development  
12 Foundation Inc, and one percent to the Twin City Education  
13 Foundation, Inc. Further, the Certificate of Suitability  
14 mandated the licensee to honor the terms of the agreement  
15 dated April 8, 1994, and April 18, 1995, as ratified and approved  
16 by the County Council of the city of East Chicago. Subsequently  
17 in a memorandum dated August 25, 2000, the provisions of the  
18 development agreement, including the obligations of the  
19 licensee to make payments to the foundations in accordance  
20 with the suitability were affirmed by the city and Harrah's  
21 incident to the change in ownership from the original licensee.  
22 Since 1998, the foundations have operated under the fund in  
23 accordance with the provisions of the applicable development  
24 agreement and the Certificate of Suitability. Since gaming  
25 operations commenced, the licensee has completely complied



1 with its agreements to provide funds for the foundations. The  
2 foundations have issued over one hundred . . . one thousand  
3 two hundred eighty five grants to scores of community and civic  
4 organizations and provides scholarships to scores of young East  
5 Chicago citizens. The foundations have approved some  
6 eighteen million in grants and are, there are currently pending  
7 over five million grants, requests from nearly two hundred  
8 prospective grantees. The foundation's critical review, critically  
9 review grant requests. Some three hundred requests for over  
10 eight million in funding have been declined by the foundations  
11 through the rigorous review processes maintained by staff and  
12 board subcommittees. A full report of the foundations  
13 operations entitled "2005 Performance Review" has been  
14 provided to you. The report details how the foundations have  
15 placed millions of dollars of grants with local organizations and  
16 have truly made a positive difference in the community. In the  
17 report there are nearly two hundred letters of endorsement  
18 from people and organizations who have benefits from  
19 programs sponsored by the foundations. Students who have  
20 pursued degrees with foundation scholarships. Church leaders  
21 and clergymen whose churches have received funding for  
22 repairs and outreach programs. Coaches whose teams have  
23 received uniforms, equipment and travel money. Scout leaders  
24 who have received money for activities. Ethnic groups whose  
25 traditions have been extended by the funding. Parochial school

1 teachers whose schools receive a boost from their what their  
2 parishes can afford. Community leaders fighting crime. And,  
3 and other transportation services. The list goes on and on and  
4 we have more, we actually brought ten more letters with us  
5 today. The plan established during the licensing process was  
6 one that was intended to be durable and immune from political  
7 pressures, influences and changes. Until recently the plan has  
8 proceeding according to the plan intent. Likewise, the plan  
9 creating the foundations was an integral part of the overall  
10 determination initiated by the task force and accepted by the  
11 City, approved by the licensee and ratified by the Commission,  
12 that funds from gaming operations beyond those provided for  
13 by the act, be dedicated for specific missions, including those  
14 which cannot be served by governmental entities such as  
15 churches and specialized scholarship programs. The  
16 development agreement contemplates and the foundations have  
17 created and continue to fund each year a permanent  
18 endowment to ensure that the positive benefits of gaming  
19 revenues will be available for future generations of East Chicago  
20 residents even if gaming leaves the community. As you have  
21 heard, the City of East Chicago is asking you to unilaterally  
22 terminate the development agreement and eliminate the  
23 foundations altogether. The foundations have not been given  
24 an opportunity to be heard locally, but today I have hopefully  
25 made a strong case for their continued existence. Harrah's has

1 been fully cooperative with the foundation and has honored the  
2 commitments in the development agreement and Certificate of  
3 Suitability. We hope that the pending change of ownership will  
4 be approved subject to the terms of the Certificate of Suitability.  
5 We look forward to a positive relationship with Resorts and  
6 continuing our long standing relationship with the Commission.

7 MS. BOCHNOWSKI: I have a question. I understand  
8 according to tax purposes that you think you're a private entity.  
9 However, this over and above the statutorial required funds  
10 above the taxes and etcetera, etcetera. That was something that  
11 was negotiated as a development agreement with the city. The  
12 City is the people of East Chicago. The people of East Chicago  
13 have now elected a new mayor and I don't know if you have had  
14 any conversations with the mayor, but it seems to me that the  
15 mayor should have some say in who sits on that board. If  
16 they're former employees of the old, the old administration,  
17 then there should be people from the new administration. That  
18 only makes sense. And the City does have, because they signed  
19 a contract. They're in on it. And you're doing this for the  
20 benefit of the City and the people of the City have elected Mayor  
21 Pabey to represent them, and I think that you have to do a  
22 better job working with the City in allowing them to have some  
23 input. Or whoever.

24 MR. GRAND: I will defer. Some of the board members  
25 are here and maybe better to answer about working with the

1 mayor, so I think that would be appropriate for them to answer.

2 MS. BOCHNOWSKI: I mean, if the former mayor  
3 appointed people to the board, then I think that the new mayor  
4 should be able to appoint people to the board. This should not  
5 be self-perpetuating.

6 MR. TAYLOR: Good afternoon. My name is Russ Taylor  
7 and I'm the Executive Director of both of the foundations.

8 (Tape being changed)

9 The other appointments came from community  
10 organizations. In the beginning when we started Mayor  
11 Pastrick contacted those organizations and asked them to  
12 submit names for consideration and when we created our initial  
13 board of incorporators, that is how they were formed.  
14 Subsequent to that it was an outreach to the organizations. The  
15 board member candidates are presented, they're interviewed,  
16 their criteria and credentials are checked and ratified by the  
17 board before they can sit on the board. We did that quickly in  
18 1998, 97. And that's how it goes. Mayor Pabey recently  
19 appointed or nominated a candidate for sitting on the Twin City  
20 Education Foundation. That person was interviewed through  
21 our process and ratified and appointed to the board in  
22 February. The resident, or the candidate for the city  
23 appointment for the Community Development Foundation has  
24 been sitting, he had a meeting with the mayor. He's indicated  
25 that his term and commitment to keep him on the board is

1 acceptable and we have not heard anything to the contrary.

2 MS. BOCHNOWSKI: Now what about the, what about  
3 the comment that was some of these board members who were  
4 recommended by other organizations no longer represent those  
5 organizations and perhaps you need to update your . . .

6 MR. TAYLOR: We do have two criteria for sitting on the  
7 board. One is a residential, residency requirement. The other  
8 one is that you have to belong to an affiliated group. In some  
9 cases there is a resident nomination that's brought from the  
10 community at large. Um, Paul Smilgius, who was mentioned  
11 earlier, was a resident member. He moved out of the city. He  
12 lived in the city of Chicago and as such he did not represent any  
13 resident or could not represent being a resident, which is two  
14 strikes against him and for that reason we had to issue a letter  
15 of his termination. Other members have either a residence or  
16 have lost a residency because they've moved out but they still  
17 retain their affiliation with the group. That's how we created  
18 that extended classification called an at-large position. Those  
19 people are reviewed annually for their participation on the  
20 board of directors. The board of directors recognizes their  
21 continued input into the organization and they ratify their re-  
22 appointment annually. When their term is up in 2007 they will  
23 no longer be eligible to sit on the board. So its' a transitional  
24 phase that we use.

25 MS. BOCHNOWSKI: Why are the board members paid?

1 MR. FESKO: Interesting question.

2 MR. TAYLOR: Our board members participate a lot in  
3 the overall process . . . .

4 MS. BOCHNOWSKI: I know. So do other foundations.  
5 That doesn't mean . . .

6 MR. TAYLOR: But they're not salaried. This is time  
7 spent.

8 MR. VOWELS: Do they get paid more than the fifty bucks  
9 we're getting paid?

10 MS. BOCHNOWSKI: Exactly. I mean, we

11 MR. TAYLOR: Yes. Um, but, you know, it's, it's, we look  
12 at this for a variety of reasons. You know, their participation is  
13 vital. These people belong to a lot of organizations and they,  
14 they commit a lot of their time and we want to make sure that  
15 they, they dedicate the proper amount of time to foundation  
16 business. They are instrumental in helping keep our staff sizes  
17 under control and we value their expertise. And it's depending  
18 on how often they participate. It depends on the value of the  
19 (inaudible) that they receive manually.

20 MS. BOCHNOWSKI: Besides that, I mean

21 MR. FESKO: What decides the scale of compensation?

22 MR. TAYLOR: The board,

23 MR. FESKO: The testimony, I think, the range went from  
24 thirty-five hundred to seventeen thousand dollars. How is that  
25 determined?

1           MR. TAYLOR: A person receiving thirty-five hundred  
2 dollars would not participate very much and a person receiving  
3 seventeen thousand would participate a lot. This, it's by  
4 attendance at meetings that it's calculated. And a person  
5 getting seventeen thousand dollars would probably be attending  
6 over fifty meetings a year. Now I'm not saying that they get  
7 paid for every meeting that they attend. There's a lot of other  
8 meetings that they do, which is outside the realm of  
9 compensation. But that's the level of participation. Um, the  
10 Council on Foundations, which is an organization nationally  
11 established out of Washington D.C. which is an overseer and  
12 advisor for the philanthropic industry, is currently looking at  
13 this thing. They have, on previous years, done studies relative  
14 to compensation for boards. It's not uncommon the range of  
15 compensation the Foundations have is within the scale within  
16 the industry. And . . .

17           MS. BOCHNOWSKI: It sounds uncommon in Lake  
18 County.

19           MR. TAYLOR: It may be uncommon in Lake County, but  
20 its not uncommon in the City of Chicago.

21           MR. CALLOWAY: Okay. Thanks very much. We want to  
22 try to give Mr. McNeely a little bit of time. We appreciate you  
23 guys.

24           MR. McNEELY: My name is Lee McNeely. I am an  
25 attorney and I represent East Chicago Second Century and I

1 appreciate the opportunity to appear before the Commission,  
2 see Mr. Yelton, again, the members of his staff. Um, we are  
3 here today to support the renewal of the Showboat license and  
4 the transfer of that license to, from Harrah's to Resorts.  
5 Unfortunately we believe that the new administration, at least  
6 in the city of East Chicago is attempting to perhaps refocus the  
7 Commission's attention to another issue entirely, and that is the  
8 city's efforts to invalidate or renegotiate perhaps the existing  
9 economic development agreements. I believe that the record  
10 will show and disclose that this Commission actually  
11 incorporated those agreements, those legally binding  
12 agreements, into the Certificate of Suitability that was issued in  
13 1996 and made them a condition of the license. Since the City  
14 has, we believe, no legal basis upon which to attack the existing  
15 agreements, we believe that they are asking you, the  
16 Commission, to step into this battle on their behalf. I had  
17 previously submitted a statement of position with a number of  
18 exhibits, which that's Second Century's position. Without me  
19 stating what I've already submitted to you, let me take just a  
20 moment, recognizing that I'm supposed to have seven and a half  
21 minutes. I'll try to take less than that. First of all, the dispute  
22 between the City and Second Century, we believe, has  
23 absolutely with the fitness of Resorts, which we believe is the  
24 issue that is before you today. Second, we believe that there is  
25 absolutely no precedent as far as the Commission is concerned



1 for using a license transfer as a basis for either invalidating,  
2 canceling or re-writing and re-negotiating an approved,  
3 existing, legally binding economic development agreement.  
4 And finally and most importantly, the issue of whether the city  
5 has any legal basis to engage in any of these activities is now in  
6 Court, precisely where it should be. That's where these matters,  
7 these disputes should be resolved and we think that that's the  
8 appropriate forum. I really do not want to take your time to  
9 respond to what we believe are the politically motivated attacks  
10 by the, by the City in the submissions that they gave to you, only  
11 to say to you, I don't mean to be flippant about this, but we, I  
12 think perhaps with regard to you Commissioners, the questions  
13 with regard to other issues, what efforts have been on reaching  
14 out. My clients have advised me that they have made efforts to  
15 sit down and discuss these matters with the City and have been  
16 rebuffed at every turn. Um, kind of southern Indiana parlay,  
17 it's our way or the highway, and I'm not talking, you can't take  
18 that position, except I suppose to counter my position is fine.  
19 "It's your way or the highway", but that highway does not lead  
20 to the Indiana Gaming Commission. That highway leads  
21 somewhere else. And this is the highway that leads to the  
22 Court. And that's where this matter should appropriately be  
23 resolved. Second Century has been a private, for profit  
24 corporation empowered to engage in economic development  
25 efforts in East Chicago since it's beginning. Whether, in

1 retrospect, you agree with everything or whether or at the time  
2 you agree with everything, there were absolutely valid reasons  
3 for setting up a private, for-profit corporation, to accomplish a  
4 portion of the goals that were necessary and that the city sought  
5 in 1994. These were the goals that were reaffirmed in 1999,  
6 with the Memorandum of Understanding. These were the goals  
7 and this was the mechanism that was brought to this  
8 Commission. It was brought to public hearings and was  
9 explained in detail, gone through, analyzed, looked at, twisted,  
10 turned, looked around, and approved at that point in time. It  
11 was acknowledged at that point by the Commission and I don't  
12 mean this to be offensive, but it seems to me in my review of the  
13 record that at time the Commission essentially said we now  
14 understand. These are legally binding contracts and  
15 agreements. The Commission has no further jurisdiction over  
16 these or over the fight of funds included there or over the  
17 agreements that led to their creation. We believe that as a  
18 private company, Second Century has succeeded in economic  
19 development activities that would have been unattainable in an  
20 area like East Chicago by a public entity. I've been involved in  
21 economic development in both the public level and the private  
22 level. I understand the difficulties of the public level intimately.  
23 As a former city attorney, county attorney and representative of  
24 many municipal, municipalities. Second Century has  
25 conducted all of its development activities within the confines of

1 the city of East Chicago and for the use and benefit of the  
2 citizens of East Chicago and the city knows through its  
3 permitting process and approval process of individuals projects  
4 that we have. They know what we have done and what our  
5 accomplishments are. Let me give you an example, just for the  
6 record. Just one example. Second Century is primarily  
7 responsible for producing almost twice as many housing unit  
8 application permits in East Chicago during the last five years as  
9 had been produced in the entire ten year period prior to our  
10 entry into this area.

11 MS. BOCHNOWSKI: Where would that be . . .

12 MR. McNEELY: It is in our submission to you, that we  
13 handed out. Our bullet point submission that we gave to you.  
14 (inaudible) a visit to the neighborhoods that Second Century  
15 has revitalized speaks volumes, we believe. But the  
16 accomplishments of Second Century is not be reflected in cold  
17 statistics or record of permits, but in the faces of the citizens  
18 whose lives have been changed and whose neighborhoods have  
19 been improved or in some instances, saved. Some of the  
20 residents of those homes and many of their friends traveled  
21 here today and I would like to acknowledge five or six of them  
22 now and ask them to stand, along with their friends, so you will  
23 know the people who have come from East Chicago on behalf of  
24 either Second Century, or, in some instances, Second Century  
25 and the foundations. The Reverend Gloria Cruise, from the

1 Anitioch Baptist Church; Mrs. Unique Rogers, whose from the  
2 Moore Organization, if you would please stand; Peter Smith, if  
3 that red shirt doesn't blind us all, you can please stand; um,  
4 Pauline Morgan is a resident of East Chicago, Pauline, if you  
5 would please stand; and also two former presidents of the union  
6 of the Mexicana, Daniel Lopez and Franciso Agilar. Danny, if  
7 you, okay. Also we believe that two elected city councilmen do  
8 not agree with the position of the city and have stated to you in  
9 writing their position, thank you very much, their position and  
10 support of the positions of the foundation and Second Century.  
11 We believe unfortunately that in the end this is all about local  
12 politics and is not a matter in which the Commission should get  
13 embroiled. For that reason I would like to conclude my remarks  
14 and answer any questions you might have, but state to you that  
15 we would respectfully ask the Commission at this time to  
16 approve the renewal and transfer of the license to Resorts and  
17 affirmatively decline the invitation to become involved in this  
18 local political fight.

19 MS. BOCHNOWSKI: Now do you recall the transfer that  
20 you actually sent us, that Jack, at that time Executive Director  
21 Jack Thar, asked Second Century, asked who was going to  
22 oversee Second Century and that was replied that the city will  
23 oversee Second Century, so I think that,

24 MR. McNEELY: No. If you will, if you will take a look at  
25 that statement and then go down to the next paragraph after

1 that statement, the question was, well what do you mean by the  
2 city?

3 MS. BOCHNOWSKI: Right.

4 MR. McNEELY: And the following paragraph set forth  
5 through the application and permitting process, whenever,  
6 whenever a project comes up it will have to be submitted for a  
7 permit. It will have to be submitted through zoning, etcetera,  
8 etcetera. And that was explained. When the word "City" was  
9 used there, that word was not synonymous with mayor.

10 MS. BOCHKNOWSKI: Oh.

11 MR. McNEELY: That word was synonymous with the  
12 permitting and approval process and that's in the next  
13 paragraph down after the quote that you read.

14 MR. VOWELS: Was that the part that where I had asked  
15 the question and the answer, was the development commission,  
16 the area plan commission, . . .

17 MR. McNEELY: Yes. I believe.

18 MS. BOCHNOWSKI: Yes. That's what I understand. The  
19 other thing is that, somewhere in here I read, not even sure if it  
20 was here, somewhere in one of these documents, I read that at  
21 the time of the transfer from Showboat to Harrah's, Second  
22 Century offered the city,

23 MR. McNEELY: Absolutely.

24 MS. BOCHNOWSKI: And have you offered the city that  
25 same opportunity?

1           MR. McNEELY: No. Because they made their choice at  
2 that point in time and the choice was, they had three choices.  
3 Either stop, either Second Century could have remained to be  
4 owned by the gaming organization, it could be owned by the city  
5 or it could be owned by private individuals. For valid reasons it  
6 was determined, first of all, the gaming licensee wanted no part  
7 of that. It was also recognized, I believe, by the city at that point  
8 that the city already was receiving certain funds from the direct  
9 donations, the one percent, and that they would handle that  
10 piece of the pie and that two percent more would be going to the  
11 foundations, who had a different vision, an expanded vision,  
12 from what the city could do, especially with regard to religious  
13 organizations. I don't think we can lose sight of this with the  
14 separation of church and state, the idea that the ability to go to  
15 religious organizations, which are vital to a community like East  
16 Chicago, and that that was the second part of that pie, that  
17 that's how we could handle that outreach program, and finally  
18 the most difficult of all. To go in and get extended financing,  
19 over extended periods for long range projects, and a devastated  
20 economic environment in some instances, could only be used by  
21 a private organization who could go out and leverage the funds  
22 through the marketplace to get this done. This was not, this  
23 was not something hopscotched together and put together with  
24 stickum and glue at that point. Well thought out. Well  
25 analyzed. The City will do its part. The foundations will do its

1 part and the private company, private corporation will do its  
2 part. That's what was presented to you. That's what was  
3 approved. That's what was agreed to in legally binding  
4 documents.

5 MS. BOCHNOWSKI: How does that, how do we know  
6 how much gratuity a gentleman like Pannas . . .

7 MR. McNEELY: You don't.

8 MS. BOCHNOWSKI: How do we know how much they  
9 make?

10 MR. McNEELY: You don't.

11 MS. BOCHNOWSKI: Well who knows? Somebody needs  
12 to know. Listen to this. We're a state agency and oh yes, we did  
13 approve this, but we're living in an age of Enron. I cannot  
14 believe that you're telling me that money that is coming in to  
15 you from a body that is created by the state legislature, that we  
16 can't have total transparency. Why can't we see these records?  
17 Why? Why? That does not make sense to me. Other  
18 companies, private companies who don't get money from  
19 anything public, are jumping through hoops with Sarbanes  
20 Oxley and so on and so forth, and you tell me that

21 MR. McNEELY: I'm not telling you anything.

22 MS. BOCHNOWSKI: And you tell me that something that  
23 was created, I don't care if you think you're public now. You  
24 were created by the state. That you don't have to jump through  
25 those same hoops and you don't have to have that kind of

1 transparency. We don't live in that kind of day and age today.

2 MR. McNEELY: I understand what you're saying. And  
3 you have made no request of me. I have made no refusal to you.  
4 You and I have not had that conversation.

5 MS. BOCHNOWSKI: You're right. Can

6 MR. McNEELY: Ernie Yelton and I have not had that  
7 conversation nor has the Chairman. What I need to do, what I  
8 need to do is this. What I need to do is handle this in an orderly  
9 fashion. You are established by the legislature. You have rules.  
10 You have statutes. You have regulations. I need you to review  
11 those. I need you to determine what you believe the scope of  
12 your authority is. If you believe the scope of your authority  
13 encompasses that type of request, then I ask you to make that  
14 type of request to us and we will review that and we will resolve  
15 the matter at that time. The point being, this, I hate to be kind  
16 of lawyerly about this, but this, this is a, these are legal, binding  
17 documents, contracts and agreements and the doctrine of  
18 unintended consequences, which I always like to refer to as I get  
19 a little older, tells me that we should not be making this up as  
20 we go along. We should look at what the legislature says. We  
21 should look at what your regulations say. We should look at  
22 what you feel you're entitled to. We should dialog over this and  
23 we'll come to a conclusion. We will. But I'm saying to you, I  
24 can't stand on a street corner with you, or even in a public  
25 hearing with you, and kind of make this up as I go along.



1 MS. BOCHNOWSKI: I'm not asking you to. I'm asking  
2 you, I'm asking you in the spirit of good will.

3 MR. McNEELY: I understand.

4 MS. BOCHNOWSKI: To provide documentation of how  
5 much money has come in, what's been spent. What have you  
6 done?

7 MR. McNEELY: I understand that. And I will  
8 communicate that to my client.

9 MS. BOCHNOWSKI: Thank you.

10 MR. CALLOWAY: Thank you very much. Thank you very  
11 much. We have two, other people that would like to comment,  
12 but since we are, like, out of time, we have Mr. Peter Smith.  
13 Peter, hold up there. And we have Pastor David Blakely. What  
14 I'm going to do is, we have here on your document what you  
15 either support or oppose, the issue, and we're going to enter  
16 those in the records and move on. Will you guys let me do that  
17 today? Thank you. Okay. Appreciate it.

18 MR. YELTON: Mr. Chair, if I may interrupt you to give  
19 you a suggestion, the agenda items is what, is for the  
20 Commission to rule on the suitability for Resorts to assume the  
21 license from Harrah's. And, and I'm convinced we have two  
22 separate issues here, and I think Mr. Vowels, Vowels pointed  
23 that out quite clearly in his questions. I would recommend that  
24 the Commission act on that resolution. Mr. Sicuso has drafted  
25 one that does not establish a position on the issue of the local

1 development agreements, is that correct?

2 MR. SICUSO: 2005-25.

3 MR. YELTON: It does not mention, it does not mention  
4 them, so in so acting on the transfer and exercising that  
5 resolution, the Commission would not be making a decision on  
6 the issues that have been raised here this afternoon. And then  
7 secondly, when you look at those issues, I think there are very  
8 serious questions that have not been resolved as to (A), the  
9 ability and legality of the Commission entering into decision  
10 making on the issue, in and of itself, and secondarily in light of  
11 litigation being pending. And also bearing in mind that what  
12 we've been hearing have been allegations and I think  
13 Commission members have asked very astutely about what  
14 investigations have been made in order to have some empirical  
15 evidence to go forward and following up some of the comments  
16 from, I think Mr. Fesko and Ann and Don, there are agencies  
17 out there that without question I think can commence  
18 investigations and it would be the request of the Commission,  
19 for example the State Department of Revenue, clearly would be  
20 able to proceed with an investigation and appropriate audit. I  
21 think there might be some circumstances which the State Board  
22 of Accounts may be able to enter into an examination of the  
23 foundations. I can't say that with certainty, but I think it's a  
24 possibility. And without the decision, the Commission having  
25 to make a decision this afternoon, if you would request of me, I

1 would request on your behalf of them to make an investigation  
2 and make a report, make an investigation to the best of their  
3 abilities and capabilities and then make an appropriate report  
4 and react according to their findings. At least would be a  
5 starting point in, in trying to resolve this issue between the  
6 administration and the Foundations and the Second City.

7 MS. BOCHNOWSKI: Do you want this as a Motion?

8 MR. YELTON: Well, I think you first of all have to act if,  
9 if you agree with that philosophy, you should act upon the  
10 request of the transfer. Resolution number, Mr. Sicuso?

11 MR. SICUSO: 2005-25 is before you.

12 MR. YELTON: And that would determine the suitability  
13 of Resorts to receive the license.

14 MR. CALLOWAY: Transfer of ownership?

15 MR. YELTON: Yes.

16 MR. CALLOWAY: I need a motion, we need a motion,  
17 2005-25, resolution concerning transfer of ownership to  
18 Resorts from Harrah's.

19 MR. VOWELS: I'll move to approve that Resolution,  
20 2005-25.

21 MR. CALLOWAY: Do we have a move to second?

22 MS. BOCHNOWSKI: Second.

23 MR. CALLOWAY: Moved and second that Resolution  
24 2005-25, a resolution concerning transfer of ownership to  
25 Resorts be approved. All those in favor let it be known by a vote

1 or sign of aye.

2 THE COMMISSION: Aye.

3 MR. CALLOWAY: Those opposed? Ayes have it. It's  
4 carried.

5 MR. YELTON: Next, I would accept it by consent rather  
6 than by motion if you would like to authorize me on your behalf  
7 to request the appropriate of the State of Indiana to make an  
8 investigation to their capabilities.

9 MR. CALLOWAY: That would be fine.

10 MR. YELTON: By consent?

11 MR. VOWELS: Yes.

12 MR. YELTON: Next, you need to enter, Resolution or  
13 Order Phil?

14 MR. SICUSO: It's an, there's an Order renewing the  
15 license.

16 MR. YELTON: Order on renewing the license. Actually it  
17 was Harrah's and now you've transferred to Resorts and we will  
18 renew it to Resorts because that will allow the time span to go  
19 differently with them rather than have to go back to Harrah's.

20 MR. CALLOWAY: I guess we need a motion to renew  
21 Resorts license for one year.

22 MR. VOWELS: I'll move to renew the license.

23 MS. BOCHNOWSKI: I'll second.

24 MR. CALLOWAY: It's been moved and seconded. All  
25 those in favor let it be known by a vote or sign of aye.

1 THE COMMISSION: Aye.

2 MR. CALLOWAY: Those opposed? Ayes have it. It's  
3 carried. Resolution 2005-26?

4 MR. SICUSO: Yes. That is a simple resolution regarding  
5 a bond that Resorts has posted. It is a surety bond. We have a  
6 draft. I was just given a signed, signed final draft of the surety  
7 bond that we're asking you to, we're recommending that you  
8 approve upon our final review of the final documents. In  
9 addition, in 2005-26 we are giving Resorts thirty days to secure  
10 a guarantor on that surety bond. That is the scope of 2005-26.  
11 We would recommend that you approve it.

12 MR. CALLOWAY: We have Resolution 2005-26, a  
13 resolution concerning Resorts bond. Is there a motion?

14 MR. VOWELS: Is this the thing that we have the draft of  
15 here? 2005-26?

16 MR. SICUSO: There's no.

17 MR. CALLOWAY: Yes.

18 MR. VOWELS: I will move to, two sections to approve  
19 and approve? Is that right, Phil?

20 MR. SICUSO: Yes.

21 MR. VOWELS: I'll move to approve and approve.

22 MR. CALLOWAY: Second?

23 MR. FESKO: Second.

24 MR. CALLOWAY: All those in favor let it be known by a  
25 vote or sign of aye.

1 THE COMMISSION: Aye.

2 MR. CALLOWAY: Those opposed? Ayes have it. It's  
3 carried. We need to move on

4 MR. YELTON: Yes. The final issue on the agenda would  
5 be to address the transfer from Caesars to Harrah's. Anthony?

6 MR. SAN PHILLIPIO: Thank you. Good to see you again.  
7 Thank you for the renewal of the license and Rick Major is  
8 going to hand out our presentation. I know the staff work has  
9 been done and you've been briefed on this so I will also be brief.  
10 With me is our general counsel, Steve Remel. Also, our vice-  
11 president of regulatory compliance, Phil Frenic. They're going  
12 to come and take seats here, and also with me is Ed Garruto.  
13 Ed is currently the senior vice-president, general manager of  
14 Caesars, Indiana, and Ed will continue on as senior vice-  
15 president, general manager of the Caesars property when it  
16 becomes the Harrah's property. And if you will also join us  
17 here.

18 MR. YELTON: Excuse me, ladies and gentlemen. This is  
19 a very important transfer. Would you please exit quietly?  
20 Thank you.

21 MR. SAN PHILLIPIO: We are extremely excited to be  
22 able to have the affiliation merger with Caesars Entertainment.  
23 We have already received approval from both the Harrah's  
24 Entertainment and the Caesars Entertainment shareholders.  
25 We have also received approval from the state of Mississippi as

1 well as the appropriate approval from the state of Louisiana.  
2 We're hoping to receive your approval today and we expect to  
3 receive by the end of this month approval from the federal trade  
4 commission and we expect that to be complete and then in May  
5 or early June we expect to receive approval from both the state  
6 of Nevada and the state of New Jersey. Our expectation is by  
7 July 1<sup>st</sup>, the merger will be complete and we will have ownership  
8 of Caesars Entertainment. We couldn't be more excited about  
9 this. We are today the largest gaming company in the world.  
10 This will continue to strengthen our position worldwide. The  
11 Caesars name is a very strong name and we think it has  
12 international appeal. I have gotten to know Ed and the team  
13 that's in place in southern Indiana. They have done just a fine  
14 job. And they have just done a wonderful job in the community  
15 that they're a part of, we plan on making no management  
16 changes. Just as we were before you, I was before you with  
17 Horseshoe and explained to you that the existing management  
18 will continue to run that property. Rick Mazer has done that.  
19 We plan the same to happen. Ed has agreed to continue to be  
20 the general manager of the property and Ed will continue to  
21 oversee that property. We think that there is opportunities for  
22 us to continue to improve on both that property and we also  
23 think there is also opportunities to continue to improve on the  
24 operation of our Horseshoe property that is in northwest  
25 Indiana. We're not going to take you through the presentation.

1 I know you've been briefed on the transaction. The  
2 presentation just briefly describes the transaction. We're ready  
3 for any questions you may have for us and we request approval  
4 of the purchase of Caesars Entertainment.

5 MR. CALLOWAY: Questions?

6 MS. BOCHNOWSKI: I think you're lucky. You won't get  
7 any questions.

8 MR. FESKO: I have a question here.

9 MR. CALLOWAY: Yes sir.

10 MR. FESKO: How much do you contribute to the funds in  
11 the state of Indiana for those people that have a gambling  
12 addiction?

13 MR. SAN PHILLIPIO: How much has Caesars Indiana  
14 contributed? Or how much has . . .

15 MR. FESKO: Well, I guess its two fold. You're going to  
16 have to answer it that way. What have you contributed in the  
17 past percentage or dollarwise, either one, and what do you plan  
18 to do in the future?

19 MR. SAN PHILLIPIO: I guess, you can answer this, if you  
20 know what Caesars Indiana has contributed.

21 MR. GARRUTO: Twenty-five thousand dollars a year to  
22 the council for

23 STAFF: Please speak up. We can't hear you.

24 MR. FESKO: Twenty-five thousand?

25 MR. GARRUTO: Yes. To the councils for compulsive



1 gambling in both the state of Indiana and Kentucky since we've  
2 established the fund.

3 (turning tape over)

4 MR. YELTON: That goes directly for that as well. So they  
5 would be contributing that factor, too.

6 MR. VOWELS: You know, we've worked with Harrah's a  
7 number of times. I mean, when they bought into Chicago and  
8 then the Horseshoe matter came up and now this. And I think  
9 this is just a no brainer. We, we've, they've all been  
10 investigated. Everything comes out fine. I mean, I'm ready to  
11 make a motion to

12 MR. CALLOWAY: We have the matter of the Resolution  
13 of 2005-27, a resolution concerning transfer of ownership in  
14 Caesars to Harrah's. Do we have a motion?

15 MR. VOWELS: Yes. I move to grant the transfer.

16 MR. CALLOWAY: Second?

17 MS. BOCHNOWKSI: Second.

18 MR. CALLOWAY: It's moved and second. All those in  
19 favor let it be known by a vote or sign of aye.

20 THE COMMISSION: Aye.

21 MR. CALLOWAY: Those opposed? The ayes have it. It's  
22 carried.

23 MR. SAN PHILLIPPO: Thank you very much.

24 MR. YELTON: Anthony, I do have one question. If you  
25 would close on July 1, which fiscal year would you want to use

1 for your transfer tax?

2 MR. SAN PHILLIPIO: For the transfer tax? We have not,  
3 oh, I understand what you're saying.

4 MR. YELTON: Got you.

5 MR. SAN PHILLIPIO: We'll have two million dollars.  
6 Thank you.

7 MR. CALLOWAY: Okay. Our next meeting date will be  
8 June 23, 2005. Thank you all.

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**EXHIBIT 1**

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STATE OF INDIANA        )  
                                  ) ss:  
COUNTY OF LAKE        )

**SWORN DECLARATION OF JESSE E. GOMEZ**

I, Jesse E. Gomez, being duly sworn upon oath, declare and say as follows:

1. I am a resident of the City of East Chicago and currently councilman-at-large of the city's common council.
2. For seven years, I was a member of the board of directors of the East Chicago Community Development Foundation.
3. During my tenure as board member, I observed the following:
  - a. During the first three years approximately of the Foundation's existence, grant applications routinely were approved without any review of grantees or their programs or projects.
  - b. Although a review process now has been implemented for grantees, there is little review or follow-up of the programs or projects funded to ensure that Foundation funds are being used for the purposes stated in the application process.
  - c. There is expensive and significant duplication of programs and services funded that are provided elsewhere in the city. For example, the Foundations fund a CPR training program that is offered free by the City of East Chicago in a bilingual format. The Foundations annually grant a minimum of \$50,000 for a diabetes awareness program that duplicates a program provided by the local hospital, St. Catherine's, also in bilingual format.




- d. All Foundation recipients are required to maintain an IRS Sec. 501(C)(3) status. The Foundations, however, give funds to many organizations not under status by allowing them to “partner” with a church or other 501(C)(3) organization and use the partner solely as a conduit for the grant funds. Again, there is no oversight either by the Foundation or the partner to ensure compliance with Foundation rules regarding use of grants monies. This is why there are so many churches listed as recipients of Foundation grants.
- e. A \$400,000 grant was awarded to the Community Development Foundation through the efforts of previous board president, Doug Schrader, who, having just been down-sized by LTV Steel Corp., was then immediately hired by the Foundation at an annual salary of \$100,000 for 4 years as economic development consultant. I never saw any evidence of that he did any development for the City of East Chicago, and in any case, the city had its own business and economic development department.
- f. The city’s police department was awarded \$50,000 every two years to play in a basketball tournament in Greece, Spain and Canada.
- g. The boards of directors of the Foundations are “self-perpetuating,” that is, they simply renew their terms whenever they expire. The only exception was when board member Paul Smilgius moved out of the city---when his term expired, he was removed. Although board members are required to live in the city, other members---those with close ties to prior administration officials---have managed to move out without losing their positions. The problem with Mr. Smilgius is that he was meticulous in his review of the Foundation’s





financial documents and bold in his inquiries regarding the organizations expenses which in most years equals or approaches \$1 million dollars which equals or approaches the grant money given (another \$1 million each year was saved).

  
JESSE E. GOMEZ

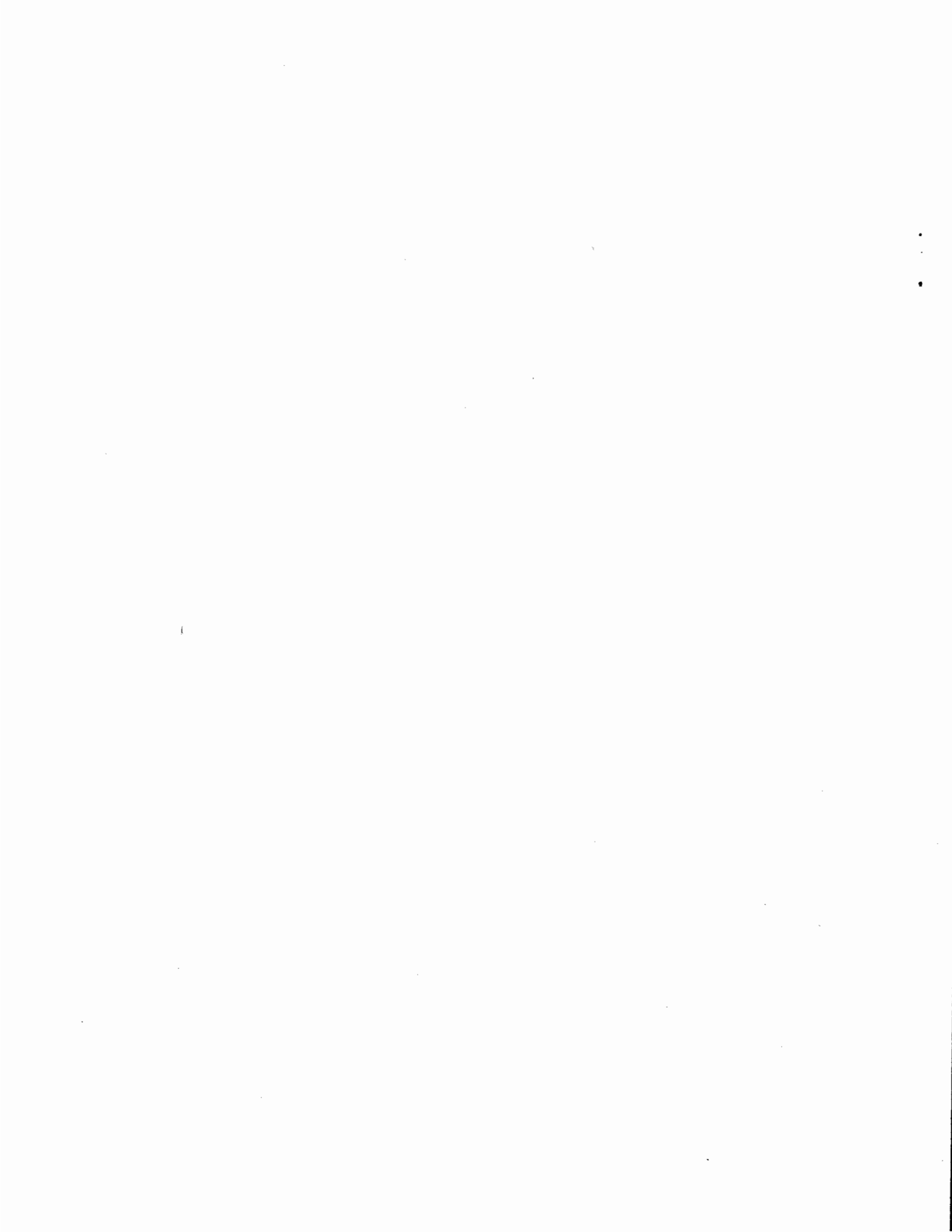
I affirm under the penalties for perjury that the foregoing representations are true.

  
JESSE E. GOMEZ



EXHIBIT 2

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STATE OF INDIANA        )  
  ) ss:  
COUNTY OF LAKE        )

**SWORN DECLARATION OF JOHN ARTIS**

I, John Artis, being duly sworn upon oath, declare and say as follows:

1. I am a resident of the City of East Chicago and have been director of its Department of Housing and Redevelopment since 1978.
2. In 1999, I was asked by then Mayor Robert Pastrick to represent him and the city before the Indiana Gaming Commission for the purpose of modifying the economic development plan upon transfer of the casino license from Showboat to Harrah's.
3. I especially was asked to speak on behalf of the change of ownership of Second Century which made Thomas Cappas and Michael Pannos sole shareholders, and to present Second Century as sole agent for the discretionary use of casino funds in the city's economic development.
4. I was further requested to inform the Commission that Second Century would provide a yearly accounting to the city which in turn would be provided to the Center for Urban Policy and Environment at IUPUI.
5. Although I did discuss the above terms with Mayor Robert Pastrick, Thomas Cappas and Michael Pannos, I was never required or requested by anyone to monitor the activities of Second Century thereafter.
6. To my knowledge, the City of East Chicago has never received an accounting or any other financial information from Second Century since I made this representation to the Gaming Commission, and the Center for Urban Policy and Environment also has never received an accounting or any other financial information.

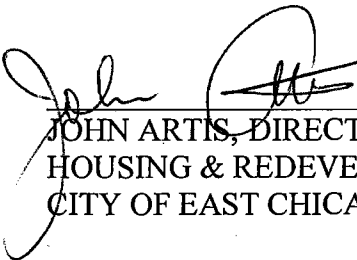


7. In my position as head of redevelopment, I am aware of the housing development projects of Second Century on its own account in East Chicago. It has built 26 housing units in the Washington Square section of town. It has built 6 homes in the Carey/Drummond area, 2 of which are unoccupied and currently unsold.

8. To my knowledge the City does not have an accounting of Second Century's use of the funds it received pursuant to the agreement the City entered into with the casino. The proposed pro forma for the Washington Square project shows that Second Century would finance the building of the homes through construction loans from the bank which would be paid upon sale of the houses. It was my understanding that the anticipated outcome would have been for Second Century funds to be used in its projects, but also used to leverage funds from Banks and other sources.

9. The project details suggest that Second Century would take a development fee based upon five (5%) percent of the anticipated project cost. This amount was approximately \$500,000 for the Washington Square development and Second Century apparently would take this fee in the third year of the project.

I affirm under the penalties for perjury that the foregoing representations are true.

  
\_\_\_\_\_  
JOHN ARTIS, DIRECTOR  
HOUSING & REDEVELOPMENT  
CITY OF EAST CHICAGO

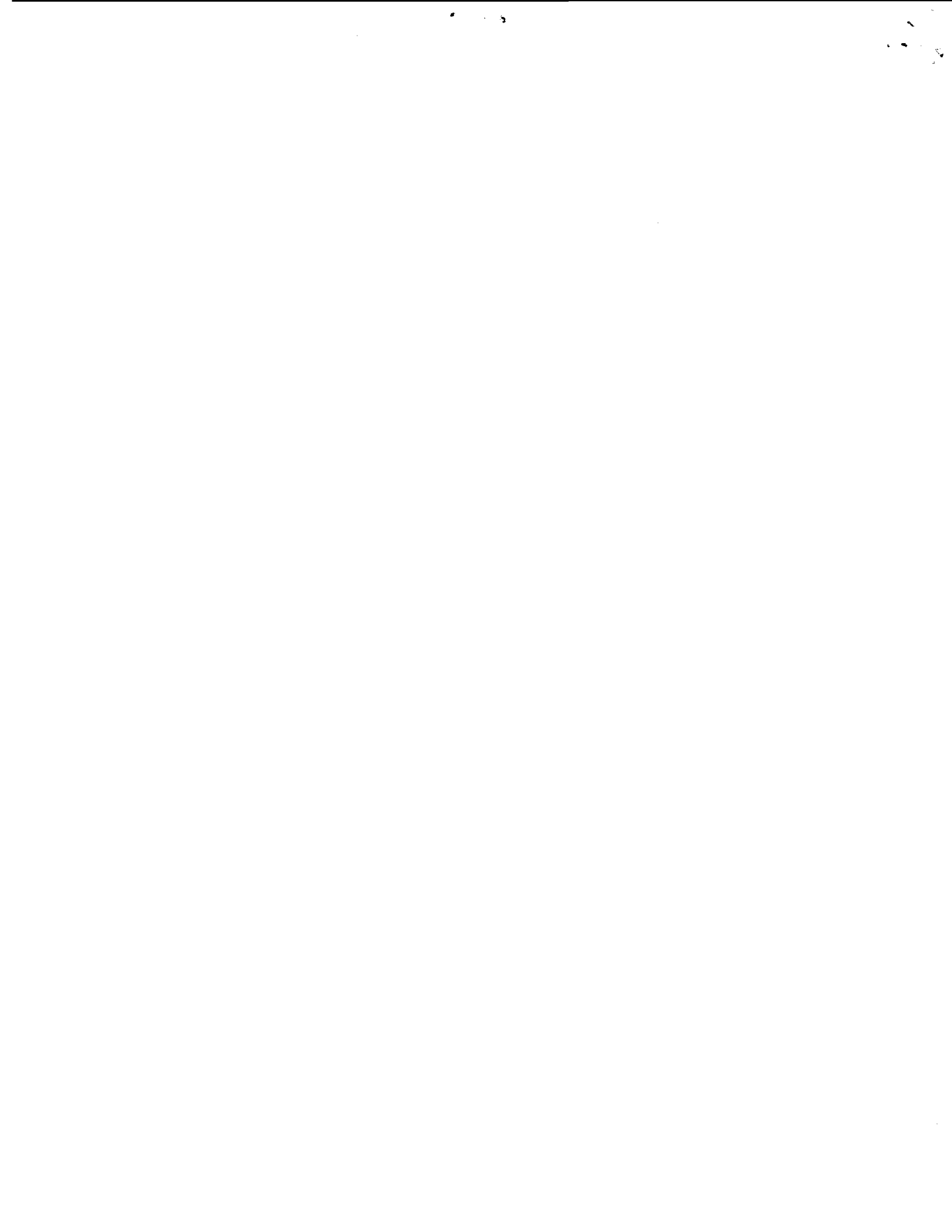




EXHIBIT 3

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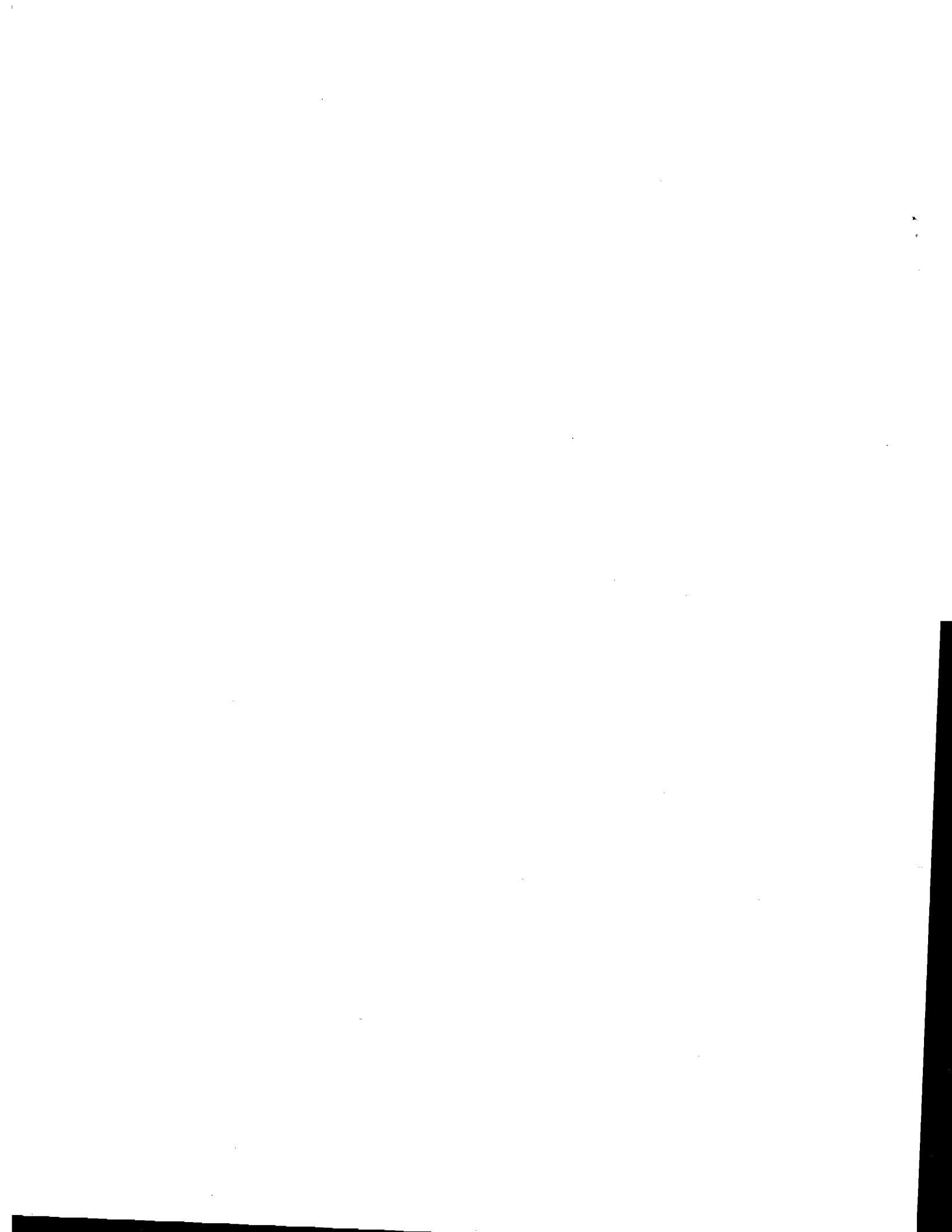
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STATE OF INDIANA

) SS:

COUNTY OF LAKE

AFFADAVIT

1. My name is David Ryan. I am the Executive Director of the Lakeshore Chamber of Commerce, and I have held this position for two months. Prior to that I worked 11 years for NIPSCO (Northern Indiana Public Service Company). My position at NIPSCO was Manager of Communications and Community Relations. I have lived in Lake County for 10 years.
2. The Lakeshore Chamber is comprised of approximately 400 businesses, representing large and small entities in East Chicago and Hammond, Indiana.
3. Attached hereto is a letter from me and a statement from the Lakeshore Chamber of Commerce regarding Mayor Pabey's and the East Chicago City Council's Economic Development plan for the discretionary gaming funds recently established in a city ordinance.
4. The statement is the feeling of local business, commerce, and industry, and was passed overwhelmingly by the Chamber's Board of Directors 19 to 1.
5. As a resident of Northwest Indiana, and a businessperson, I have watched the decline of East Chicago. Although some of the problems stem from general economic conditions, it is apparent that public funds, which should have been earmarked to improve the crumbling infrastructure of the City, have been misdirected. Case in point is the city's fresh water filtration plant.
6. The infrastructure of East Chicago has decayed to a dangerous point. I recently toured the water filtration plant and it appears that minimal capital improvements have been made to a plant that was built in the 1960's. 90% of the plant's operating control panel does not work; the dehumidification system has not worked for years; and when plant personnel have requested upgrades, they



have been told that the water department does not make money; therefore no money is available for the city's fresh water system. We have been informed by plant personnel that at least \$17Million to \$20Million is needed immediately for repairs, and that a new plant would cost from \$30 to \$40 Million Dollars. Pictures of the facility are attached.

7. The City of Hammond has used extensive gaming revenue dollars to methodically repair their streets, making complete reconstruction of said streets a norm rather than the exception. East Chicago's streets desperately need similar repairs.
8. Attracting new business to East Chicago has been difficult due to the extremely high tax rate in the City, brought on by a bloated payroll. The new administration has pledged to significantly reduce the City's payroll, and we have also noted that the City's goal is to use gaming dollars to reduce bond debt, which will in turn reduce the City's overall tax rate.
9. Mayor Pabey has established two working groups involving the Business Community and his Administration, and the conversations at our weekly meetings have been upbeat and direct. The openness of the administration is refreshing, necessary, and promising for the future.
10. All of these promising signs are counteracted by the continued presence of the Foundations of East Chicago, and Second Century. While the Foundations have provided funding for many 501c3 organizations, their multi-million dollar operating and administrative expenses are counter productive. The two Foundations each spend about one million dollars each year in administrative costs, just to give away one million dollars (and each year over one million dollars are held back in reserves). When asked to open their books, Second Century refused, citing the fact that they were a For-Profit Organization, and thus did not have to cooperate. It would appear that no one has performed an audit on Second Century to determine where the dollars have gone, Who the recipients are, and whether or not the dollars are being used for their intended purpose. Hundreds of thousands of dollars each year seem to be donated back from the Foundations to the



City, or a related body each year, in one way or another. However, the various budgets of the City and departments, schools, and library should meet their needs out of their own budgets, without having to run through the administrative expenses of the City. Other funds go to programs, organizations, and churches, which in some instances appear to be legitimate and proper, but in other instances are not widely known, and not themselves subject to audit or public scrutiny.

11. In summary, it is the strong feeling of the business community that the funds coming to the City of East Chicago from the gaming operations must be used for public improvement and economic development along the lines of the City's Ordinance, if East Chicago is to prosper, or even survive. The Lakeshore Chamber will insist that the use of the funds in every instance be open to public scrutiny and public accountability, with yearly-published audits, and we will also insist upon a seat at the table to represent the business community.



David Ryan

I affirm under the penalties of perjury that the foregoing are true to the best of my knowledge and belief.



David Ryan

4-21-05





EXHIBIT 4

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**Littlepage, Laura C**

**From:** Littlepage, Laura C  
**Sent:** Tuesday, April 19, 2005 1:14 PM  
**To:** 'Carmen Fernandez'  
**Subject:** RE: Second Century, Inc

We have never received any reports or any data from Second Century.

*Laura Littlepage*  
Center for Urban Policy and the Environment  
Indiana University-Purdue University Indianapolis  
342 N. Senate Ave.  
Indianapolis, IN 46204  
317-261-3061  
317-261-3050 (fax)

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**From:** Carmen Fernandez [mailto:CFernandez@eastchicago.com]  
**Sent:** Tuesday, April 19, 2005 12:53 PM  
**To:** Littlepage, Laura C  
**Subject:** Second Century, Inc

Dear Ms. Littlepage:

The minutes of the 1999 Indiana Gaming Commission hearing regarding modification of the City of East Chicago economic development plan upon transfer of the casino license from Showboat to Harrah's indicate that Second Century "...has agreed with [your office] on the annual reports through the City..." as part of their "...accountability with regard to the money..." received from the casino.

Has your office received annual accountings from Second Century, Inc.? If so, since the reports were to be made through the city and we have been unable to find same, may we request copies and your source for the reports.

Thank you for your cooperation in this matter.

Carmen A. Fernandez  
Corporation Counsel  
City of East Chicago

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This message has been inspected by DynaComm i:mail 4.0

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4/20/2005



EXHIBIT 5

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**EXHIBIT 5**

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Public Comment Sign-Up Form

Name: REV. DAVID BLAWELLY

Group Affiliation (if any): FAITH TEMPLE CHS CDC  
NEW CREATION CTR

City of Residence: PASTOR EAST CHICAGO / GARY

I (circle one) support / oppose CHANGE OF AGREEMENTS

Public Comment Sign-Up Form

Name: BOB GRAND, JAY BOYD BARNES & THIBODEAU  
RUSS TAYLOR, EXECUTIVE DIRECTOR

Group Affiliation (if any): EAST CHICAGO COMMUNITY DEV FOUNDATION  
7 WEN CTRY EDUCATED FOUNDATION

City of Residence: HOLES

I (circle one) support / oppose



EXHIBIT 6

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# Harrah's East Chicago Casino & Hotel

**2005 Licensing Renewal**







# **Commitment**

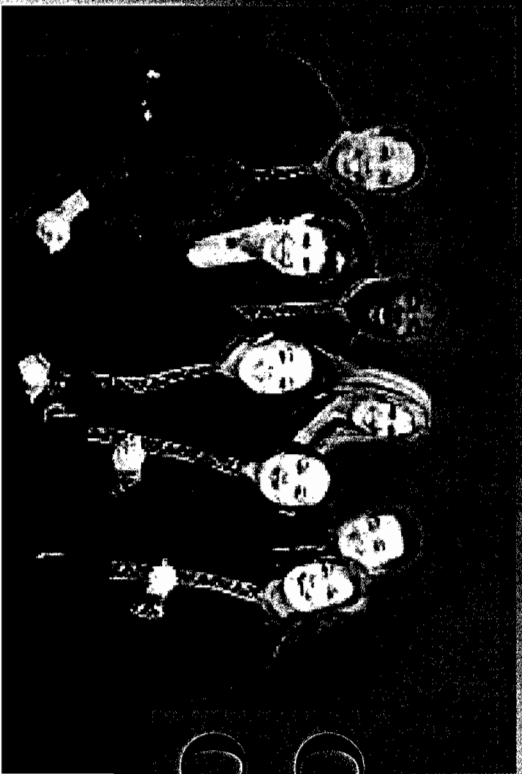
***The Harrah's Entertainment Code of  
Commitment Governs the Conduct of Our  
Business.***

***It's a Public Pledge to Our Guests,  
Employees and Our Communities That We  
Will Honor the Trust They Have Placed In  
Us.***





# Commitment

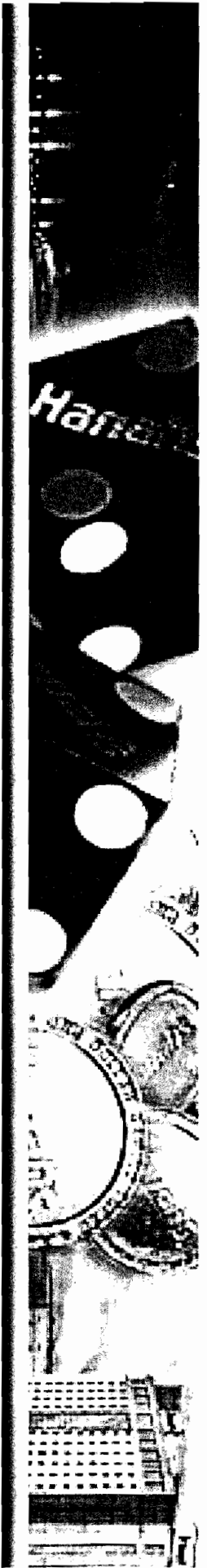


Committed To  
Our Employees

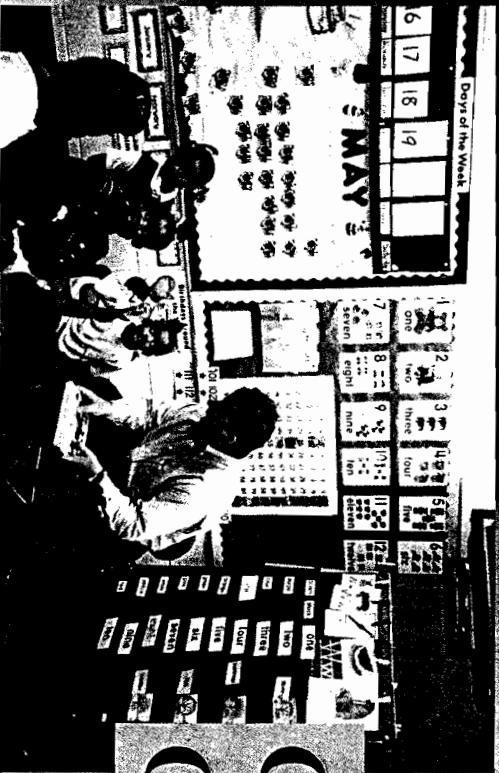
Committed To  
Our Customers







# Commitment

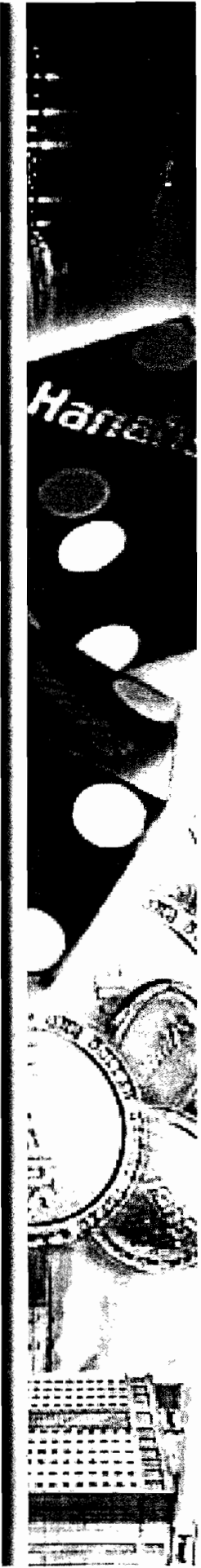


Committed To  
Our Community

Committed To Our  
Local Economy







# Committed to Our Employees

**\$2.5 Million**

Customer Service Bonus Incentives to  
non-management employees since  
inception

**\$39,486**

Average Annual Compensation Including Benefits

**1,800 Jobs**







# Human Resources

## Total Employees

Full Time

1,841

Part Time

176

◆ East Chicago Residents

21%

◆ Minorities

62%

◆ Women

59%

## ★ Areas of Assignment

◆ Casino

1,018 (56%)

◆ Hotel

153 (8%)

◆ Food & Beverage

374 (20%)

◆ Facilities

163 (9%)

◆ Administration

133 (8%)

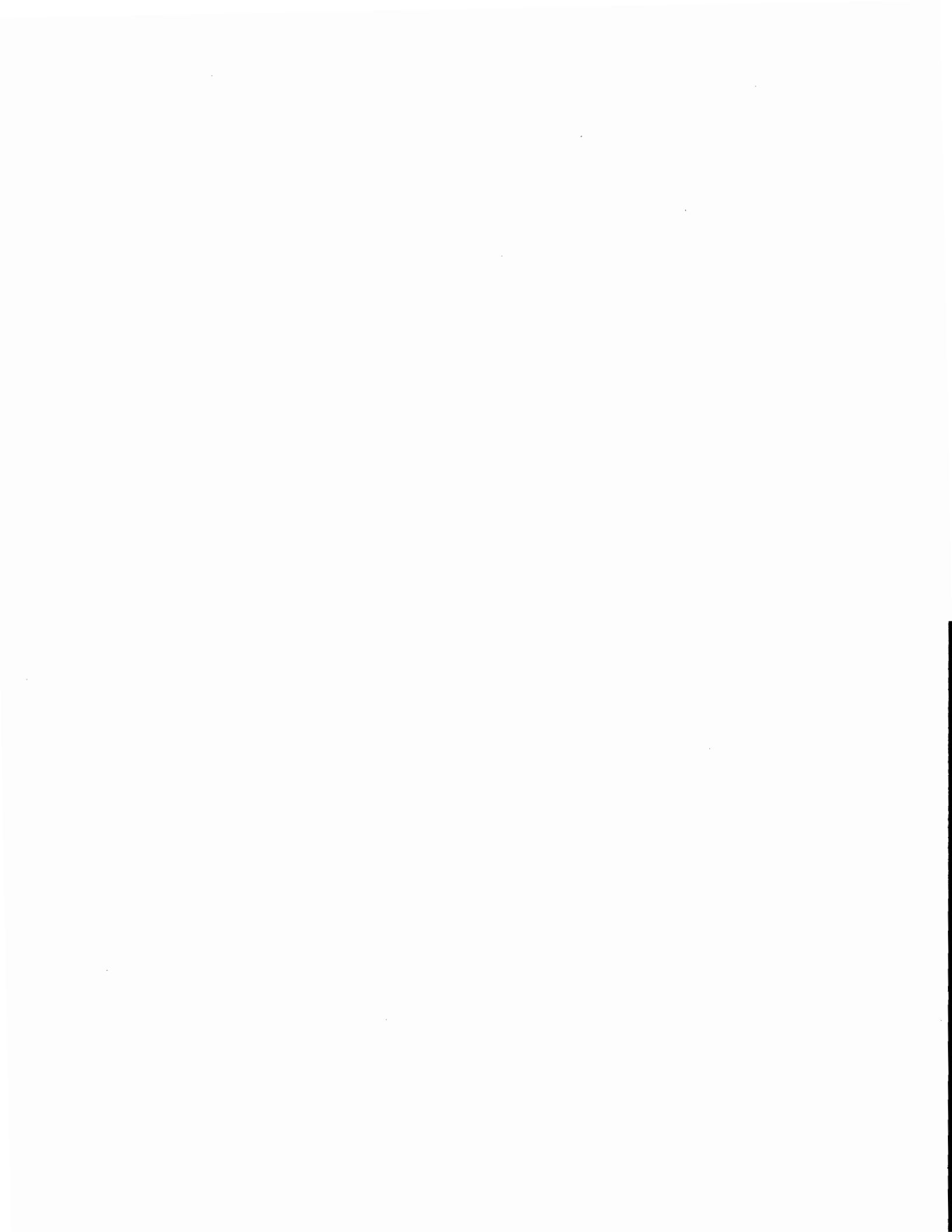
2004

Inception - Current

★ Wages & Benefits

\$53,347,964

\$333,770,135





## **Committed to Our Community**

“Harrah’s East Chicago continues to be a strong community partner adding quality of life for its employees and our community.”—  
**Lou Martinez, Executive Director Lake Area United Way**

**Over 1,400 volunteer hours were spent in the community by Harrah’s employees in 2004**





# Responsible Gaming Initiatives

**Pioneered efforts to combat problem gaming issues  
Code of Commitment**

## **Responsible Gaming Programs**

- ◆ **Operation Bet Smart**
- ◆ **Project 21**
- ◆ **Unattended Children Policy**
- ◆ **Self Restriction Policy**
- ◆ **Self Exclusion Policy**
- ◆ **On-Property Collateral**
- ★ **Active Membership on the Indiana Council of Problem Gaming**
- ◆ **Annual commitment of \$10,000 investment**





## Committed to Investing In Our Local Economy

### Top 10

Major Private Sector Employers in  
Northwest Indiana and one of the top five  
in Hammond-East Chicago labor market.

### 34% of Revenue

Average Percentage of Revenue Paid in  
Taxes That Help to Fund Local and State  
Economy







## Committed to Indiana

**\$20.9 Million**

Spent with Indiana Vendors in 2004

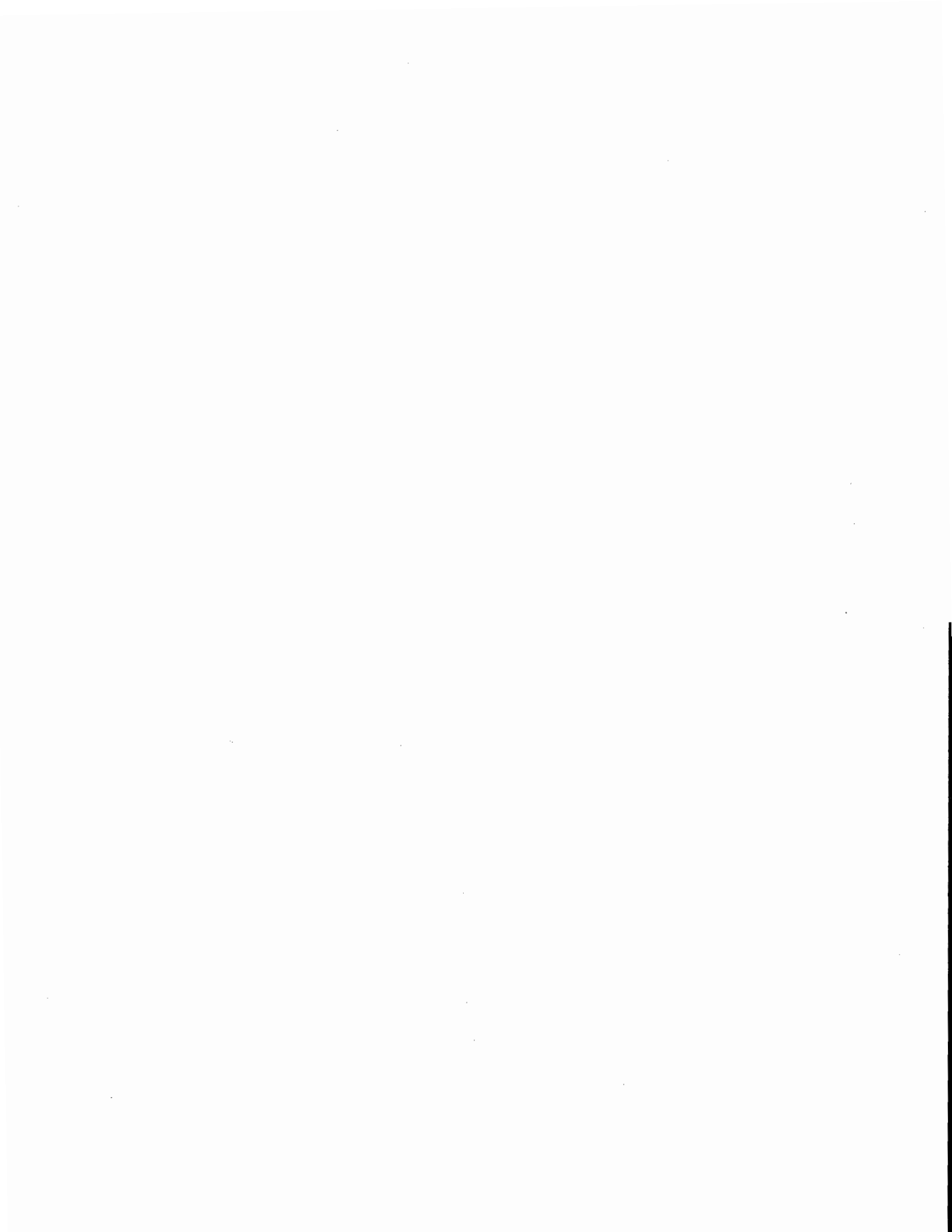
“Harrah’s business relationship with us has been very rewarding for us. In all my business relationships with Harrah’s I have always found them to not only genuinely care about the community, but deliver on every promise they have made.” – Lampton Jones, President IJ Food Distribution

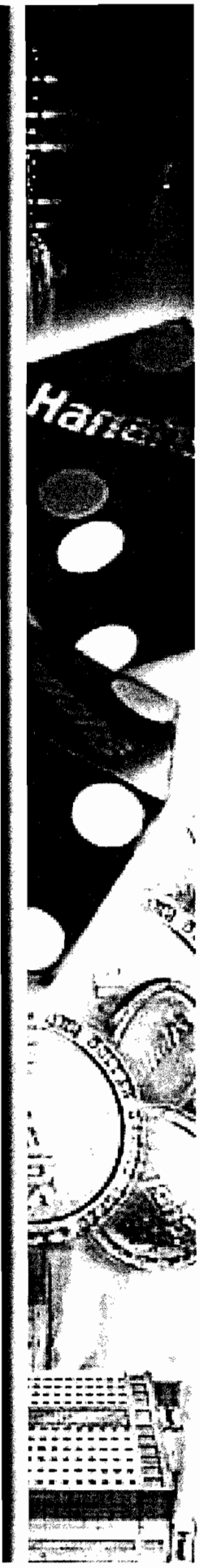




## **Purchases from Indiana Vendors**

- |  |                       |
|--|-----------------------|
| <b>Northwest IN Vendors</b>            | <b>\$16.4 Million</b> |
| <b>Indiana Vendors</b>                 | <b>\$20.9 Million</b> |
| ★ <b># of Northwest IN Vendors</b>     | <b>464</b>            |
| ★ <b># of State Vendors</b>            | <b>547</b>            |
| ★ <b>Minority Business Development</b> |                       |
| <b>10% Goal</b>                        | <b>12.2% Achieved</b> |
| ★ <b>Women Owned Businesses</b>        |                       |
| <b>5% Goal</b>                         | <b>9.3% Achieved</b>  |



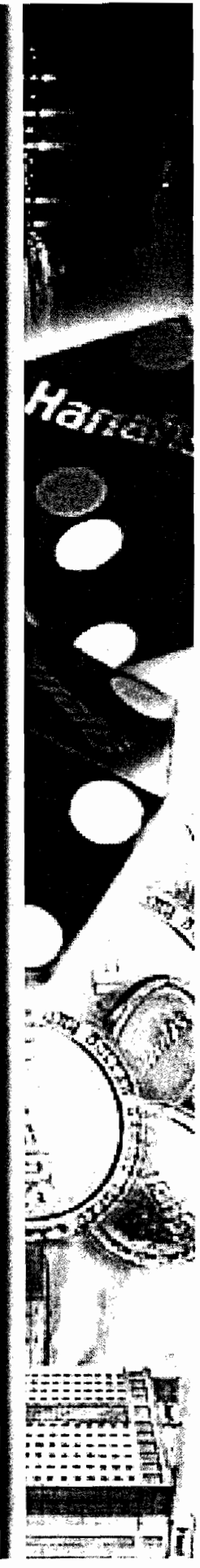


## **Commitment**

**Since 1998 Harrah's has been committed to our East Chicago property**

- ◆ We have entertained the more than 20 Million guests who have walked through our doors
- ◆ We have invested over \$120 Million in property improvements
- ◆ We have worked with the finest employees in the state of Indiana





**Harrah's East Chicago would like  
to thank the Indiana Gaming  
Commission and the city of East  
Chicago for seven great years of  
successful partnership in  
Indiana**





**Hartman's**®

**EAST CHICAGO CASINO & HOTEL**



EXHIBIT 6

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# **Harrat's Entertainment, Inc.**

**Indiana Gaming Commission**

**April 21, 2005**







# CAESARS TRANSACTION OVERVIEW

- ★ Acquiring Caesars Entertainment for approximately \$10 billion
- ★ Acquisition price consists of one-third cash (\$1.87 billion) and two-thirds shares of Harrah's Entertainment common stock (67.7 million shares), plus assumption of debt
- ★ Entity will become the largest casino operator in the world, with 45 casinos across a diverse array of markets
- ★ Harrah's and Caesars shareholders approved the transaction on March 11, 2005
- ★ Transaction and related financing are subject to approvals from Indiana, Mississippi (approved on March 17), Louisiana (approved financing on March 15), Nevada and New Jersey (scheduled for May 23-24) state gaming regulators and clearance from Federal Trade Commission







# Financing Overview

- ★ **Financing needed at closing**
  - \$1.87 billion for cash portion of purchase price
  - \$1.07 billion to refinance CZR bank borrowings and meet other closing costs
- ★ **Our recent agreement to amend the HET bank facility guarantees sufficient liquidity to meet funding obligations at closing**
- ★ **We anticipate that prior to closing we will issue up to \$1 billion of new senior notes**
- ★ **This financing strategy will allow us to retain financing flexibility and maintain our desired mix of bank debt and fixed rate notes**





# Sources and Uses of Funds

	\$ in millions	
	Sources	Uses
New Senior Notes	\$ 1,000	
Additional bank borrowing	\$ 774	
Asset Sales	<u>\$ 1,170</u>	
	\$ 2,944	
Cash Consideration		\$ 1,871
Other Costs *		450
Retire CZR bank borrowing		<u>\$ 623</u>
		\$ 2,944

\* Other costs include retirement of options (\$250), integration costs (\$135) and advisory fees (\$65)





# Credit Ratings

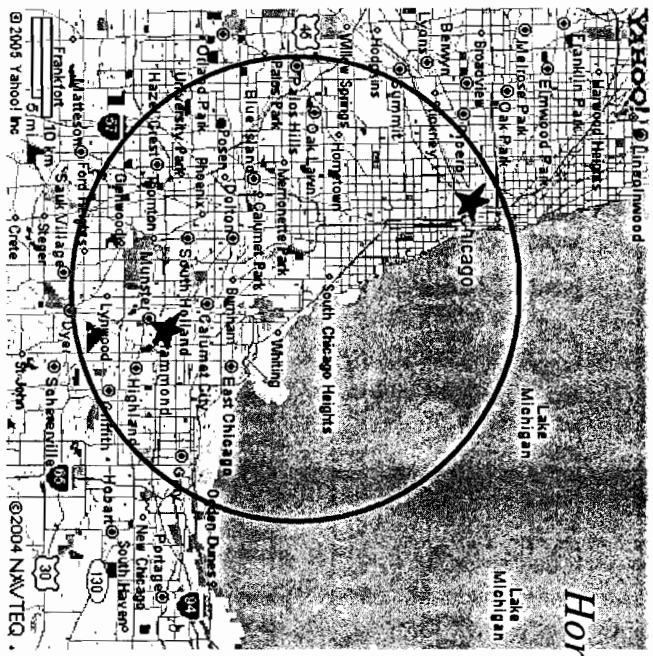
	Rating*	Outlook	Investment Grade
Harrah's	Baa3	Stable	 Speculative Grade
MGM/Mirage	Ba2	Stable	
Argosy	Ba2	Stable	
Boyd	Ba3	Stable	
Station	Ba3	Stable	
Penn National	Ba3	Stable	
Ameristar	Ba3	Stable	

Source: Moody's, as of March 2005

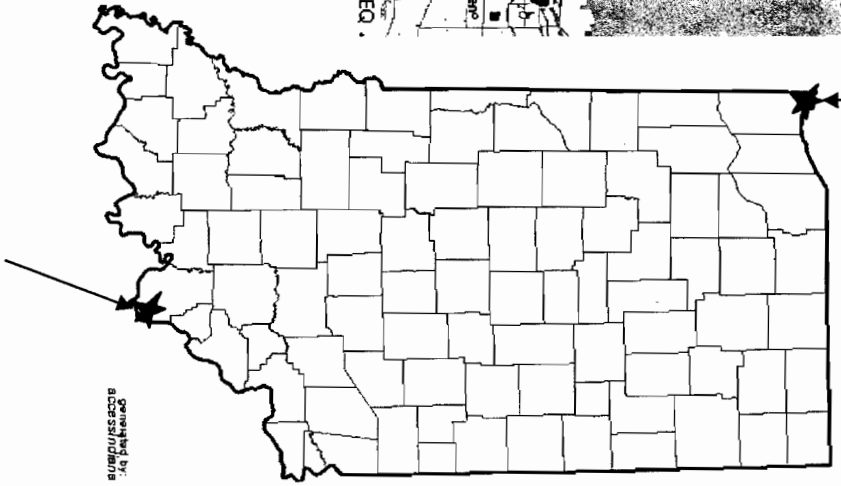
\* All ratings are for Senior Unsecured Debt or Senior Implied Debt.



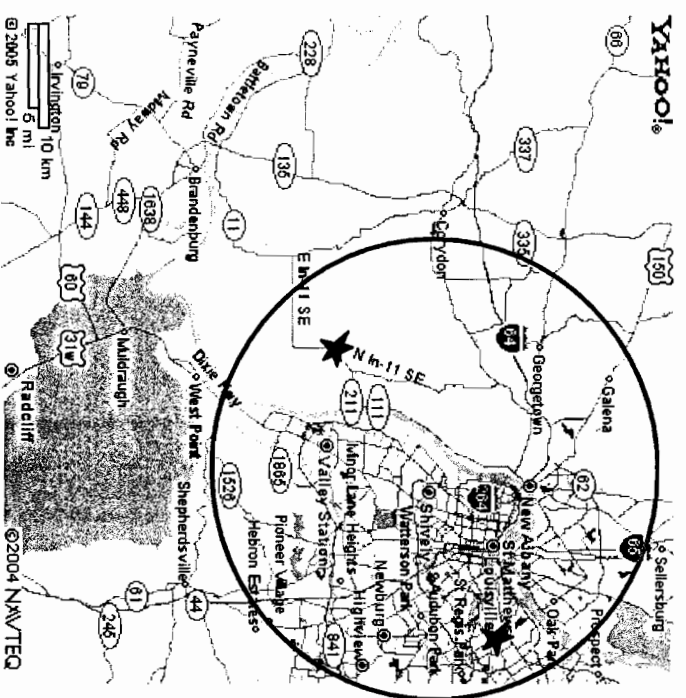
# Locations of Indiana Casino Properties



*Horseshoe Hammond*



*Caesars Indiana*









# Indiana Presence

## ★EMPLOYEES

★With over 4,100 employees, Harrah's Entertainment will continue to be a major employer in the state of Indiana

## ★SALARIES, WAGES AND BENEFITS

★Annually, Harrah's Entertainment expects to pay out over \$140 million in salaries, wages, and benefits in Indiana



# Committed to Indiana

- ★ **Continued investment in the economic development of local communities and the state**
  - Providing state taxes to fund housing, education, transportation, and health care services
  - Purchasing from local and state vendors
    - Strategic sourcing provides local vendors access to national distributors, allowing them to grow
    - Harrah's will be able to provide Indiana vendors access to 45 properties
  - Paying wages and providing benefits to over 3,600 employees
  - Attracting millions of tourists annually to the state of Indiana
  - Continuing to support local charitable organizations with volunteers and funding



# Harrah's Entertainment, Inc.

- ★ Founded 67 years ago with a legacy of success
  - ★ In 1973, first casino company to be listed on the NYSE
  - ★ Only casino operator to be a member of the S&P 500 Index
  - ★ Only investment grade casino operator
- ★ Most recognized gaming brand
- ★ Dedicated to excellence in employee relations, customer service, and regulatory compliance



## **Harrah's 67-Year Legacy**

- ★ **Summed up in our Code of Commitment:**
  - ★ **To guests to promote responsible gaming**
  - ★ **To employees to treat them with respect and provide opportunities to build satisfying careers**
  - ★ **To communities to help make them vibrant places to live and work, and to market our casinos responsibly**













# APPENDIX









# Bios of HET Team

## ★ Stephen Brammell

- Mr. Brammell received his undergraduate degree (B.B.A.) from the University of Oklahoma and his law degree (J.D.) from Georgetown University in Washington, D.C. Upon graduation from Georgetown, he entered private practice with the law firm of Conner & Winters in Tulsa, Oklahoma, where he concentrated on corporate law and transactional matters.

Mr. Brammell joined Holiday Corporation in 1984 as a staff attorney. At the time, Holiday operated the Holiday Inn, Embassy Suites and Hampton Inn hotel brands and Harrah's casinos. In 1990, Holiday reorganized itself into a company named Promus, and in 1995, reorganized itself again into Harrah's Entertainment, Inc. During this period, Mr. Brammell specialized in corporate and securities law, mergers and acquisitions, gaming development and corporate finance.

Mr. Brammell was appointed Senior Vice President and General Counsel of Harrah's in 1999. In that position he is responsible for overseeing the Company's legal and regulatory affairs, as well as the corporate governance, compliance and investigations functions of the Company.



# Bios of HET Team

## ★ Philip C. Parenti

- Philip C. Parenti is the Vice President - Chief Regulatory and Compliance Officer for Harrah's Entertainment Inc. He oversees compliance for 28 casinos in 13 different jurisdictions and is the company's primary liaison with state gaming regulators. Mr. Parenti coordinated all regulatory approvals for the Company in the Horseshoe \$1.6 billion merger and the pending Caesars \$ 9 billion merger. The Caesars merger is the largest gaming transaction in history, and will double the size of Harrah's.

Prior to joining Harrah's, Mr. Parenti served as Administrator of the Illinois Gaming Board. Mr. Parenti is a former Assistant United States Attorney and a Division Chief in the Illinois Attorney General's Office. He left government service in 1983 and established a successful private law practice. As Administrator of the Illinois Gaming Board he oversaw a \$15 million budget in the regulation and licensing of all riverboat casinos in the state. For several years, Mr. Parenti taught trial advocacy at the Northwestern University School of Law and at the John Marshall Law School. Mr. Parenti received his undergraduate degree (B.A.) from the University of Notre Dame and his law degree (J.D.) from IIT/Chicago Kent College of Law.



# Bios of HET Team

## ★ Anthony Sanfilippo

- Anthony Sanfilippo is the President of Harrah's Entertainment Inc. Central Division. The Central Division is comprised of the Harrah's Entertainment properties in Mississippi, Louisiana, and Indiana. The Central Division office is located in Memphis, Tennessee, along with the Harrah's Entertainment Corporate Services Center.

Sanfilippo's division includes Harrah's New Orleans, a popular tourist destination near the famed French Quarter; and the Horseshoe properties developed by Jack Binion located in Tunica, MS., Bossier City, LA, and Hammond, IN. Horseshoe Tunica is one of the most popular spots for players along the Mississippi River. Located in western Louisiana, Horseshoe Bossier City is the jewel of the Shreveport Bossier gaming hub. Horseshoe Hammond is one of the most popular casinos in the Chicagoland area.

With the upcoming merger of Caesars Entertainment, Sanfilippo will oversee the Grand properties in Tunica, Gulfport and Biloxi along with Caesars Indiana, located in the greater Louisville area.

Sanfilippo attended the University of Texas in Austin, majoring in accounting. He has attended numerous training and development courses, including Harrah's Excellence in Management, Harrah's Excellence in Leadership, Harvard Business School's Executive Education Program: Achieving Breakthrough Service, and Stanford University's Executive Development Program.

Sanfilippo is the past recipient of Harrah's highest Senior Management recognition, the Corporate Excellence Award.



1 STATE OF INDIANA )

2 ) SS

3 COUNTY OF CLAY )

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5 I, Tamara L. Timberman, a Notary Public in and for the  
6 County of Clay, State of Indiana, do hereby certify the foregoing  
7 Indiana Gaming Commission;

8 That said Indiana Gaming Commission meeting was  
9 taken down in notes and afterwards reduced to typewriting by  
10 me and that the typewritten transcript is a true record of the  
11 testimony given;

12 IN WITNESS WHEREOF, I have hereunto set my notarial  
13 seal this 30<sup>th</sup> day of August, 2005.

14

15   
16 \_\_\_\_\_

17 Tamara L. Timberman, Notary Public

18 Resident of Clay County, Indiana

19 My Commission Expires: June 22, 2009

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