

IN RE:
INDIANA GAMING COMMISSION
PUBLIC HEARING

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SEPTEMBER 12, 2003

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A P P E A R A N C E S

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JERIMI J. ULLOM, ESQUIRE
BARNES & THORNBURG

MARK D. HEMMERLE
GRAND VICTORIA CASINO & RESORT



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A P P E A R A N C E S (CONT.)

KAY FLEMING, ESQUIRE

ICE & MILLER

MICHAEL E. KELLY

MAJESTIC STAR CASINO

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INDIANA GAMING COMMISSION

DAVID A. BATTAGLIA, ESQUIRE

GIBSON, DUNN & CRUTCHER

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CAESARS INDIANA



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INDIANA GAMING COMMISSION

HEARING/PUBLIC MEETING

SEPTEMBER 12, 2003

CHAIRMAN VOWELS: We'll show that it's
9 -- or 10:25, Louisville time. All Commissioners
are present with the except of Commissioner
Bochnowski. So we will show that there is a
quorum.

And the first matter on the agenda is the
approval of the minutes from the meeting of July
11th, 2003. We've all had an opportunity to review
those minutes. Is there a motion in reference to
the minutes?

COMMISSIONER GETTELFINGER: So
moved.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER ROSE: Second.

CHAIRMAN VOWELS: Any further
discussion?

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: All those in favor
of the approval say "Aye."

COMMISSIONERS: Aye.



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1 CHAIRMAN VOWELS: Show they're
2 approved.

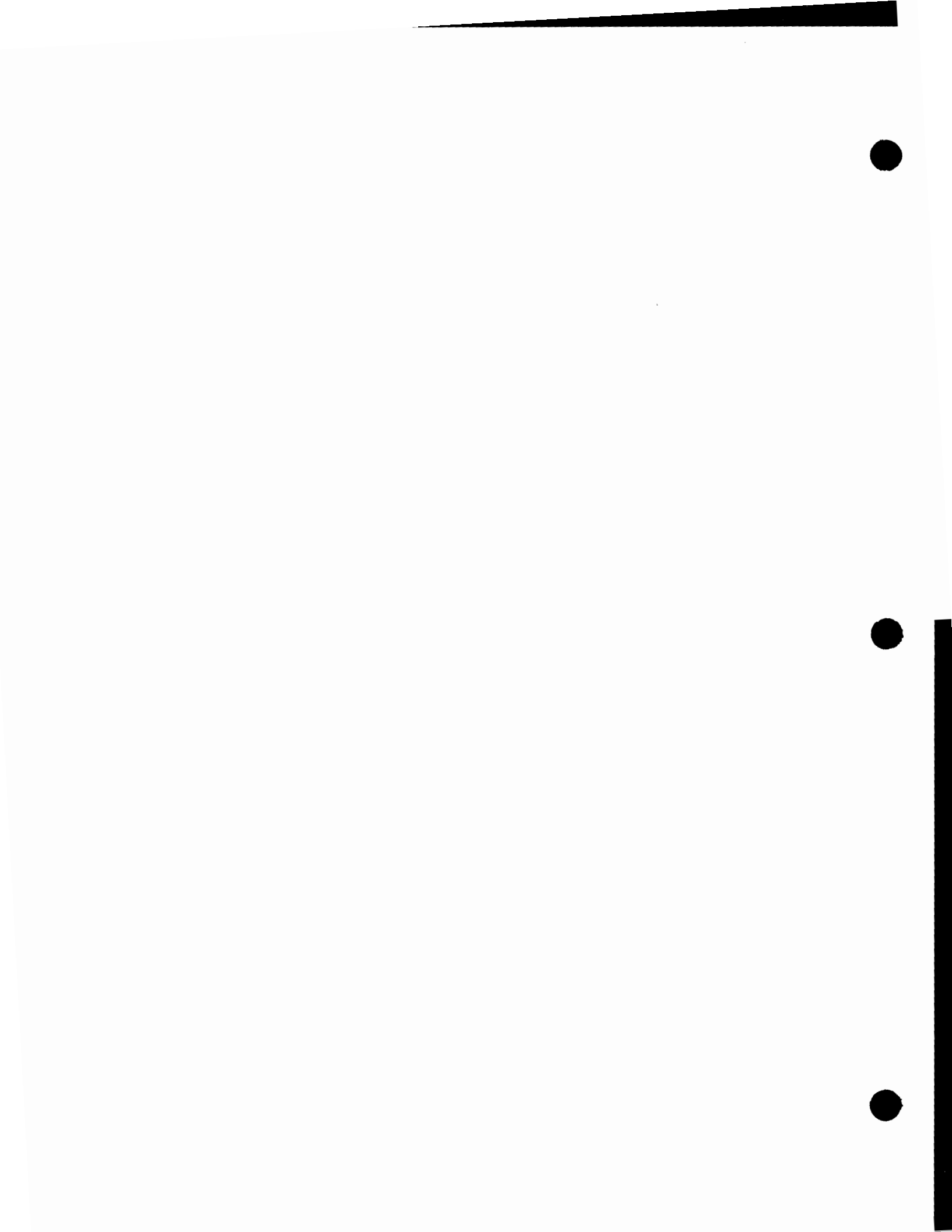
3 [WHEREUPON, the Minutes of the Meeting of
4 July 11, 2003, are approved.]

5 CHAIRMAN VOWELS: Next matter on the
6 agenda would be the Report of the Executive
7 Director. Mr. Lawrence?

8 MR. LAWRENCE: Okay. Thank you, Mr.
9 Chairman.

10 For the record, the Commission did hold an
11 executive session prior to this meeting to discuss
12 confidential information -- confidential financial
13 information pursuant to statute. At that meeting,
14 no decisions were made nor votes taken.

15 Second order of business: I'd like to advise
16 the Commission of the status of the Orange County
17 casino. If you will recall, at your last meeting you
18 initiated the application process. Since that time,
19 Orange County Council has asked for resolution
20 authorizing a referendum to be held on November
21 4th subject to payment of the costs by an applicant.
22 A number of interested parties have either met with
23 or contacted the Commission in reference to that
24 casino. Application for Part 1 of the application is
25 due a week from today. We've had meetings and



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1 discussions with representatives of both historic
2 hotels and with the Historical Preservation
3 Commission. If the referendum passes, I will have
4 additional information for you at our November 14th
5 meeting how the staff would intend to proceed with
6 that process.

7 Next issue is: You've probably read in the
8 newspaper that Harrah's has made an offer to
9 purchase the property of Horseshoe -- four
10 properties. One of those is in Indiana -- would be
11 two more properties. That will come forward to you
12 for analysis at a later date also.

13 I have a number of waivers that I have
14 granted. And what has happened is: Through the
15 Executive Director of the Gaming Company --
16 Casino Association that they provided me -- and
17 the Commission with a list of what we call their
18 "wish list" of things that they thought could be
19 changed without any damage to security or other
20 issues with the casino. Our staff met, reviewed all
21 of those, and came back with a number of changes
22 to the rules which we thought were beneficial to
23 the community, to the casino, and to the collection
24 of taxes for the State of Indiana. So, a number of
25 those I'll just read to you.



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1 For Aztar, all -- alteration -- might -- record
2 retention for ticket in/ticket out electronic cards.
3 They have other reporting mechanisms that they
4 will -- they will continue to retain. The same thing
5 for Trump. Same thing for Belterra. Same thing
6 for Argosy. The same thing for Majestic Star. And
7 the same thing for Horseshoe.

8 For Blue Chip, I granted a waiver on manually
9 paid jackpot procedures for 2,000 -- or \$200 or
10 less on the jackpots on -- on the nickel slots. For
11 Harrah's, approved an author -- an alteration of
12 their blackjack layout of tables from seven to five
13 wager areas; and for Caesars from seven to six
14 wager areas.

15 For Horseshoe, the waiver of admission tickets
16 in favor of turnstile pass cruise. What we have
17 granted is: They've had to have a turnstile and
18 they've had to have admission tickets, but what we
19 have done is do away with the tickets if they decide
20 to do so and require them to have two turnstiles to
21 make sure that we get an accurate count. So we
22 have granted that to them.

23 The problem: Who will replace the casino
24 cage cashier with a security officer on the tip-
25 count team? That was one of the things that was



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1 asked about having a cashier watching the -- and
2 counting the movement of the tips, in effect. It's
3 not necessary to move on. Same thing for
4 Horseshoe. Same thing for Majestic Star. And
5 Blue Chip; granted them a waiver to change high
6 [phonetic] gaming devices fill slips from a two-pa --
7 a three-part slip to a two-part slip. So, you see, it
8 has been a lively week. A lot goes on. Everyone's
9 been busy. I wanna commend the staff on the
10 continued efforts put forth. That's all I have.

11 CHAIRMAN VOWELS: Okay. Thank you.
12 Any questions for Mr. Lawrence?

13 COMMISSIONERS: [no response]

14 CHAIRMAN VOWELS: Okay. Thank you,
15 Mr. Lawrence.

16 Is there any old business?

17 COMMISSIONERS: [no response]

18 CHAIRMAN VOWELS: We are now gonna
19 move on to new business. The first matter under
20 new business are [sic] the Rules, Emergency
21 Resolution 2003-36; and we'll turn to Ms. Chelf.

22 MS. CHELF: Good morning,
23 Commissioners. Glenn asked that I update you on
24 the staff's progress with promulgation of rules for
25 the Voluntary Exclusion Program. The staff has



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1 continued to work on the rules since the last
2 meeting, and you should have received a copy of
3 the proposed rules with your meeting materials. I
4 submitted these rules to Legislative Services,
5 which was out Wednesday for publication in the
6 October 1st, 2003, edition of the Indiana Register.
7 We've also scheduled a hearing to receive public
8 comment on the rules for 10:30 on October 24th,
9 2003, in the Commission's Office. We can also
10 accept written comments on those rules. If all
11 goes well, the staff will bring a final version of the
12 rules for your approval in November.

13 CHAIRMAN VOWELS: All right. Any
14 questions for Ms. Chelf?

15 COMMISSIONERS: [no response]

16 CHAIRMAN VOWELS: I believe Mr.
17 Schulz -- Walter Schulz is here to formally address
18 a resolution. I'd like to have Mr. Schulz come
19 before us.

20 Good morning, Mr. Schulz.

21 Mr. Schulz had had this painting -- document
22 to pass out today, if it's all right.

23 MR. SCHULZ: Good morning. Thank you
24 very much for the opportunity. I -- may I address
25 some of the things on that sheet?



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1 CHAIRMAN VOWELS: Yes.

2 MR. SCHULZ: Okay. The first thing I'd
3 like you to pay attention to is the AMA statement
4 that was just released. And the -- underneath of --
5 the word there that I'd like to dwell on is
6 "prevention." And I'll skip some of this in
7 reference to -- to the time frame we have available.

8 Point Number Three there says, "Prevention
9 and exclusion policy to be given equal emphasis."
10 The medical community has long recognized, as we
11 recognize, that it's much easier to prevent
12 something than it is to cure something. The
13 exclusion policy takes up after, when there are
14 problems. And I think -- I hope it's within your
15 jurisdiction and legal -- legal provisions under law
16 to address this as an issue.

17 The technology that's available today is
18 awesome. Gamblers can be identified very quickly.
19 The amount of money that they lose is easily and
20 readily available. Surveillance is there for
21 underage people, for people who may be employees
22 as well as the gamblers, the employees that are
23 cheating. The technology is there, and you'll see
24 on the back a couple of things. I only reference
25 those, I think, for your future consideration. You



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1 probably have not seen those, and you will have to
2 deal with that at a later date. What I'm saying,
3 basically, is: We should have a policy dictated by
4 you to the casinos that would be on the theme of
5 prevention; that they should make an effort to
6 identify those people, perhaps in the same scope,
7 the amount of money and creat -- creativity that
8 they have with getting people in front of their
9 devices. As you well know, the casino industry has
10 two basic problems. One is staying legal, which
11 you will address today; the second is getting
12 people in front of their devices. They have very
13 sophisticated, very lucrative enticements to people
14 who come before those devices, and results are --
15 are staggering. I would hope that you would
16 consider using some of those devices to identify
17 people in a problem state before they become a
18 huge -- experiencing successive losses. I believe
19 in your -- your mission statement, which regulates
20 for the benefit of all citizens of Indiana. I think
21 that would include those people who have been
22 identified and have problems.

23 In closing, I would like to just make a few
24 suggestions to you that was given to me yesterday
25 by a person in jail, who is in jail as a result of her



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1 activities at the casino, and some of her thoughts
2 as to what should be done to prevent other
3 people -- and that's at the bottom of your page --
4 of the page.

5 She says: Number 1, you should eliminate
6 ATM gaming devices at convenient locations.
7 Incidentally, this was a recommendation in a recent
8 Gaming Commission study. We should set loss
9 limits on people who are known credit risks. We
10 should eliminate or severely reduce free
11 incentives, things that entice again and again and
12 again to people. And she had to explain this to me
13 a little bit; but, she said, get people out of the
14 control group and inform gamblers of the amount of
15 their losses. They have that capability. Other
16 countries are doing it. There's very many -- a lot
17 of creative ways to identify and prevent problem
18 gamblers. And I would ask the employees to
19 consider these.

20 CHAIRMAN VOWELS: Thank you, Mr.
21 Shultz.

22 I understand we have -- Resolution 2003-36
23 was the Resolution of Readopting an Emergency
24 Rule. Is there -- I'm sorry. Is there something to
25 add to this?



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1 MS. CHELF: Yeah. Well, actually, the --
2 in July we adopted an emergency rule prohibiting
3 persons interested in an operating agent contract
4 from engaging in ex parte communications and
5 presenting gifts to Commission members and
6 Historic Preservation Commission members. The
7 staff filed it with the Secretary of State's Office
8 and it went into effect July 15th. The Emergency
9 Rule is only effective for 90 days. Resolution
10 2003-36 would have the effect of adopting the rule
11 for an additional 90-day period. In the meantime,
12 the Commission staff has already taken steps to
13 fully promulgate the rule under the statute.

14 CHAIRMAN VOWELS: All right. In
15 reference, then, to the Resolution 2003-36, of
16 readopting the Emergency Rule, is there a motion
17 in reference to this resolution?

18 COMMISSIONER GETTELFINGER: Move
19 to adopt.

20 CHAIRMAN VOWELS: Is there a second?

21 MALE COMMISSIONER: I'll second.

22 CHAIRMAN VOWELS: Any further
23 discussion?

24 COMMISSIONERS: [no response]

25 CHAIRMAN VOWELS: All those in favor



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1 say "Aye."

2 COMMISSIONERS: Aye.

3 CHAIRMAN VOWELS: Show that the
4 Resolution's adopted.

5 [WHEREUPON, Resolution 2003-36 is approved.]

6 CHAIRMAN VOWELS: And then, the next
7 matter on the agenda, new-game approval. And,
8 Ms. Brodnan, is that convenient?

9 MS. BRODNAN: Morning.

10 COMMISSIONER ROSE: We can't hear
11 you at all.

12 CHAIRMAN VOWELS: I think we need a
13 mike.

14 MS. BRODNAN: Can you hear me now?

15 COMMISSIONER ROSE: Not very well.

16 MS. BRODNAN: How's this; better?

17 COMMISSIONER ROSE: Yeah.

18 CHAIRMAN VOWELS: The problem, I
19 think, the speakers are going that way [indicates]
20 and while we're all over here, our voices are pretty
21 much . . .

22 MS. BRODNAN: Okay. You have reported
23 for approval Resolution 2003-37 regarding Casino
24 Surrender. On January 10th of this year, pursuant
25 to Resolution 2003-3, you granted conditional



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1 approval of this game for a period of 6 months.
2 Grand Victoria sponsored the game and has
3 indicated in writing that it wishes to continue
4 offering the game. The Commission staff
5 recommends that you grant permanent approval.

6 CHAIRMAN VOWELS: Any questions for
7 Ms. Brodnan?

8 COMMISSIONERS: [no response]

9 CHAIRMAN VOWELS: Referring to this
10 Resolution 2003-37 which concerns approval of the
11 game of Casino Surrender, is there -- is there a
12 motion in reference to this Resolution?

13 COMMISSIONER GETTELFINGER: Move
14 to adopt.

15 CHAIRMAN VOWELS: And is there a
16 second?

17 MALE COMMISSIONER: Second.

18 CHAIRMAN VOWELS: Any further
19 discussion?

20 COMMISSIONERS: [no response]

21 CHAIRMAN VOWELS: All those in favor
22 say "Aye."

23 COMMISSIONERS: Aye

24 CHAIRMAN VOWELS: The motion is
25 approved.



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1 [WHEREUPON, Resolution 2003-37 is approved.]

2 CHAIRMAN VOWELS: Then you have one
3 other?

4 MS. BRODNAN: You have before you for
5 approval Resolution 2003-38, regarding the
6 submission of Gaming Systems Unlimited for
7 approval of the game Fast Action Poker/Hold 'Em.
8 Indiana is the first state in which approval is
9 sought for this game. Harrah's has indicated that
10 will -- that it will offer the game if it is approved.
11 And GLI has analyzed the game and indicated it is
12 a variation of the approved game of poker.

13 The object of the game is for each player to
14 bet the superiority of his hand and win the other
15 bets by making a bet no other player is willing to
16 make or by proving to hold the most valuable hand.
17 All players place a one-chip ante bet and a three-
18 chip bet and are dealt two cards. A three-card flop
19 belonging to all players is spread in the center of
20 the table. Players then have the option of placing
21 an additional bet. The dealer, who is not a
22 participant in the game, turns up two additional
23 community cards in the center of the table.
24 Players make their best five-card poker hand from
25 the two cards they hold and the community cards in



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1 the middle of the table. All hands that place the
2 additional bet continue. The best hand wins all of
3 the antes and bets of the other players. If a player
4 did not place the additional bet, the winning player
5 receives that player's ante bet. A player can win a
6 bet every time as compared to a lower-ranking
7 hand, and the process continues until all hands are
8 resolved. Players continue to make multiple bets
9 until a stronger hand beats their hand. The house
10 will collect a rate from ante bets as designated by
11 the casino.

12 The Commission staff recommends that you
13 grant a 6-month conditional approval of this game.

14 CHAIRMAN VOWELS: Any questions for
15 Ms. Brodnan?

16 COMMISSIONERS: [no response]

17 CHAIRMAN VOWELS: Resolution 2003-38
18 deals with conditional approval of the game of Fast
19 Action Poker/Hold 'Em. Is there a motion in
20 reference to this resolution?

21 COMMISSIONER ROSE: So moved.

22 CHAIRMAN VOWELS: Is there a second?

23 COMMISSIONER MILCAREK: Second.

24 CHAIRMAN VOWELS: Any further
25 discussion?



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1 COMMISSIONERS: [no response]

2 CHAIRMAN VOWELS: All those in favor
3 say "Aye."

4 COMMISSIONERS: Aye

5 CHAIRMAN VOWELS: Show the
6 Resolution is approved.

7 [WHEREUPON, Resolution 2003-38 is approved.]

8 CHAIRMAN VOWELS: And Ms. Brodnan
9 will now go over to -- under the occupational-
10 license matters.

11 MS. BRODNAN: On or about November
12 26, 2002, Constantine Vrehas received a Level 2
13 occupational license to work at Majestic Star as a
14 dealer. He disclosed on his application several
15 misdemeanor arrests. The Commission staff sent
16 him four letters requesting a copy of court
17 documentation showing the outcome of these
18 charges. Three of the letters were hand-delivered
19 to him by a Commission agent on the property. Mr.
20 Vrehas contacted Commission staff on two
21 occasions indicating he would send the requested
22 paperwork; however, he never did.

23 Pursuant to the Indiana Gaming Regulations, a
24 licensee must comply with all requests for
25 information related to the applicant and his or her



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1 application. Further, the Commission may revoke
2 the license if the licensee has violated these
3 regulations. As a result, the Commission staff
4 revoked Mr. Vrehas' temporary occupational license
5 and denied his application for a permanent license.

6 The Commission staff recommends that you
7 deny his application. If you do so, he will have the
8 opportunity to appeal to an Administrative Law
9 Judge.

10 CHAIRMAN VOWELS: Any questions for
11 Ms. Brodnan?

12 COMMISSIONERS: [no response]

13 CHAIRMAN VOWELS: In front of us, then,
14 is this Commission action of revocation of the
15 temporary license and denial of application for an
16 occupational license. Is there a motion to deny or
17 approve the app -- the application for an
18 occupational license?

19 COMMISSIONER GETTELFINGER: Move
20 to deny.

21 CHAIRMAN VOWELS: Is there a second?

22 COMMISSIONER NDUKWU: Second.

23 CHAIRMAN VOWELS: Any further
24 discussion?

25 COMMISSIONERS: [no response]



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1 CHAIRMAN VOWELS: All those in favor
2 of denying the application say "Aye."

3 COMMISSIONERS: Aye

4 CHAIRMAN VOWELS: Show the
5 application is denied.

6 [WHEREUPON, the Application for an
7 Occupational License for Constantine Vrehas is
8 denied.]

9 CHAIRMAN VOWELS: The next one you
10 have?

11 MS. BRODNAN: The next matter is Holly
12 Blair. Ms. Blair received a Level 2 occupational
13 license in October 2002 for -- to work as a dealer
14 at Horseshoe Casino. She disclosed several traffic
15 arrests on her application, including a pending OWI
16 charge. Commission staff sent her five letters
17 requesting a copy of court documentation showing
18 the outcome as well as an update regarding the
19 pending case. Four of these letters were hand-
20 delivered to her by a Commission agent on
21 property. She contacted the staff on several
22 occasions indicating she would send the
23 information. She did send in a portion of the
24 requested paperwork but did not completely
25 respond to our requests.



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1 Pursuant to Indiana Gaming Regulations, a
2 licensee must comply with all requests for
3 information related to the application. As a result
4 of her failure to comply, the Commission staff
5 revoked her temporary license and denied her
6 application for a permanent license.

7 Ms. Blair's attorney subsequently
8 corresponded with the Commission in August of
9 2003 on her behalf. The appropriate information
10 was provided to Commission staff at that time, and
11 the correspondence also requested that her license
12 be reinstated. Her attorney advised the
13 Commission that Ms. Blair would seek an appeal if
14 the revocation was upheld.

15 In anticipation of the appeal, Commission staff
16 has corresponded with Ms. Blair and her attorney
17 regarding the possibility of entering into a
18 settlement agreement. Pursuant to 68 IAC 7-1-15,
19 settlement offers can be proposed at this time.

20 Due to the anticipation of her appeal, the fact
21 that Ms. Blair has submitted the requested
22 information, and the fact that she has already been
23 out of work for approximately 30 days, Commission
24 staff agreed to enter into a settlement agreement.

25 The Commission staff recommends, and Ms.



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1 Blair will agree, to the following:

2 She is eligible to receive a temporary license;
3 however, that license will remain in a temporary
4 status for a minimum period of one year, pending
5 the completion of the Commission's background
6 investigation, the outcome of her pending case,
7 and her compliance with Commission regulations.

8 She will agree to notify the Commission of the
9 progress of her pending cases and make court
10 documentation once resolved.

11 She will agree to comply with all future
12 requests for information.

13 And she will agree that failure to comply with
14 any of these terms will result in immediate
15 revocation of her license.

16 The settlement agreement has been executed.

17 There are two orders, accordingly, to take
18 action on. The first: We'll need to go to approve
19 or disapprove staff's revocation and denial of her
20 license. The Commission staff recommends that
21 you deny the application. Second, you will need to
22 vote to approve or disapprove the terms of the
23 agreement, and we would recommend that you
24 approve those terms.

25 CHAIRMAN VOWELS: So, essentially, if



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1 we follow the staff's recommendations, she'll end
2 up with a temporary license for a period of time
3 and then can apply for the occu -- for the
4 permanent license later on; is that right?

5 MS. BRODNAN: Yes.

6 CHAIRMAN VOWELS: Are there any
7 questions for Ms. Brodnan?

8 COMMISSIONERS: [no response]

9 CHAIRMAN VOWELS: In front of us, then,
10 are two parts. The first part, as Ms. Brodnan has
11 said, deals with the action on the revocation of the
12 temporary license and denial of the application for
13 an occupational license. It is the staff's
14 recommendation that we deny the application for an
15 occupational license. Is there a motion in
16 reference to denying or approving the application
17 for an occupational license?

18 COMMISSIONER ROSE: Move to deny the
19 application.

20 CHAIRMAN VOWELS: Is there a second?

21 COMMISSIONER GETTELFINGER:
22 Second.

23 CHAIRMAN VOWELS: Any further
24 discussion?

25 COMMISSIONERS: [no response]



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1 CHAIRMAN VOWELS: All those in favor
2 of denying the application say "Aye."

3 COMMISSIONERS: Aye

4 CHAIRMAN VOWELS: Show that it is
5 denied.

6 [WHEREUPON, the Application for an
7 Occupational License for Holly Blair is denied.]

8 CHAIRMAN VOWELS: The second portion
9 is the -- the settlement agreement; whether to
10 approve or disapprove the proposed terms of the
11 settlement agreement. It is the staff's
12 recommendation that we approve the settlement
13 agreement. Is there a motion to approve or
14 disapprove?

15 COMMISSIONER GETTELFINGER: Move
16 to approve.

17 CHAIRMAN VOWELS: Is there a second?

18 COMMISSIONER ROSE: Second.

19 CHAIRMAN VOWELS: Any further
20 discussion?

21 COMMISSIONERS: [no response]

22 CHAIRMAN VOWELS: All those in favor
23 of approving the settlement agreement say "Aye."

24 COMMISSIONERS: Aye

25 CHAIRMAN VOWELS: Show it is



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1 approved.

2 [WHEREUPON, the Settlement Agreement with
3 Holly Blair is approved.]

4 CHAIRMAN VOWELS: And, Ms. Brodnan,
5 you've got one -- a couple more for us; right?

6 MS. BRODNAN: On or about May 18th,
7 2000, Kevin King received a Level 2 temporary
8 license to work as a slot attendant at Harrah's. In
9 July 2003, Mr. King was terminated by the casino
10 after he admitted that on July 8th he had purposely
11 left open a reserve drawer to a slot machine so a
12 friend could remove tokens. The friend cashed in
13 \$4,000 worth of tokens and split the money with Mr.
14 King. He further admitted that he and a friend
15 engaged in this behavior on several other
16 occasions. This activity was conducted during the
17 performance of his duties as a slot attendant.

18 The Commission staff revoked Mr. King's
19 temporary license and denied his application for a
20 permanent license. You will need to vote to grant
21 or deny his application. The Commission staff
22 recommends that you deny the application. If you
23 do so, he will have the opportunity to appeal to an
24 Administrative Law Judge.

25 CHAIRMAN VOWELS: Any questions?



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1 COMMISSIONERS: [no response]

2 CHAIRMAN VOWELS: Is there a motion to
3 deny or approve the application?

4 COMMISSIONER ROSE: Move to deny the
5 application.

6 CHAIRMAN VOWELS: Is there a second?

7 COMMISSIONER MILCAREK: Second.

8 CHAIRMAN VOWELS: Any further
9 discussion?

10 COMMISSIONERS: [no response]

11 CHAIRMAN VOWELS: All those in favor
12 of denying say "Aye."

13 COMMISSIONERS: Aye

14 CHAIRMAN VOWELS: The vote is to
15 deny.

16 [WHEREUPON, the Application for an
17 Occupational License for Kevin King is denied.]

18 CHAIRMAN VOWELS: Got one more for
19 us?

20 MS. BRODNAN: On or about July 21st,
21 1999, the Commission issued Ms. Patricia Johnson
22 a temporary Level 2 license to work as a slot
23 attendant at Majestic Star Casino. In March 2003
24 she was promoted to the position of slot lead. In
25 July of this year, Commission agents confronted



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1 her regarding the theft of company funds. She
2 admitted that she had created fraudulent no-signal
3 jackpot forms and retained the money without
4 authorization. This activity was conducted during
5 her performance of her duties as a slot lead at
6 Majestic Star, and she was terminated due to this
7 activity.

8 The Commission staff revoked her temporary
9 license and denied her application for a permanent
10 license. You will need to vote to grant or deny the
11 application. Commission staff recommends you
12 deny the application. If you do so, she will have
13 the opportunity to appeal.

14 CHAIRMAN VOWELS: Any questions?

15 COMMISSIONERS: [no response]

16 CHAIRMAN VOWELS: Is there a motion to
17 deny or approve the application?

18 COMMISSIONER GETTELFINGER: Move
19 to deny.

20 CHAIRMAN VOWELS: Is there a second?

21 MALE COMMISSIONER: Second.

22 CHAIRMAN VOWELS: All those in favor
23 of denying say "Aye."

24 COMMISSIONERS: Aye

25 CHAIRMAN VOWELS: Show that it is



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1 denied.

2 [WHEREUPON, the Application for an
3 Occupational License for Patricia Johnson is
4 denied.]

5 CHAIRMAN VOWELS: And now we turn to
6 the next item; supplier-license matters. Ms. Dean?

7 MS. DEAN: Yes. Thank you.

8 CHAIRMAN VOWELS: Grab that mike
9 before you.

10 MS. DEAN: The Commission has before
11 you Resolution 2003-39, a resolution concerning
12 renewal of suppliers' licenses issued September
13 27th, 2002. By Resolution 2002-26, a supplier's
14 license was issued to VendingData Corporation.
15 On September 27th, 2002, by Resolution 2002-27,
16 the Commission renewed the suppliers' licenses
17 held by Spin for Cash Wide Area Progressive Joint
18 Venture.

19 In accordance with Indiana Code Section 4-33-
20 7-8 and 68 IAC 2-2-8, a supplier's license must be
21 renewed annually. The supplier licenses --
22 licensees have requested renewal of licensure and
23 a renewal fee has been paid. The supplier
24 licensees may have outstanding background
25 investigations and will be responsible for payment



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1 of those background fees. If payment of the
2 background fees is not received as directed by the
3 Commission staff, the license is subject to
4 nonrenewal or revocation and they'll dash
5 [phonetic] back before the Commission. The
6 Commission has determined that the above-named
7 supplier licensees remain in compliance at this
8 time with the Indiana Code, Section 4-33.

9 The Commission staff requests that the
10 Commission grant the renewal of VendingData
11 Corporation and Spin for Cash Wide Area
12 Progressive Joint Venture, conditioned upon
13 payment of any outstanding background fees and
14 that they remain in compliance with Indiana Code
15 4-33.

16 CHAIRMAN VOWELS: Thank you. Any
17 questions for Ms. Dean?

18 COMMISSIONERS: [no response]

19 CHAIRMAN VOWELS: Is there a vote to
20 ref -- in reference to Resolution 2003-39,
21 concerning the renewal?

22 COMMISSIONER MILCAREK: Move to
23 adopt.

24 CHAIRMAN VOWELS: All right. Is there
25 a second?



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1 COMMISSIONER ROSE: Second.

2 CHAIRMAN VOWELS: All those in favor
3 of renewing say "Aye."

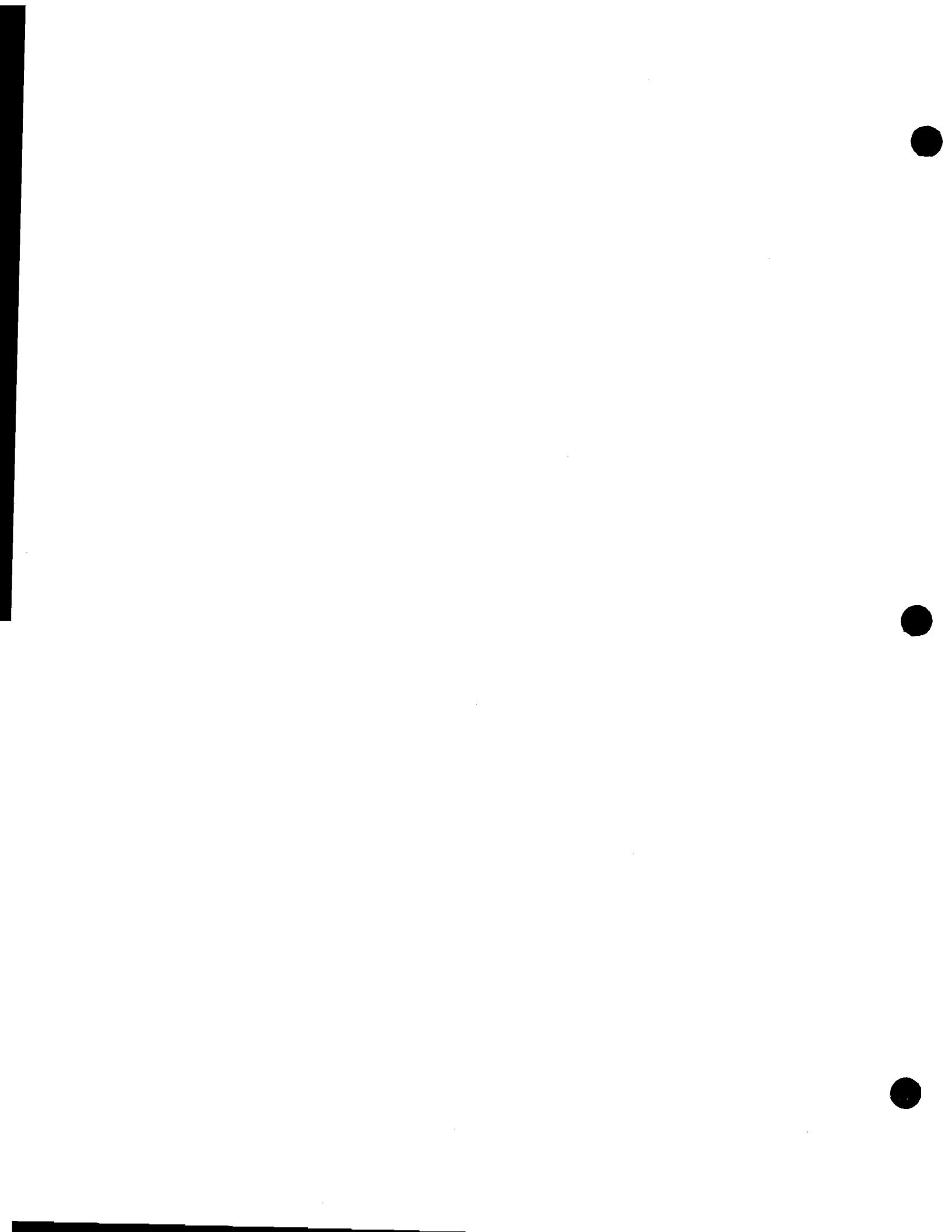
4 COMMISSIONERS: Aye

5 CHAIRMAN VOWELS: Show that it is
6 renewed.

7 [WHEREUPON, Resolution 2003-39 is approved.]

8 CHAIRMAN VOWELS: And now, we're
9 back to Ms. Brodnan.

10 MS. BRODNAN: You have before you for
11 approval Resolution 2003-40 regarding the request
12 of Atlantic City Coin & Slot Service Company, Inc.,
13 to transfer ownership interests. AC Coin received
14 a permanent supplier's license in February of 1999.
15 In a letter dated July 22nd, 2003, AC Coin
16 requested permission to allow the majority
17 stockholder, Max Seelig, to transfer 1 percent
18 common-stock ownership to each of his three sons,
19 Jerald, Jeffrey, and Jason. The transfer of
20 interest will result in the ownership of 9 percent
21 each by the three sons. All of the Seeligs were
22 subject to background investigations for their
23 present ownership interests and were approved by
24 the Commission. No other key persons or
25 substantial owners are being introduced as a result



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1 of this transfer. As a result, AC Coin requests the
2 Commission waive the normal transfer procedures
3 and background investigations.

4 The Commission staff recommends that you
5 grant these requests.

6 CHAIRMAN VOWELS: Any questions for
7 Ms. Brodnan?

8 COMMISSIONERS: [no response]

9 CHAIRMAN VOWELS: Then Resolution
10 2003-40 comes in two parts. Is there anyone
11 willing to make a motion to take into consideration
12 the two parts there and the last page granting --
13 granting, denying, approving, whatever?

14 COMMISSIONER ROSE: I'll lead to grant
15 the action on request for waiver, and grant the
16 request for approval of the resulting transfer.

17 CHAIRMAN VOWELS: Is there a second?

18 COMMISSIONER MILCAREK: I second.

19 CHAIRMAN VOWELS: Is there any further
20 discussion?

21 COMMISSIONERS: [no response]

22 CHAIRMAN VOWELS: All those in favor
23 say "Aye."

24 COMMISSIONERS: Aye

25 CHAIRMAN VOWELS: Show they are



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1 granted.

2 [WHEREUPON, Resolution 2003-40 is approved.]

3 CHAIRMAN VOWELS: And with that, Ms.
4 Dean, we're back to you.

5 MS. DEAN: Yes. Thank you. We have
6 before us Resolution 2003-41, a resolution
7 concerning the request of International Game
8 Technology to purchase Acres Gaming,
9 Incorporated. Mr. Jerimi Ullom is here today on
10 behalf of International Game Technology.

11 MR. ULLOM: To several members of the
12 Commission, this resolution should look rather
13 familiar. This is the exact structure that
14 International Game Technology has used in two
15 prior mergers of a similar nature where no key
16 persons or substantial owners were being
17 introduced. In order, waivers of the normal
18 procedures and the approval of mergers were
19 granted by this Commission.

20 International Game Technology has signed an
21 agreement to acquire Acres Gaming, which holds a
22 temporary supplier's license in the State of
23 Indiana. Acres Gaming manufactures certain
24 loyalty-marketing software and some accounting
25 software. It's all stock -- or all cash, excuse me,



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1 for stock transaction.

2 Following the merger, the sole director of
3 Acres Gaming, which will become a subsidiary of
4 International Game Technology, will be Sara Beth
5 Brown, who is known by the Commission. She is
6 the General Counsel of International Game
7 Technology and the sole director of several other
8 subsidiaries.

9 The sole officers will be Richard Schneider,
10 Sara Beth Brown, Floyd Glisson. Mr. Schneider
11 and Mr. Glisson are current officers of Acres
12 Gaming, and they will remain with the company
13 some time -- also with the Commission.

14 CHAIRMAN VOWELS: Are there any
15 questions?

16 COMMISSIONERS: [no response]

17 CHAIRMAN VOWELS: It's my
18 understanding that the staff does not have a
19 problem with the waiver of the normal ownership
20 procedures concerning background investigations,
21 nor do they have any problem involving the
22 transfer; is that correct?

23 MS. DEAN: That is correct. We do have
24 the Level 1 disclosures for both of the two
25 individuals that are named with the company at that



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1 period of time.

2 CHAIRMAN VOWELS: All right. Before
3 we go into this resolution and bore you too much
4 farther, if you could, give the gentleman over
5 there, who is the Reporter, by the table, your
6 name.

7 Is there a motion in reference to Resolution
8 2003-41 granting, granting or denying, denying?
9 You did such a good job last time.

10 COMMISSIONER ROSE: Thank you. I'll
11 move to grant the action on request of the waiver
12 and grant the request for approval of the transfer.

13 CHAIRMAN VOWELS: Is there a second?

14 COMMISSIONER GETTELFINGER:
15 Second.

16 CHAIRMAN VOWELS: Any further
17 discussions?

18 COMMISSIONERS: [no response]

19 CHAIRMAN VOWELS: All those in favor
20 say "Aye."

21 COMMISSIONERS: Aye

22 CHAIRMAN VOWELS: Show it is granted.
23 [WHEREUPON, Resolution 2003-41 is approved.]

24 CHAIRMAN VOWELS: And then,
25 Resolution 2003-42. Ms. Brodnan?



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1 MS. BRODNAN: This is why I like to sit
2 down. You have before you for approval Resolution
3 2003-42 regarding Bally Gaming. Bally received a
4 temporary supplier's license on June 13, 1997, and
5 a permanent license on March 30th, 2000. In
6 November 2002, Bally acquired Casino Management
7 Systems, LLC, a supplier of software solutions.
8 CMS does not hold a supplier's license. The
9 acquisition resulted in CMS becoming a wholly-
10 owned subsidiary of Bally. All software products
11 were acquired by Bally, and former CMS employees
12 who remained are now employees of Bally. No
13 new -- new key persons or substantial owners are
14 being introduced as a result of this acquisition.
15 Bally has provided information regarding
16 manufacturing facilities and division offices and
17 will provide additional information regarding these
18 facilities as requested by the Commission as
19 determined if investigation into these facilities is
20 needed.

21 Due to the fact that no new key persons or
22 substantial owners are being introduced, Bally has
23 requested that the Commission waive the normal
24 background procedures. The Commission staff
25 recommends that you grant approval of the



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1 acquisition and the request for waiver of
2 background investigations, with the exception of
3 the potential investigations of the manufacturing
4 and division offices previously mentioned.

5 CHAIRMAN VOWELS: Any questions for
6 Ms. Brodnan?

7 COMMISSIONERS: [no response]

8 CHAIRMAN VOWELS: All right. We have
9 Resolution 2003-42; is there a motion to take into
10 consideration the two parts that we have?

11 COMMISSIONER ROSE: I'll move to grant
12 the request of Bally to approve the acquisition of
13 Casino Management Systems and to grant the
14 request for waiver of background investigation.

15 CHAIRMAN VOWELS: Is there a second?

16 COMMISSIONER GETTELFINGER:
17 Second.

18 CHAIRMAN VOWELS: And is there any
19 further discussion?

20 COMMISSIONERS: [no response]

21 CHAIRMAN VOWELS: All those in favor
22 say "Aye."

23 COMMISSIONERS: Aye

24 CHAIRMAN VOWELS: Show it is granted.

25 [WHEREUPON, Resolution 2003-42 is approved.]



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1 CHAIRMAN VOWELS: And then, Ms.
2 Brodnan, we're -- a new resolution? Is that right?
3 2003-43.

4 MS. BRODNAN: You have before you
5 Resolution 2003-43 regarding You Bet Tours. The
6 Commission issued You Bet Tours a temporary
7 supplier's license in December of 1997 pursuant to
8 Resolution 1997-45.

9 Pursuant to correspondence dated July 28th,
10 2003, You Bet Tours has requested the ability to
11 withdraw its supplier's license due to the
12 unavailability of junket opportunities at this time.

13 Commission staff recommends that you grant
14 their request for withdrawal of the supplier's
15 license.

16 CHAIRMAN VOWELS: Any questions?

17 COMMISSIONERS: [no response]

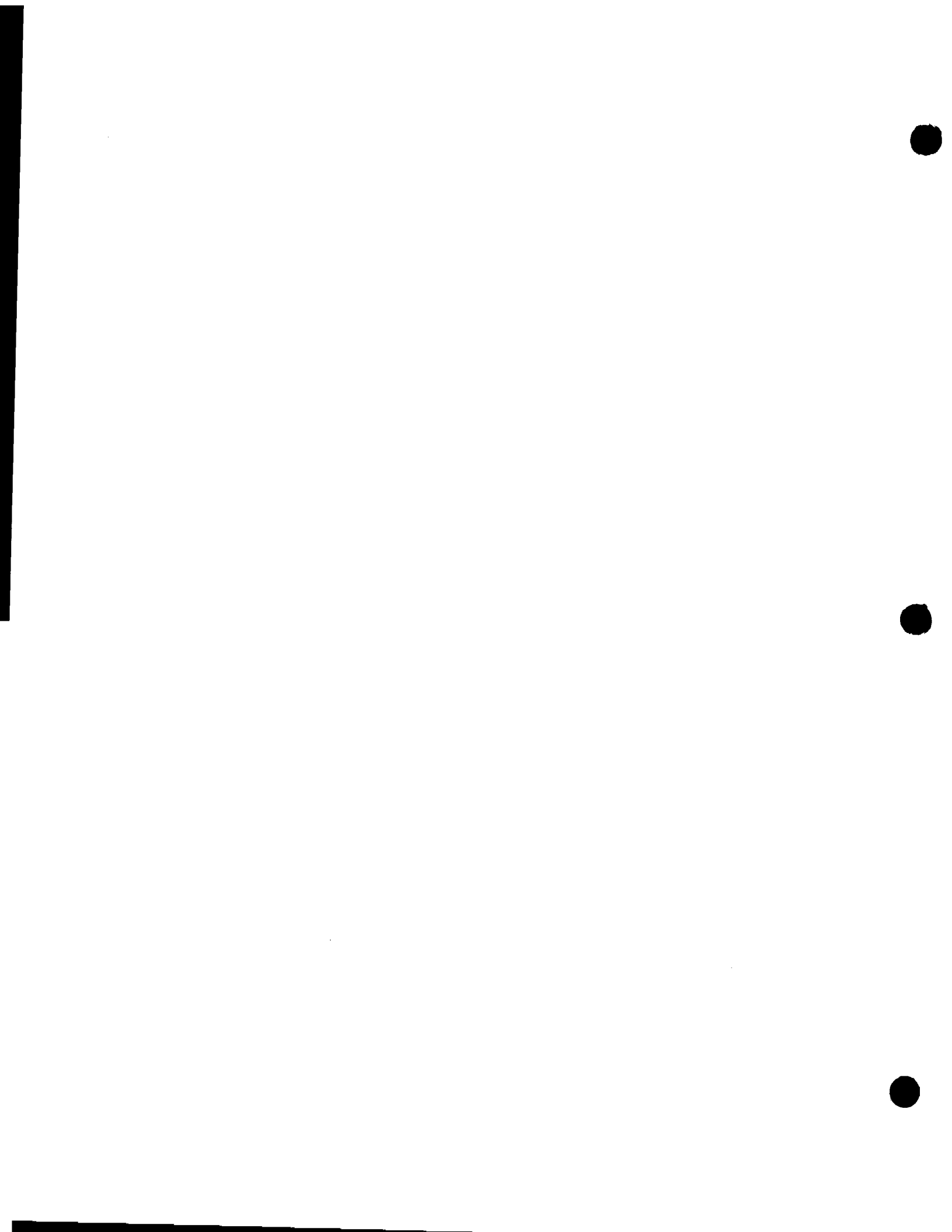
18 CHAIRMAN VOWELS: Resolution 2003-
19 43; is there a motion regarding this request for
20 withdrawal of license -- supplier's license?

21 COMMISSIONER MILCAREK: Move to
22 grant.

23 CHAIRMAN VOWELS: Is there a second?

24 MALE COMMISSIONER: Second.

25 CHAIRMAN VOWELS: Any further



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1 discussion?

2 COMMISSIONERS: [no response]

3 CHAIRMAN VOWELS: All those in favor
4 say "Aye."

5 COMMISSIONERS: Aye

6 CHAIRMAN VOWELS: Show it has been
7 granted.

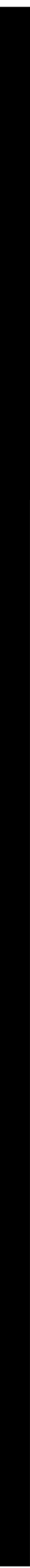
8 [WHEREUPON, Resolution 2003-43 is approved.]

9 CHAIRMAN VOWELS: And then, the next
10 matter on the agenda is Resolution 44, with Ms.
11 Dean. And, Commissioner Gettelfinger, I
12 understand that you will abstain from taking action
13 on this; is that correct?

14 COMMISSIONER GETTELFINGER: That's
15 correct, Mr. Chairman.

16 CHAIRMAN VOWELS: And, Ms. Dean,
17 what do you have for us today?

18 MS. DEAN: I have Resolution 2003-44, a
19 resolution concerning the request of Hornblower
20 Marine Services to withdraw its supplier's license.
21 On or about March 17th, 1998, the Indiana Gaming
22 Commission issued a temporary supplier's license
23 to Hornblower Marine Services. Hornblower
24 received a permanent supplier's license on
25 September 18th of 2000, and its supplier's license



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1 was renewed annually thereafter, with the most
2 recent renewal effective from September 15th of
3 2000 through September 17th of 2003.

4 Pursuant to correspondence dated September
5 9th, 2003, Hornblower requested the ability to
6 withdraw its supplier's license due to the
7 unavailability of marine-services opportunities. A
8 copy of the letter is attached to the resolution for
9 the Commission's review.

10 The Commission staff is unaware of any
11 information that would prevent the Commission
12 from granting the request to withdraw.

13 CHAIRMAN VOWELS: All right. Are there
14 any questions?

15 COMMISSIONERS: [no response]

16 CHAIRMAN VOWELS: In reference to this
17 Resolution 2003-44, is there a motion to grant or
18 deny the request to withdraw the supplier's
19 license?

20 COMMISSIONER MILCAREK: Move we
21 grant the request.

22 CHAIRMAN VOWELS: And is there a
23 second?

24 COMMISSIONER NDUKWU: Second.

25 CHAIRMAN VOWELS: All right. Any



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1 further discussion?

2 COMMISSIONERS: [no response]

3 CHAIRMAN VOWELS: All those in favor
4 say "Aye."

5 COMMISSIONERS: Aye

6 CHAIRMAN VOWELS: We'll show that the
7 Resolution for the request is granted and also show
8 that Commissioner Gettelfinger has abstained from
9 that vote.

10 [WHEREUPON, Resolution 2003-44 is adopted.]

11 CHAIRMAN VOWELS: The next item on
12 the agenda, Ms. Chelf: Riverboat Owners' Matters,
13 Transfer of Ownership.

14 MS. CHELF: Resolution 2003-45 concerns
15 Harold Handelsman's request to transfer his
16 interest in RBG, LP, which is the 80 percent owner
17 of Grand Victoria Casino & Resort, through parent-
18 invested [phonetic] trusts, a portion of the trust
19 spent with his children. The State Police
20 conducted a review of the background of the
21 trustee, Alexandria -- Alexandra Zoric [phonetic],
22 and found no derogatory information.

23 Mark Hemmerle is here representing Grand
24 Victoria. Do you have any questions for him?

25 CHAIRMAN VOWELS: Are there any



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1 questions?

2 COMMISSIONER GETTELFINGER: Mr.

3 Chairman, I have a few questions.

4 CHAIRMAN VOWELS: Okay.

5 COMMISSIONER GETTELFINGER: In the
6 materials before us, in Point 2, it indicates that
7 there are four separate trusts; in Point 3, it
8 indicates they're a limited partnership interest.
9 Can you explain the relationship of the trusts and
10 the limited partnership interest?

11 MR. HEMMERLE: There are a number of
12 limited partnerships -- or, excuse me, there are a
13 number of trusts within this ownership structure.
14 This will just be another one of those. Mr.
15 Handelsman's -- I think it's approximately 3.7
16 percent interest in RBG -- 3.5 percent, excuse
17 me -- will be divided into four equal pieces and one
18 piece of that into each of those trusts.

19 COMMISSIONER GETTELFINGER: I
20 guess -- I guess I'm still -- where do the limited
21 partnership interests come in?

22 MR. HEMMERLE: RBG is a general
23 partnership. 1 percent interest is owned by a
24 Hyatt-controlled corporation; 99 percent is owned
25 by a variety of limited partnerships.



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1 COMMISSIONER GETTELFINGER: And
2 so, is the transaction, then, to contribute [sic]
3 these limited partnership interests into trusts?

4 MR. HEMMERLE: I'm sorry?

5 COMMISSIONER GETTELFINGER: Is it --
6 is the transaction, then, to transfer the limited
7 partnership interests into trusts?

8 MR. HEMMERLE: Yes, sir.

9 COMMISSIONER GETTELFINGER: Okay.
10 What is the relationship of Ms. Alexandra Zoric to
11 the parties?

12 MR. HEMMERLE: Ms. Zoric is the niece
13 of Mr. Handelsman.

14 COMMISSIONER GETTELFINGER: Thank
15 you.

16 CHAIRMAN VOWELS: Any other
17 questions?

18 COMMISSIONERS: [no response]

19 CHAIRMAN VOWELS: Anything further
20 you'd like to say?

21 MR. HEMMERLE: [no response]

22 CHAIRMAN VOWELS: Resolution 2003-45
23 is a request for the approval of the transfer of the
24 ownership interest here. Is there a motion to grant
25 or deny that request?



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1 COMMISSIONER GETTELFINGER: Move
2 to grant.

3 CHAIRMAN VOWELS: Is there a second?

4 COMMISSIONER NDUKWU: I'll second.

5 CHAIRMAN VOWELS: Any further
6 discussion?

7 COMMISSIONERS: [no response]

8 CHAIRMAN VOWELS: All those in favor
9 say "Aye."

10 COMMISSIONERS: Aye

11 CHAIRMAN VOWELS: It's granted.

12 [WHEREUPON, Resolution 2003-45 is approved.]

13 CHAIRMAN VOWELS: And then, Ms.
14 Chelf?

15 MS. CHELF: Grand Victoria has
16 requested the renewal of its Riverboat Owner's
17 License, and they provided payment of the 500 --
18 or \$5,000 renewal fee. The Order you have before
19 you states that Grand Victoria has complied with
20 directives of the Indiana Code 4-33 and 68 IAC.
21 We recommend that you grant Grand Victoria --
22 Grand Victoria its Riverboat Owner's License for a
23 period of one year, subject to continued
24 compliance with the Indiana Code 4-33 and 68 IAC
25 and all other conditions directed by the



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1 Commission on December 6, 2001, at the time of
2 the first term at which Grand Victoria sought a
3 Riverboat Owner's License. The renewal --
4 renewed license would be in effect from September
5 16th, 2003 to September 15, 2004.

6 CHAIRMAN VOWELS: Any questions?

7 COMMISSIONERS: [no response]

8 CHAIRMAN VOWELS: All right. Is there
9 anything you'd like to say, Mr. Hemmerle?

10 MR. HEMMERLE: [no response]

11 [WHEREUPON, off the record remarks are made.]

12 CHAIRMAN VOWELS: Okay. Is there a
13 motion in reference to renewing Grand Victoria's
14 Riverboat Owner's License for this period of time?

15 COMMISSIONER NDUKWU: Move for
16 renewal.

17 CHAIRMAN VOWELS: Okay. Is there a
18 second?

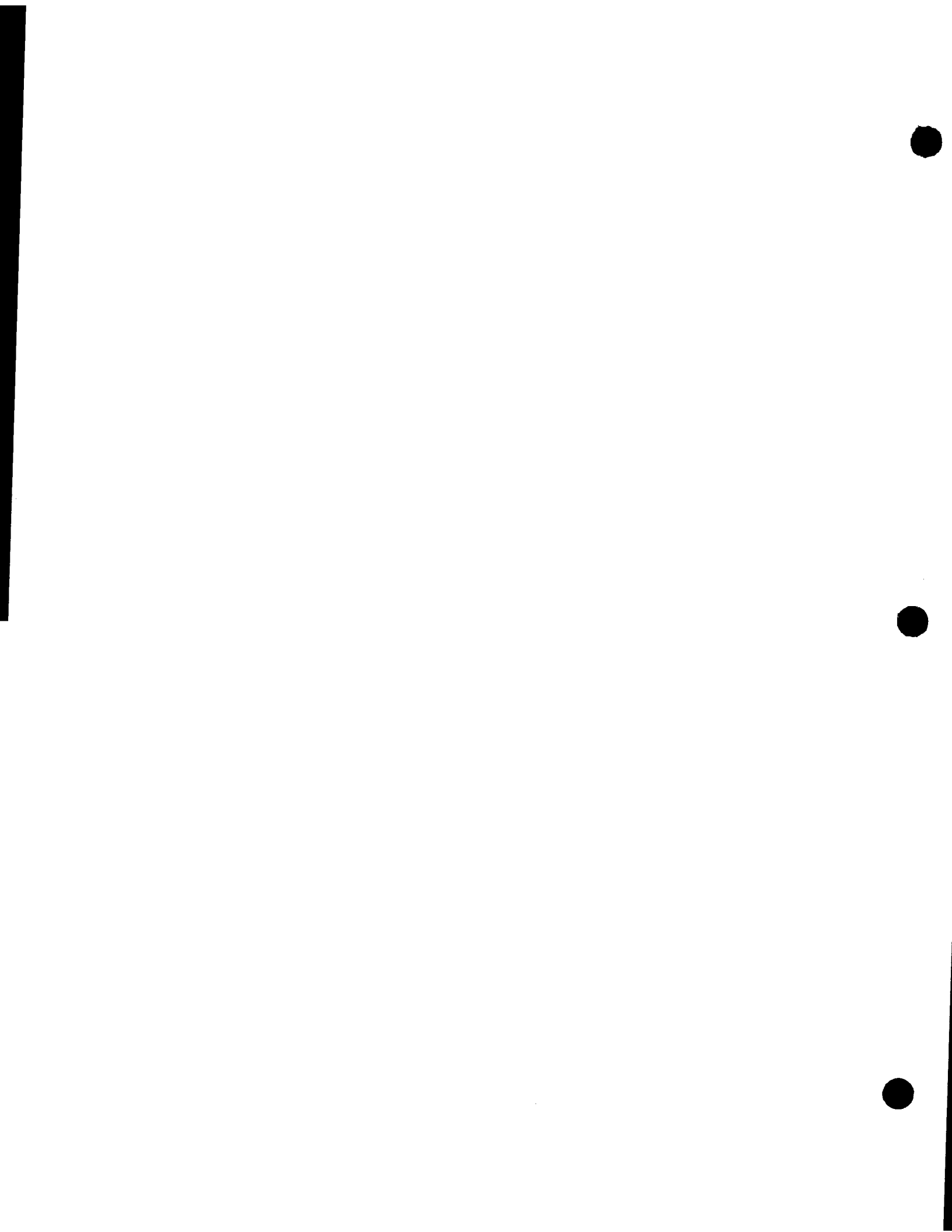
19 COMMISSIONER MILCAREK: Second.

20 CHAIRMAN VOWELS: Any further
21 discussion?

22 COMMISSIONERS: [no response]

23 CHAIRMAN VOWELS: All those in favor
24 say "Aye."

25 COMMISSIONERS: Aye



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1 CHAIRMAN VOWELS: Show it is
2 approved.

3 [WHEREUPON, the renewal of the Riverboat
4 Owner's License for Grand Victoria is
5 approved.]

6 CHAIRMAN VOWELS: And then, the next
7 item on the agenda, Ms. Dean: the bond reduction
8 for Horseshoe.

9 MS. DEAN: Yes. Horseshoe has
10 requested a bond reduction in the amount of
11 9,500,000 for a remaining bond amount on cash
12 deposit returning would be \$1 million.

13 I believe Mr. Rick Mazer and Mr. John Thar are
14 here on behalf of Horseshoe.

15 MR. THAR: This is a first. Thank you.
16 Good morning, Chairman Vowels. Executive
17 Director Lawrence, you have no idea how
18 intimidating or straining this has been.

19 CHAIRMAN VOWELS: I remember the
20 first time Ms. Fleming was up here in front of us, I
21 asked her a question and she called me "sir." And
22 I told her I really didn't care about the answer, I
23 just wanted to hear her call me "sir" again. You
24 don't have to call me "sir." Go ahead.

25 MR. THAR: Thank you. For the record,



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1 my name is John Thar, T-h-a-r, commonly known as
2 Jack Thar. With me is Mr. Rick Mazer, M-a-z-e-r,
3 general manager, of course, of the casino.

4 We have come to request permission today to
5 reduce the amount of bond on file by Horseshoe
6 from 10.5 million to \$1,000,000, which would be a
7 bond reduction of \$9.5 million. We have outlined
8 in the letters submitted to you the specific items
9 which go through that particular reduction. The one
10 thing that we were not able to include, although we
11 believe that if it's included in the fourth
12 amendment from the City's desk, will support the
13 bond reduction to \$1 million. There was a letter
14 from the City confirming that. We were able to get
15 that letter this morning by fax, much -- with the
16 great help of David Johnson, who is extremely busy
17 right now working with the present administration
18 at the Governor's office. He was able to help us
19 get the letter from the City and have them fax a
20 copy of that. With your permission, I'll hand it up
21 to you at this point. We will provide the original
22 letter to the staff the first part of next week.

23 Absent any questions or unless you'd like a
24 thorough outline of what is set forth in the letter
25 concerning the reduction, we would ask the



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1 Commission today to reduce the bond to a
2 \$1,000,000 bond.

3 CHAIRMAN VOWELS: All right. Any
4 questions for Mr. Thar or Mr. Mazer? There's a
5 letter that they gave to the Commission here which
6 is addressed to me from the Mayor of the City of
7 Hammond. In essence, it says the City supports
8 the request for reduction of \$9.5 million to get to a
9 bond amount of \$1,000,000.

10 All right. I'll give that to you, then, to make
11 part of the record or give to the staff, whatever you
12 do with it.

13 Are there any questions, then?

14 COMMISSIONERS: [no response]

15 CHAIRMAN VOWELS: Okay. In front of
16 us, then, is the Commission action on the request
17 to reduce the surety bond for Horseshoe Hammond
18 Incorporated. Is there ref -- a motion in reference
19 to this -- this request?

20 COMMISSIONER ROSE: I'll move to grant
21 the request.

22 CHAIRMAN VOWELS: Is there a second?

23 COMMISSIONER MILCAREK: Second.

24 CHAIRMAN VOWELS: Any further
25 discussion?



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1 COMMISSIONERS: [no response]

2 CHAIRMAN VOWELS: All those in favor
3 say "Aye."

4 COMMISSIONERS: Aye

5 CHAIRMAN VOWELS: Show that it is
6 granted.

7 [WHEREUPON, the reduction of the surety bond
8 of Horseshoe Hammond Incorporated to
9 \$1,000,000 is approved.]

10 CHAIRMAN VOWELS: And the next matter
11 on the agenda, still with Ms. Dean, financing for
12 Pinnacle, Resolution 2003-47; is that right? Am I
13 reading that right?

14 MS. DEAN: Yes. It is 47.

15 CHAIRMAN VOWELS: Is that the order
16 you wanna go in?

17 MS. DEAN: That's fine. We have two
18 dealing with Pinnacle. I believe Mr. Ron Gifford is
19 present today representing the company in an
20 additional financing matter. We can just take this
21 one.

22 CHAIRMAN VOWELS: All right. I'm just a
23 little bit confused. I've got the imagined agenda,
24 which -- for all you people out there who wonder
25 how I am able to say what, they write it down on my



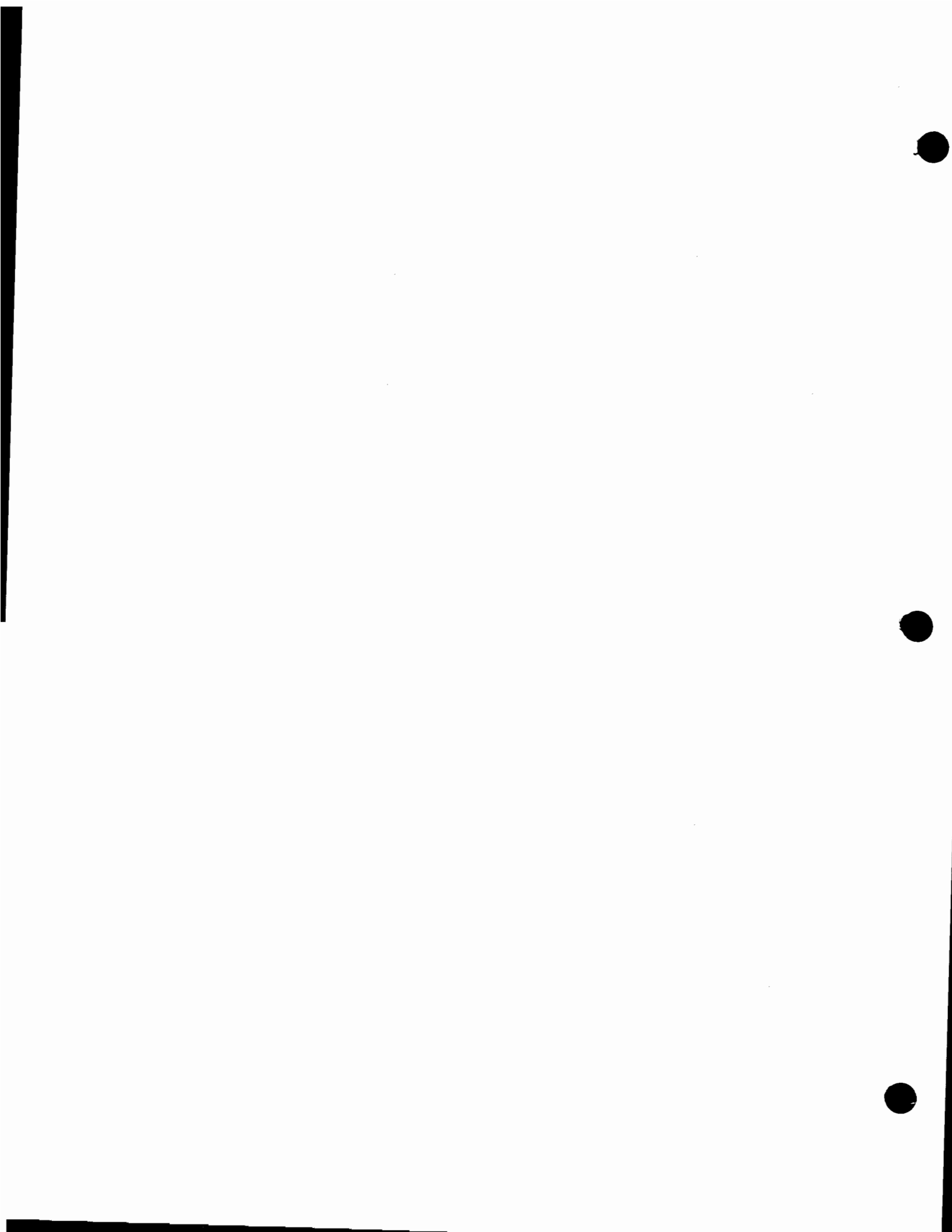
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1 agenda for me. Mine says "Pinnacle Resolution
2 2003-26"; does that mean anything to you?

3 MS. DEAN: That was a number that was
4 left off the agenda last month, so, instead of
5 having a gap in resolution numbers, it was to be
6 included in this agenda. And 26 is actually a
7 superseding resolution of 2003-11, so that's how
8 the numbering system ended up like this [laughs].

9 CHAIRMAN VOWELS: Okay. So what's
10 the first thing we're taking now?

11 MS. DEAN: Let's go ahead with
12 Resolution 2003-26, the resolution superseding
13 Resolution 2003-11, concerning financing for
14 Pinnacle Entertainment. By letter dated December
15 31st, 2002, Pinnacle Entertainment requested
16 approval of a credit facility in the amount of
17 250,000,000 for a period of up to 5 years at an
18 interest rate not to exceed 9 percent. The credit
19 facility was approved by the Commission on
20 January 10, 2003, in Resolution 2003-11. By
21 submission dated August 21st of 2003, the
22 Commission was advised that Pinnacle would like
23 to amend the request for approval of the credit
24 facility. Specifically, Pinnacle now requests
25 approval of a floating interest rate as opposed to



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1 the fixed interest rate that they represented to the
2 Commission in 2003-11. And Mr. Gifford is here on
3 behalf of Pinnacle today.

4 CHAIRMAN VOWELS: Okay. And we --
5 we don't have a Resolution 26 in front of us; is that
6 right?

7 MS. DEAN: I -- I apologize. I'm aware of
8 that.

9 CHAIRMAN VOWELS: Do you have
10 copies?

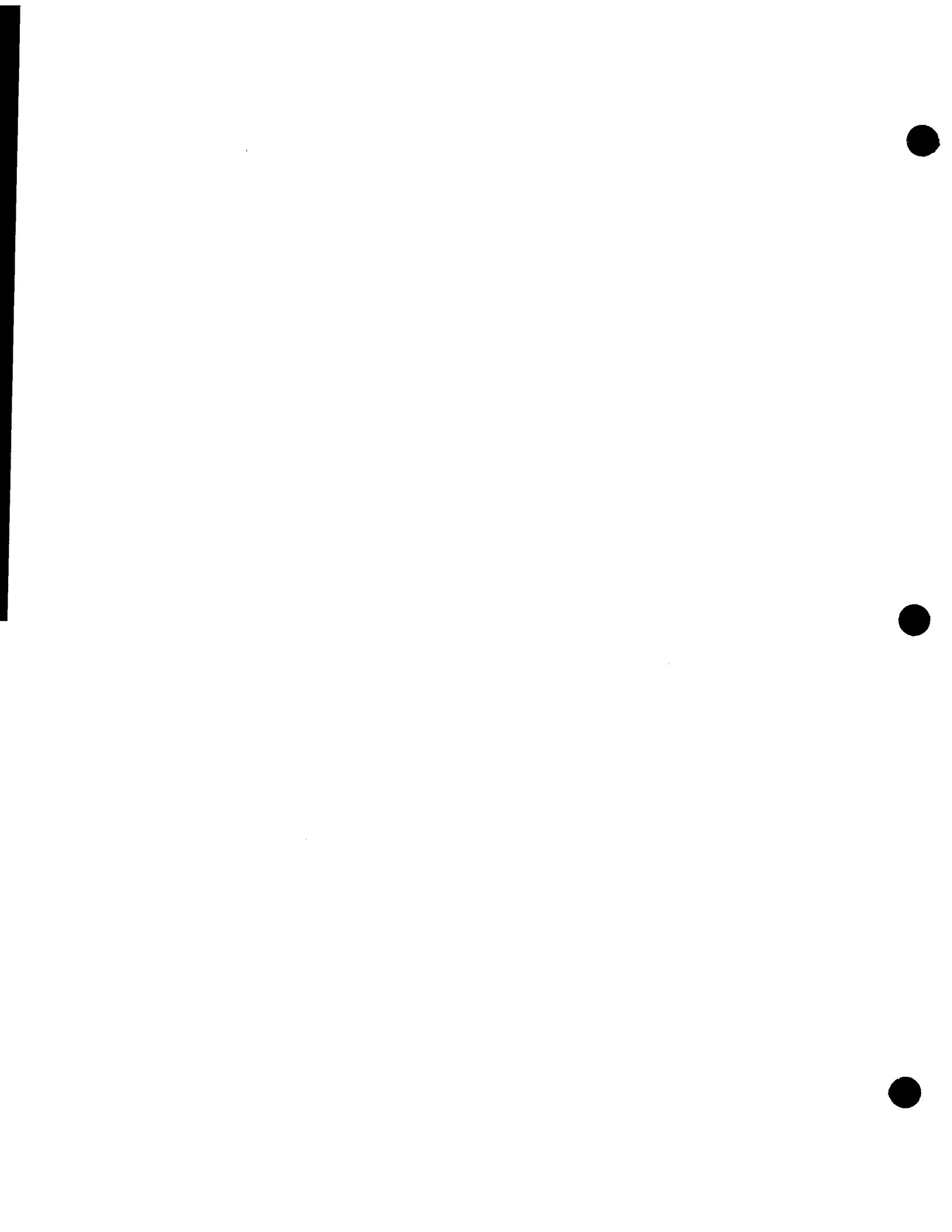
11 MS. DEAN: I do.

12 CHAIRMAN VOWELS: Do you have
13 enough for everybody to have one?

14 MS. DEAN: No, I don't.

15 CHAIRMAN VOWELS: Okay. Share one.
16 Commissioner Gettelfinger needs to take a look at
17 that.

18 This is the thing that we discussed in July
19 when I was up here and we had Commissioner
20 Gettelfinger on the telephone, and there was some
21 concern about doing this without an interest rate.
22 And there was a question about whether we had
23 ever done that before; and so, we were hesitant to
24 do that. And then, Mr. Gifford did some research
25 and found out that, apparently, we had done that



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1 sort of thing before. Is that where we are?

2 MR. GIFFORD: That's correct. This
3 transaction is not different from the transaction we
4 previously approved. The documents that were
5 previously provided to the staff and signed off on
6 haven't changed. What we gave you for -- for
7 approval before, we simply asked that the -- the
8 transaction always had a floating rate; it was
9 always LIBOR plus a margin or prime plus a margin.
10 And in the approval of the resolution, we simply
11 asked for approval up to -- I think it was 9 percent,
12 and none of us thought that the deal would get up
13 to 9 percent unless half of this lender's council has
14 raised concerns about the enforceability of their
15 transaction. If the approval doesn't apply to that
16 floating rate as it does to a capped rate, that has
17 caused us to come back to you and ask you simply
18 now to approve it at the floating rate, which was
19 always the transaction and always the transaction
20 that was submitted to you, as opposed to the
21 capped rate that we sought in the initial resolution.

22 CHAIRMAN VOWELS: All right.

23 COMMISSIONER GETTELFINGER: Mr.
24 Chairman, may I ask a question?

25 CHAIRMAN VOWELS: Yes.



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1 COMMISSIONER GETTELFINGER: Could
2 you explain: Will you be pursuing a swap
3 agreement?

4 MR. GIFFORD: If the Commission
5 approves this request, we will not.

6 COMMISSIONER GETTELFINGER: You
7 will not?

8 MR. GIFFORD: [no response]

9 COMMISSIONER GETTELFINGER: And
10 the reason why you will not pursue the swap
11 agreement?

12 MR. GIFFORD: The -- part of the added
13 expense of having to acquire such a swap, it won't
14 be required, then, by lenders. And to put this in
15 context, I think the current pricing levels for this
16 facility are below 6 percent right now. And the
17 current resolution we have is at 9 percent, so
18 the -- the likelihood of it ever getting above that
19 seems remote. But we do have this issue of
20 monies canceled [phonetic].

21 COMMISSIONER GETTELFINGER: This
22 transaction has been approved in other
23 jurisdictions?

24 MR. GIFFORD: Yes, it has.

25 COMMISSIONER GETTELFINGER: Thank



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1 you.

2 CHAIRMAN VOWELS: Are there any other
3 questions of Mr. Gifford?

4 COMMISSIONERS: [no response]

5 CHAIRMAN VOWELS: Ms. Dean, anything
6 further from you?

7 MS. DEAN: No.

8 CHAIRMAN VOWELS: Resolution 2003-
9 26, which is super -- is a resolution superseding
10 Resolution 2003-11 concerning financing for
11 Pinnacle Entertainment, is a two-part -- part
12 action. The first part is to approve or disapprove
13 the request for the waiver of the two-meeting rule.
14 And then, the second part is a request for the
15 approval of Pinnacle's \$250,000,000 credit facility
16 until 2008, subject to preparation of a money
17 analysis, et cetera. Is there a motion in reference
18 to this resolution?

19 COMMISSIONERS: [no response]

20 CHAIRMAN VOWELS: Okay. Just briefly
21 that -- our concern is that we hadn't addressed
22 something like that for quite some time, but now
23 Mr. Gifford's saying that we have. Does the staff
24 have any particular concerns about this now?

25 MR. LAWRENCE: No.



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1 CHAIRMAN VOWELS: Okay.

2 COMMISSIONER GETTELFINGER: Mr.
3 Chairman?

4 CHAIRMAN VOWELS: Yes.

5 COMMISSIONER GETTELFINGER: For
6 clarification, the second part of this, are we asking
7 to approve the waiver of the two-meeting rule or
8 just the preparation of final documents? Or do I
9 have the right piece of paper in front of me?

10 MS. DEAN: It was --

11 CHAIRMAN VOWELS: I -- go ahead.

12 MS. DEAN: -- it was drafted as going
13 back and superseding the prior resolution, so it is
14 waiving the two-meeting rule; although, technically,
15 I suppose you could say they have appeared twice
16 before the Commission at this point concerning
17 explaining it.

18 COMMISSIONER GETTELFINGER: Okay.

19 But this -- is this -- this was just passed out. The
20 second item for approval has to do with preparation
21 of financial analysis and final draft documents, and
22 the Chairman said, "Waive the two-meeting rule."
23 Is that consistent?

24 MS. DEAN: [no response]

25 COMMISSIONER GETTELFINGER: I'm



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1 asking her: Is this what we're asked to act on?

2 CHAIRMAN VOWELS: Well, I'm sorry. I
3 have a copy of the resolution.

4 MS. DEAN: It is subject to the
5 preparation if deemed necessary by the
6 Commission staff, which is language that we put in.
7 financing. That can be struck from the resolution
8 should the Commissioners so choose.

9 CHAIRMAN VOWELS: Thank you.

10 COMMISSIONER GETTELFINGER: Mr.
11 Chairman, could you restate what we're asked to
12 move on?

13 CHAIRMAN VOWELS: Well, the
14 resolution, as it's written, asks us to approve or --
15 or disapprove the waiver of the two-meeting rule,
16 and then the -- if we agree to do that, which -- it
17 seems to make a minor point -- then we move on to
18 the request for approval of their credit facility until
19 2008, subject to the preparation of a financial
20 analysis that's deemed necessary by the
21 Commission staff and approval of the terms of the
22 financial analysis and associated documents by the
23 Commission staff.

24 MR. GIFFORD: So, if I might, just for my
25 clarification, it is approval of the credit facility on



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1 the terms as they have submitted to the
2 Commission?

3 CHAIRMAN VOWELS: Correct. That's
4 correct; is it not?

5 MS. DEAN: Right.

6 CHAIRMAN VOWELS: Is -- well, I guess,
7 the two-meeting-rule waiver; is that recording
8 [phonetic]?

9 MS. DEAN: No. It doesn't need to be
10 because they have appeared before the
11 Commission twice.

12 CHAIRMAN VOWELS: Okay. Can we just
13 take that out?

14 MS. DEAN: [interrupts] Absolutely.

15 CHAIRMAN VOWELS: Okay. Let's just
16 skip that first part, since it's been satisfied. And
17 it -- is that right; anybody have any problem with
18 that?

19 COMMISSIONERS: [no response]

20 CHAIRMAN VOWELS: Then, let's go to
21 the second part. Is there a motion to approve or
22 disapprove the request for the credit facility?

23 COMMISSIONER GETTELFINGER: I move
24 to approve the request for the credit facility.

25 CHAIRMAN VOWELS: Is there a second?



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1 COMMISSIONER ROSE: I'll second the
2 motion.

3 CHAIRMAN VOWELS: Any further
4 discussion?

5 COMMISSIONERS: [no response]

6 CHAIRMAN VOWELS: All those in favor
7 say "Aye."

8 COMMISSIONERS: Aye

9 CHAIRMAN VOWELS: Show that it is
10 approved.

11 [WHEREUPON, Resolution 2003-26 is approved.]

12 MR. GIFFORD: Thank you.

13 MS. DEAN: Thank you. And I apologize
14 for the confusion. I believe we have another
15 resolution with Pinnacle, also concerning
16 financing, which is Resolution 2003-47, that I fear
17 you may not have copies.

18 CHAIRMAN VOWELS: Who wants to tell
19 us about it? Mr. Gifford? Ms. Dean?

20 MS. DEAN: Mr. Gifford.

21 MR. GIFFORD: Mr. Chairman, this is a
22 request, actually, for two separate refinancing
23 transactions. One is to refinance existing senior
24 subordinated notes; and the other is to refinance
25 an existing series of senior notes. The purpose for



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1 this is that, given the current market, the
2 transactions will allow us to be in a more favorable
3 to reschedule and potentially more favorable --
4 favorable rate structure as well. So, these are
5 refinancings of existing debt, not the acquisition of
6 indebtedness.

7 CHAIRMAN VOWELS: Are there any
8 questions for Mr. Gifford?

9 COMMISSIONERS: [no response]

10 MS. DEAN: I would also like to note, on
11 the resolution, on the second page, there is a
12 typographical error, and the interest amount that
13 would be -- it is -- the last number is 4 and should
14 be 5.

15 CHAIRMAN VOWELS: All right. So -- it
16 says "9.74," so it should be "9.75"; is that right?

17 MS. DEAN: That's correct.

18 CHAIRMAN VOWELS: What's the staff's
19 position in regard to this?

20 MR. LAWRENCE: Our position was that it
21 was of no concern.

22 CHAIRMAN VOWELS: Okay. It doesn't
23 concern anybody?

24 COMMISSIONERS: [no response]

25 CHAIRMAN VOWELS: Commissioner



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1 Gettelfinger, any thoughts or questions?

2 COMMISSIONER GETTELFINGER: No,
3 sir.

4 CHAIRMAN VOWELS: All right. In front
5 of us, then -- and the two-meeting-rule waiver is
6 applicable on this, then?

7 MS. DEAN: Yes, it is.

8 CHAIRMAN VOWELS: Mr. Gifford, is
9 there anything you'd like to add?

10 MR. GIFFORD: No, sir.

11 CHAIRMAN VOWELS: Okay. So in front
12 of us, then, is the request to waive the two-meeting
13 rule and the request for us to approve the
14 financing. Is there a motion in reference to those?

15 COMMISSIONER ROSE: I move to
16 approve the request to waive the two-meeting rule.

17 COMMISSIONER NDUKWU: Second.

18 CHAIRMAN VOWELS: Any further
19 discussion?

20 COMMISSIONERS: [no response]

21 CHAIRMAN VOWELS: All those in favor
22 say "Aye."

23 COMMISSIONERS: Aye

24 CHAIRMAN VOWELS: The two-meeting
25 rule is waived.



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1 [WHEREUPON, the waiver of the two-meeting
2 rule with respect to Resolution 2003-47 is
3 approved.]

4 CHAIRMAN VOWELS: And the second
5 portion is the request for the approval for
6 Pinnacle's \$450,000,000 debt financing due no
7 later than 2014 with an interest rate not to exceed
8 9.75. Is there a motion to approve or disapprove
9 that?

10 COMMISSIONER NDUKWU: I move to
11 approve everything.

12 CHAIRMAN VOWELS: Is there a second?

13 COMMISSIONER MILCAREK: Second.

14 CHAIRMAN VOWELS: Any further
15 discussion?

16 COMMISSIONERS: [no response]

17 CHAIRMAN VOWELS: All those in favor
18 say "Aye."

19 COMMISSIONERS: Aye

20 CHAIRMAN VOWELS: Show it is
21 approved.

22 [WHEREUPON, Resolution 2003-47 is approved.]

23 MR. GIFFORD: Thank you, Mr. Chairman.

24 CHAIRMAN VOWELS: Thank you very
25 much.



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1 MS. DEAN: And we have one fining -- one
2 final financing matter. It is Resolution 2003-46.
3 It's a resolution concerning financing for Majestic
4 Star Casino. And Ms. Fleming and Mr. Kelly are
5 present on behalf of Majestic Star.

6 MS. FLEMING: Kay Fleming with Ice
7 Miller. Also present are Michael Kelly, the Chief
8 Operating Officer of Majestic Star, and Christian
9 Ward, Senior Vice President for Jefferson
10 Company, the investment banker.

11 We're here today to seek waiver of the two-
12 meeting rule and approval on local refinance for
13 Majestic Star in two pieces of the two --
14 270,000,000 in a 144 offering and subsequent
15 exchange rights, and that would not exceed an
16 interest rate of 10 percent. The second component
17 is up to \$80,000,000 loan on the boating facility,
18 which will have a floating interest rate based on
19 LIBOR or prime, depending upon which is the
20 lesser of the two. This will pay off substantially
21 all of Majestic Star's existing debt and give us
22 some additional working capital.

23 CHAIRMAN VOWELS: Any questions for
24 Ms. Fleming?

25 COMMISSIONERS: [no response]



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1 CHAIRMAN VOWELS: Ms. Dean, the
2 staff's thoughts on -- or Mr. Lawrence, staff's --
3 the staff's thoughts on this?

4 MS. DEAN: Well, mine would be: I've not
5 had substantial enough time to review these
6 documents that should be in final resolution this
7 morning -- last night. I am not aware of any
8 problems with the financing matter at this point,
9 and it is subject to review of the final documents
10 by Commission staff. So I would be comfortable
11 with that.

12 CHAIRMAN VOWELS: All right. With that
13 in mind, does anyone have any questions?

14 COMMISSIONERS: [no response]

15 CHAIRMAN VOWELS: Well, let's take this
16 two -- one step at a time. The first portion of
17 Resolution 2003-46 deals with request for the
18 waiver of the two-meeting rule. Is there a motion
19 in reference to approving or disapproving that
20 waiver?

21 COMMISSIONER MILCAREK: I move to
22 approve the request for a waiver.

23 CHAIRMAN VOWELS: Is there a second?

24 COMMISSIONER NDUKWU: Second.

25 CHAIRMAN VOWELS: Any further



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1 discussion?

2 COMMISSIONERS: [no response]

3 CHAIRMAN VOWELS: All those in favor
4 say "Aye."

5 COMMISSIONERS: Aye

6 CHAIRMAN VOWELS: The motion is
7 approved.

8 [WHEREUPON, the waiver of the two-meeting
9 rule with respect to Resolution 2003-46 is
10 approved.]

11 CHAIRMAN VOWELS: The second portion
12 of this is the request for the approval of Majestic
13 Star's refinancing in a total amount of up to
14 \$350,000,000 subject to the review and approval of
15 the terms of the final draft and associated
16 documents by the Commission staff.

17 COMMISSIONER MILCAREK: I move to
18 approve the request.

19 CHAIRMAN VOWELS: Is there a second?

20 COMMISSIONER NDUKWU: Second.

21 CHAIRMAN VOWELS: Is there any further
22 discussion?

23 COMMISSIONERS: [no response]

24 CHAIRMAN VOWELS: All those in favor
25 say "Aye."



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1 COMMISSIONERS: Aye

2 CHAIRMAN VOWELS: Show that it is
3 approved.

4 [WHEREUPON, Resolution 2003-46 is approved.]

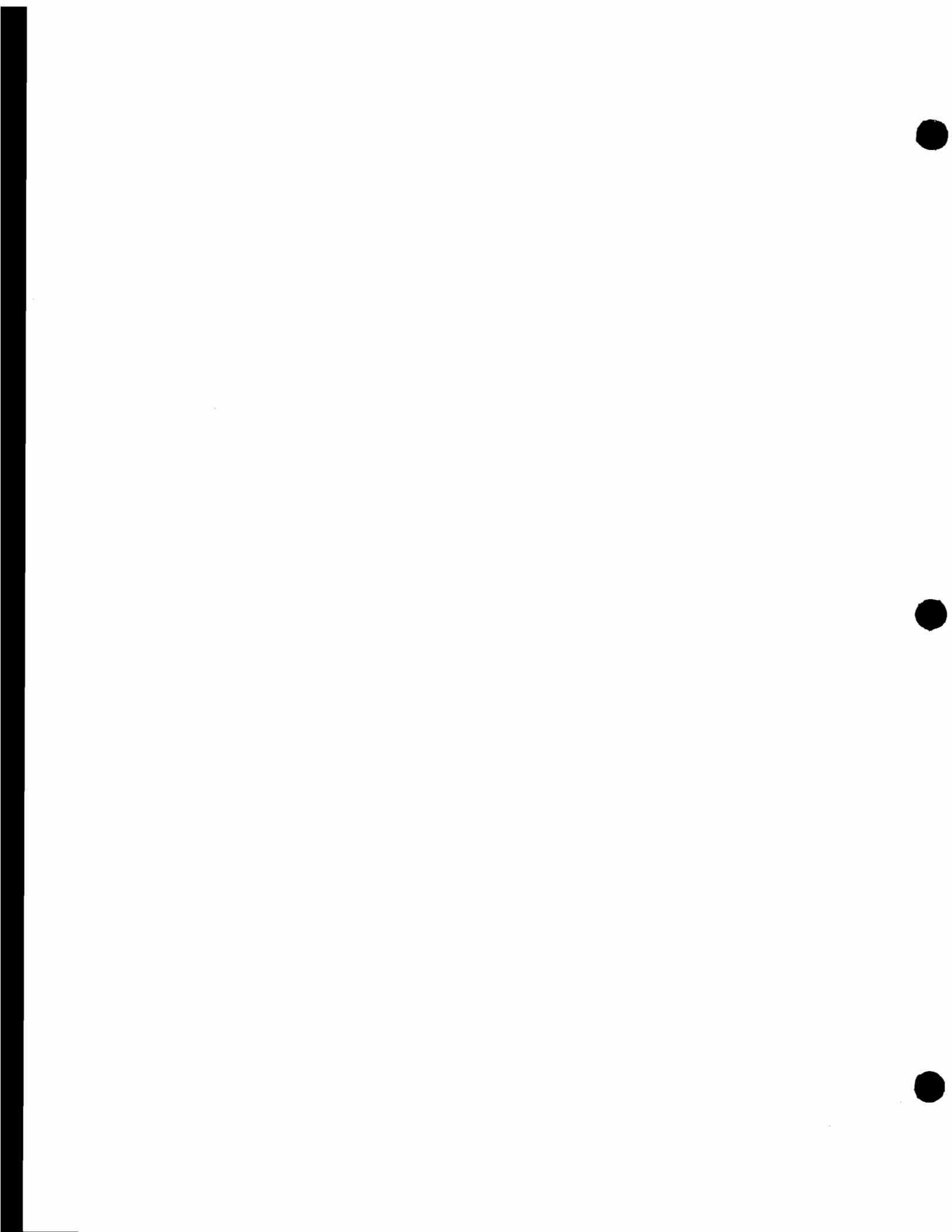
5 MS. FLEMING: Thank you.

6 CHAIRMAN VOWELS: All right. Thank
7 you. And then, we're back to Mrs. Brodnan for
8 disciplinary action.

9 MS. BRODNAN: The first disciplinary
10 action is involving Horseshoe. Pursuant to gaming
11 regulations, riverboat licensees are to have
12 approved policies and procedures to safeguard
13 assets. All operations must be conducted in
14 accordance with these approved procedures.

15 Horseshoe submitted and seeked [sic] approval
16 for a procedure regarding paid-in and paid-out
17 jackpot slips. This procedure was to be followed in
18 a variety of situations, including guest dispute
19 appeasement. The slips would describe the type of
20 transaction and which would -- summarized and
21 then be shipped.

22 In January of this year, Horseshoe discovered
23 that payments for guest appeasement were being --
24 were over budget. It was later discovered that a
25 slot employee had been creating fraudulent slips to



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1 settle slot disputes and malfunctions for the
2 purpose of guest appeasement. The employee
3 created the slips, obtained the money from the
4 cage, and retained it for himself instead of paying
5 it to the patron as contemplated by the approved
6 procedures. The employee admitted to numerous
7 thefts and forgeries over a period of several
8 months, totaling a confirmed loss to the casino of
9 approximately \$29,000. The employee was
10 following prescribed procedures for paid-out slips
11 for guest appeasement. However, Commission
12 staff finds it questionable that the shown slips that
13 were completed in this manner were properly
14 classified as guest appeasement. The procedures
15 that were being followed did not properly secure
16 the casino's assets.

17 Since the discovery of the thefts, Horseshoe
18 has implemented new procedures regarding paid-
19 out slips for guest appeasement and the
20 classification of the transactions, and its
21 procedures have been reviewed and approved by
22 Commission staff.

23 Commission staff and Horseshoe agree that
24 sanction be imposed. Commission staff
25 recommends that Horseshoe will agree to pay a fine



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1 in the amount of \$9,500. A settlement agreement
2 has been executed. Commission staff recommends
3 that you approve the terms of that agreement.

4 CHAIRMAN VOWELS: Any questions for
5 Ms. Brodnan?

6 COMMISSIONERS: [no response]

7 CHAIRMAN VOWELS: Is there a motion to
8 approve or disapprove this -- the terms of the
9 settlement agreement?

10 COMMISSIONER GETTELFINGER: Move
11 to approve.

12 CHAIRMAN VOWELS: Is there a second?

13 COMMISSIONER ROSE: Second.

14 CHAIRMAN VOWELS: Any further
15 discussion?

16 COMMISSIONERS: [no response]

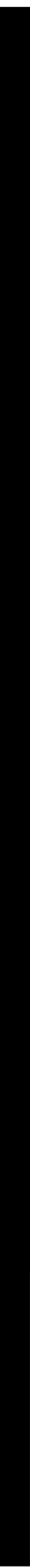
17 CHAIRMAN VOWELS: All those in favor
18 say "Aye."

19 COMMISSIONERS: Aye

20 CHAIRMAN VOWELS: Show it is
21 approved.

22 [WHEREUPON, the Settlement Agreement with
23 Horseshoe concerning disciplinary action is
24 approved.]

25 CHAIRMAN VOWELS: And then, Ms.



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1 Brodnan, on your next matter?

2 MS. BRODNAN: The second disciplinary
3 action involves Casino Aztar. Pursuant to Indiana
4 law and gaming regulations, a person under the age
5 of 21 shall not be present on a riverboat.

6 On or about July 5th, 2003, a 14-year-old
7 boarded Casino Aztar without being asked for
8 identification. Aztar personnel became aware of
9 the minor's presence approximately 30 minutes
10 later and subsequently escorted him from the
11 vessel.

12 The Commission staff and Aztar agree that
13 sanction be imposed. The Commission staff
14 recommended and Aztar fully agreed to pay a fine
15 in the amount of \$3,000. A settlement agreement
16 has been executed. The Commission staff
17 recommends that you approve the terms of that
18 agreement.

19 CHAIRMAN VOWELS: Did you ever see
20 anything or hear anything about what the 14-year-
21 old looked like? Was it obviously a 14-year-old
22 person, or just one of those homegrown people that
23 we have down in Evansville?.

24 MS. BRODNAN: I just watched the video,
25 and he was young-looking, but they just didn't card



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1 him.

2 CHAIRMAN VOWELS: Okay. Any

3 questions?

4 COMMISSIONERS: [no response]

5 CHAIRMAN VOWELS: Is there a motion to
6 approve or disapprove the -- the settlement
7 agreement?

8 COMMISSIONER NDUKWU: Move to
9 approve.

10 CHAIRMAN VOWELS: Is there a second?

11 COMMISSIONER MILCAREK: Second.

12 CHAIRMAN VOWELS: All those -- any
13 further discussion?

14 COMMISSIONERS: [no response]

15 CHAIRMAN VOWELS: All those in favor
16 say "Aye."

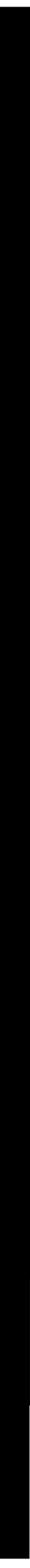
17 COMMISSIONERS: Aye

18 CHAIRMAN VOWELS: Show it is
19 approved.

20 [WHEREUPON, the Settlement Agreement with
21 Aztar concerning disciplinary action is
22 approved.]

23 CHAIRMAN VOWELS: And then,
24 Belterra's the next item there.

25 MS. BRODNAN: Yes. On or about June



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1 29th, 2003, a 20-year-old boarded Belterra without
2 being asked for identification. The minor was later
3 approached on the boat by a security officer who
4 asked for identification, and she revealed that she
5 was only 20 years old.

6 Commission staff and Belterra agree that
7 sanction be imposed. The Commission staff
8 recommends and Belterra agrees to pay a fine in
9 the amount of \$1,500. A settlement agreement has
10 been executed. The Commission staff recommends
11 that you approve the terms of the agreement.

12 CHAIRMAN VOWELS: The -- the -- what
13 we've done in the past, the \$1,500 fine on these
14 things; and that's why it was \$3,000 on that last
15 one; right?

16 MS. BRODNAN: Right. Aztar had one
17 that we did at the last meeting.

18 CHAIRMAN VOWELS: Okay.

19 MS. BRODNAN: That's \$1,500.

20 CHAIRMAN VOWELS: So this -- this one
21 is the norm and that last one was the one that was
22 upped?

23 MS. BRODNAN: Right.

24 CHAIRMAN VOWELS: Any questions for
25 Ms. Brodnan?



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1 COMMISSIONERS: [no response]

2 CHAIRMAN VOWELS: Is there a motion to
3 approve or disapprove the settlement agreement?

4 COMMISSIONER NDUKWU: I move to
5 approve the agreement.

6 CHAIRMAN VOWELS: Is there a second?

7 COMMISSIONER MILCAREK: Second.

8 CHAIRMAN VOWELS: Any further
9 discussion?

10 COMMISSIONERS: [no response]

11 CHAIRMAN VOWELS: All those in favor
12 say "Aye."

13 COMMISSIONERS: Aye

14 CHAIRMAN VOWELS: Show it is
15 approved.

16 [WHEREUPON, the Settlement Agreement with
17 Belterra concerning disciplinary action is
18 approved.]

19 CHAIRMAN VOWELS: The next matter on
20 the agenda, then, is with Ms. Brodnan -- the MBE
21 and WBE? You just like to walk back and forth,
22 don't you?

23 MS. BRODNAN: Yes. Belterra is here
24 pursuant to their obligation to appear at all live
25 meetings. They have submitted their monthly



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1 progress report to you, which, I believe, you
2 received in your packets. And I don't really have
3 anything else to report on that. But I know they
4 are here and they have agreed to answer any
5 questions.

6 CHAIRMAN VOWELS: Okay. Why don't
7 we have a representative come on up and . . .

8 MR. GIFFORD: Mr. Chairman.

9 CHAIRMAN VOWELS: I received my
10 packet at home a few days ago, but mine is . . .
11 [WHEREUPON, an off the record discussion is
12 held.]

13 CHAIRMAN VOWELS: Are there any
14 questions to the people in front of us about this --

15 COMMISSIONER GETTELFINGER: You --

16 CHAIRMAN VOWELS: -- this report? Go
17 ahead.

18 COMMISSIONER GETTELFINGER: Where
19 are the -- you have this development task force.
20 Where are you meeting; where are these meetings
21 being held?

22 MR. GIFFORD: The MBE -- is this the --
23 the MBE task force --

24 COMMISSIONER GETTELFINGER:
25 [interrupts] Yes. Yes.



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1 MR. GIFFORD: July 16, August 21.
2 Those meetings are held at Belterra. I participate
3 by telephone most times. Sometimes I am on
4 property.

5 COMMISSIONER GETTELFINGER: Okay.
6 And then, I note that you have two vacancies on
7 your fund advisory committee. What is being done
8 to fill those vacancies?

9 MR. GIFFORD: We've had several
10 conversations with several legislators. The way
11 the action plan is laid out, those two positions are
12 the resignations of former Representatives
13 Crawford and Harris. And those positions need to
14 be filled by -- with -- by legislators. And so, we've
15 been having conversations with several legislators
16 that have interest in coming on to the committee;
17 hoped to have had some of that resolved, but --
18 summertime being a little bit more challenging of
19 getting good people on the line.

20 We have a quorum, still, of the advisory
21 committee, so we're able to continue our meetings
22 and consider -- to continue the consideration of
23 requests, so that process has continued as we've
24 received applications from new entities. Phil
25 Joiner, who is our outside consultant and assisting



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1 us with this, is conducting the due diligence on
2 those requests. And so, the activities of the
3 committee have moved forward even though we
4 have those two vacancies at present.

5 COMMISSIONER GETTELFINGER: Do you
6 have an idea of when you might be able to get back
7 to a full committee?

8 MR. GIFFORD: I'm hopeful that by the
9 middle or end of next month --

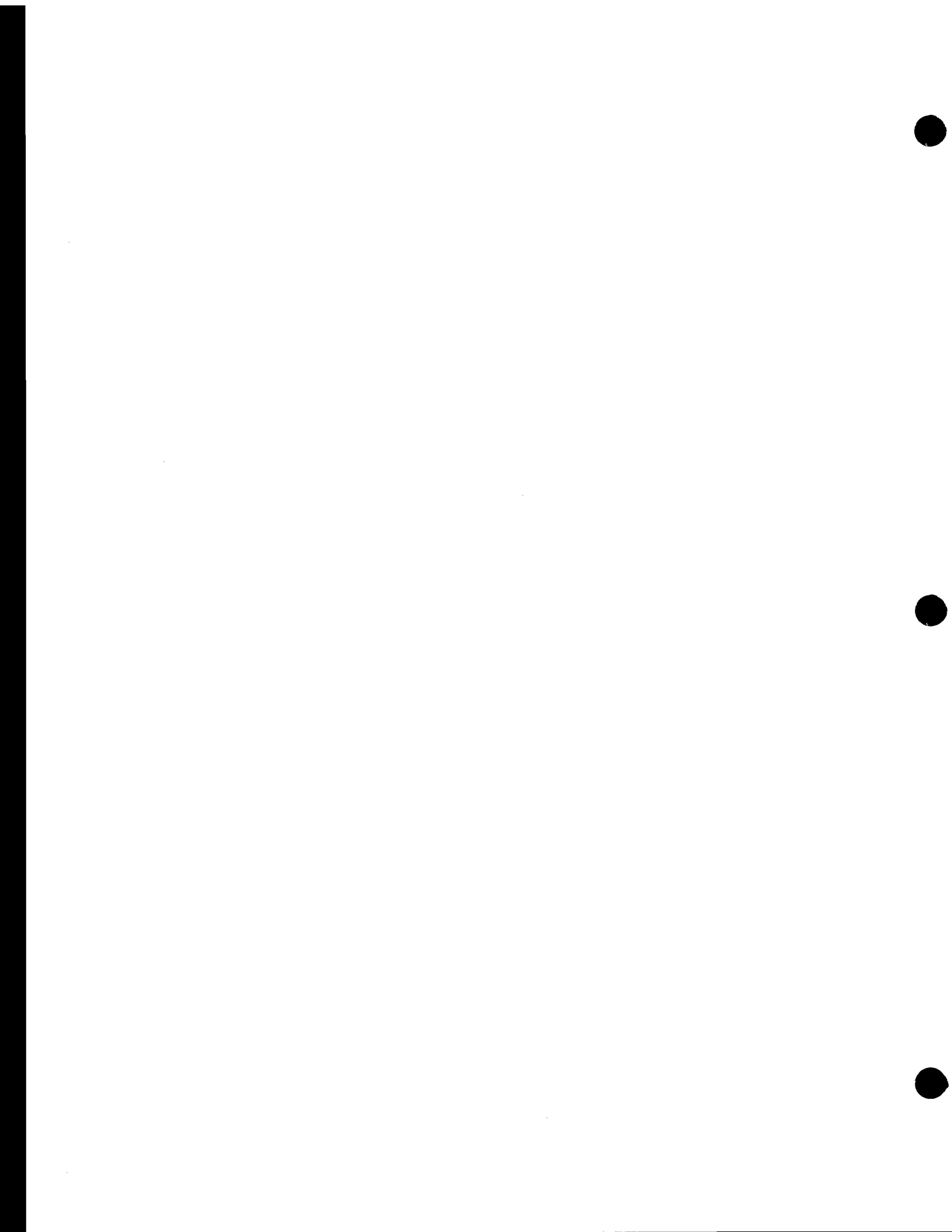
10 COMMISSIONER GETTELFINGER: Thank
11 you.

12 MR. GIFFORD: -- the time line. Folks
13 have indicated twice . . .

14 COMMISSIONER GETTELFINGER: Thank
15 you.

16 MR. GIFFORD: If I might just update my
17 numbers: What you have in your report might have
18 been through the end of July. Our year-to-date
19 totals to date at the end of August: MBE purchases
20 at 22.36 percent, WBE purchases at 7.48 percent.

21 And there's one other note I might make as to
22 the advisory committee. We told you last time we
23 approved two proposals, a combination of loans
24 and grants. And after considering -- there have
25 been some questions raised -- we've actually



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1 decided to make those grants now as opposed to a
2 combination of loans and grants. And we're in the
3 process now of disbursing those grants. And we
4 will do that on a periodic basis as the grant
5 recipients make the expenditures that are part of
6 the approved materials, et cetera. As they make
7 those expenditures, we will grant them and
8 disburse those. And that gives us some volume
9 control and will help us reach the standing.

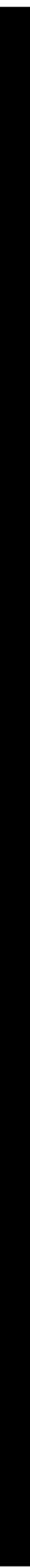
10 CHAIRMAN VOWELS: Okay. Any other
11 questions?

12 COMMISSIONERS: [no response]

13 CHAIRMAN VOWELS: All right.

14 MR. GIFFORD: Mr. Chairman, one other
15 point. It's my understanding that there may be
16 others to speak on a specific matter that's in
17 litigation, and if it's appropriate for us to speak to
18 that issue now, that's fine. If you'd rather have me
19 speak to that after --

20 CHAIRMAN VOWELS: [interrupts] Why
21 don't we -- why don't we -- I have a notation that
22 Maddie McCormick would like to address the
23 Commission for 5 minutes, and we'll hear what that
24 person has to say. And if you feel it necessary to
25 give us your response, you can. So, if you just



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1 want to, have a seat.

2 Maddie McCormick? Excuse me.

3 MS. MCCORMICK: Good morning,
4 Commissioners, and thank you. I am Maddie
5 McCormick, president of the corn group and
6 publicist and communications director for TJ
7 Foods.

8 At the last communications -- Commissioners'
9 meeting, Belterra made a presentation indicating
10 growth in its minority participation numbers. In
11 support of this growth, two minority vendors were
12 introduced and one was referenced. It is on behalf
13 of this reference to TJ Foods that I have been
14 asked to speak today.

15 From our perspective and that of others, it is a
16 dramatic story that maligns the Belterra minority
17 participation numbers that are presented. What is
18 quite contrary to the numbers presented and
19 clearly to the intents of the legislation designed to
20 promote minority business inclusion in Indiana's
21 gaming industry.

22 In summary, TJ Foods entered into a
23 contractual agreement with Belterra. Belterra
24 then, through a series of behaviors, moved away
25 from that agreement, did not provide complete



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1 information to fulfill the agreement, and requested
2 TJ's to move from their established client, US
3 Foods, which began with them and nurtured them,
4 to Sysco. The end result of these activities -- a
5 series of inferences became relevant to TJ's
6 business performance and capabilities, all totally
7 unfounded based on performance. And what makes
8 this all the more tragic is that it's not merely TJ's
9 issue, but their own minority business has been
10 treated in the same pattern of behavior that we find
11 very alarming and wanted to bring to your
12 attention; contractual or verbal agreements not
13 honored, agreements changed midstream, attacks
14 on business performance, and then simple
15 dismissal.

16 My business, the communication business, is
17 totally different from food distribution, and I've
18 had the exact same experience with Belterra.
19 Certainly, the intent of the state's legislation was
20 not to allow casin -- casinos the right to facilitate
21 negative information and penalize us for the
22 business.

23 There -- there must be underlying common
24 sense applied here for all Hoosiers that says
25 utilizing some businesses at the expense of others,



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1 or forcing businesses to lose money, indicates a
2 problem of flawed behavior and verbal intent. Is
3 this the pattern of behavior that this Commission
4 supports? Minority businesses in the State of
5 Indiana certainly, of which I am one for the past 16
6 years -- we appreciate the opportunity of working
7 for our -- many of us that are in the trenches for
8 quite a long time.

9 We ask that you look beyond the numbers that
10 are faithfully presented to you. The underside of
11 this Belterra story is not one that represents this
12 Commission or the State of Indiana well. As
13 businesspersons, our business interests are vested
14 in your continued vigilance. Thank you.

15 CHAIRMAN VOWELS: Thank you. Mr.
16 Gifford, anything you'd like to add?

17 MR. GIFFORD: Mr. Chairman, I find Ms.
18 McCormick's comments not only to be terribly
19 incorrect and unfair but to be outrageous to
20 suggest that there is anything -- as she put it, that
21 there is an "underside" to the story here. There
22 was a contract between TJ Foods and Belterra for
23 the provision of food products. There's no dispute
24 about that. Under that contract, Belterra agreed
25 that it would purchase approximately 60 percent of



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1 its food product from TJ's. TJ's has an obligation
2 under that contract to make the product available.
3 And what has happened over the course of the
4 relationship is that there have been issues about
5 product availability and price competitiveness of
6 that product.

7 TJ's filed a federal lawsuit against Belterra
8 some months ago, and this matter is now in
9 litigation. We've had pretrial conferences with the
10 court. And we think that it's quite clear that if this
11 thing goes to trial, the evidence will demonstrate a
12 very different story from what you've heard here
13 about TJ's. We think that the actions that Belterra
14 has taken under the contract are appropriate.
15 However, we hope it doesn't get to that. We've had
16 informal conversations with TJ's counsel from the
17 time they filed the lawsuit. We voluntarily
18 provided information. We've been in discussions
19 seeing if we could resolve that issue. And we're
20 hopeful; and, I think, if the parties are reasonable,
21 that we can work out an appropriate resolution of
22 that.

23 I think it's important to know that at the
24 pretrial conference TJ's simply told the judge it
25 didn't want to do business anymore because we



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1 [phonetic] were seeking to bar some of the images.
2 And we obviously decided we have very different
3 views about both the -- TJ's -- Belterra's liability
4 under the contract. As far as any damages, it
5 might be minimal.

6 I'm not going to, here in this public forum,
7 address Ms. McCormick's allegations about the
8 business relationship she had with Belterra. I
9 would be happy to provide information to the staff
10 about that relationship; and in turn, that
11 information could be provided to the Commission.
12 It was a contract for some direct mail. It was
13 actually a matter that was discussed with the
14 previous Executive Director, I believe, about a year
15 ago or so. And so, I would be happy to provide
16 that information, but in sum . . .

17 One other point about the food -- purchase of
18 food products. This year, year-to-date, Belterra
19 has purchased 83 percent of its food products from
20 MBEs and WBEs. From January 2000 to date,
21 August 31st -- and I say "January 2000" because
22 that's the date that the action plan went into
23 effective at Belterra -- they purchased 67 percent
24 of all food products from MBEs and WBEs. I
25 introduced at our last -- at the last Commission



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1 meeting, several of our minority vendors with whom
2 Belterra has a wonderful relationship. And if those
3 individuals were here today, I'm sure that they
4 would speak to that. Belterra has done everything
5 that it is supposed to do relative to the statutory
6 laws and more. It has addressed the concerns that
7 this Commission raised appropriately back in late
8 2001, has implemented the action plan, has
9 exceeded all of the requirements under the action
10 plan, and remains committed to doing business with
11 minority-owned businesses and women-owned
12 businesses in the state. And allegations and
13 statements to the contrary are simply incorrect.

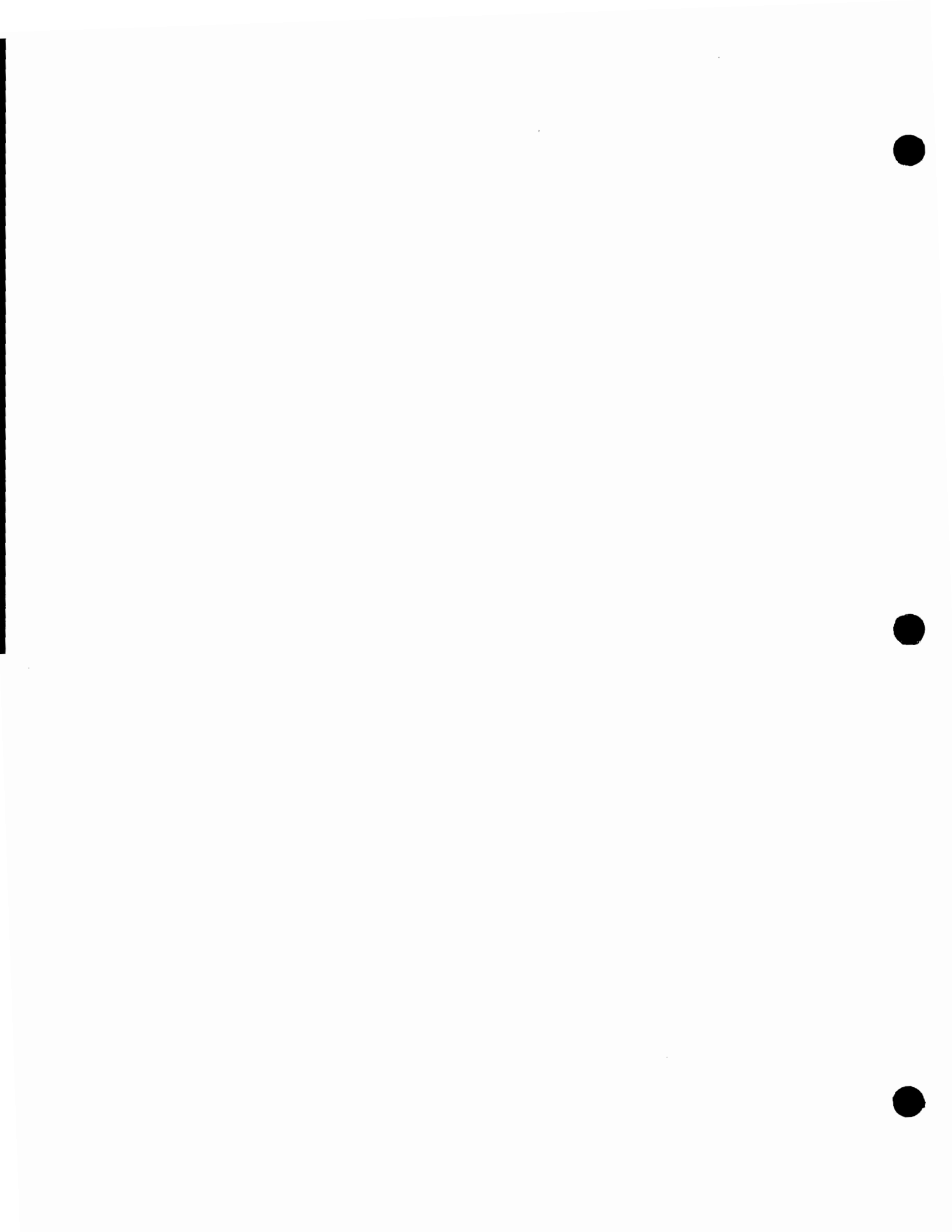
14 CHAIRMAN VOWELS: Any questions for
15 anyone who's addressing us here?

16 COMMISSIONER ROSE: I have a question
17 for Mr. Gifford. Mr. Gifford, has Belterra been
18 sued by any other minority vendor in Indiana?

19 MR. GIFFORD: No.

20 COMMISSIONER ROSE: Has Belterra
21 entered into any other settlement agreement in
22 exchange for not being sued by a minority vendor?

23 MR. GIFFORD: No. We have had no
24 disputes with any other vendor, minority or
25 otherwise.



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1 CHAIRMAN VOWELS: Anything further?

2 COMMISSIONERS: [no response]

3 CHAIRMAN VOWELS: All right. I'm
4 gonna let the Board sort that one.

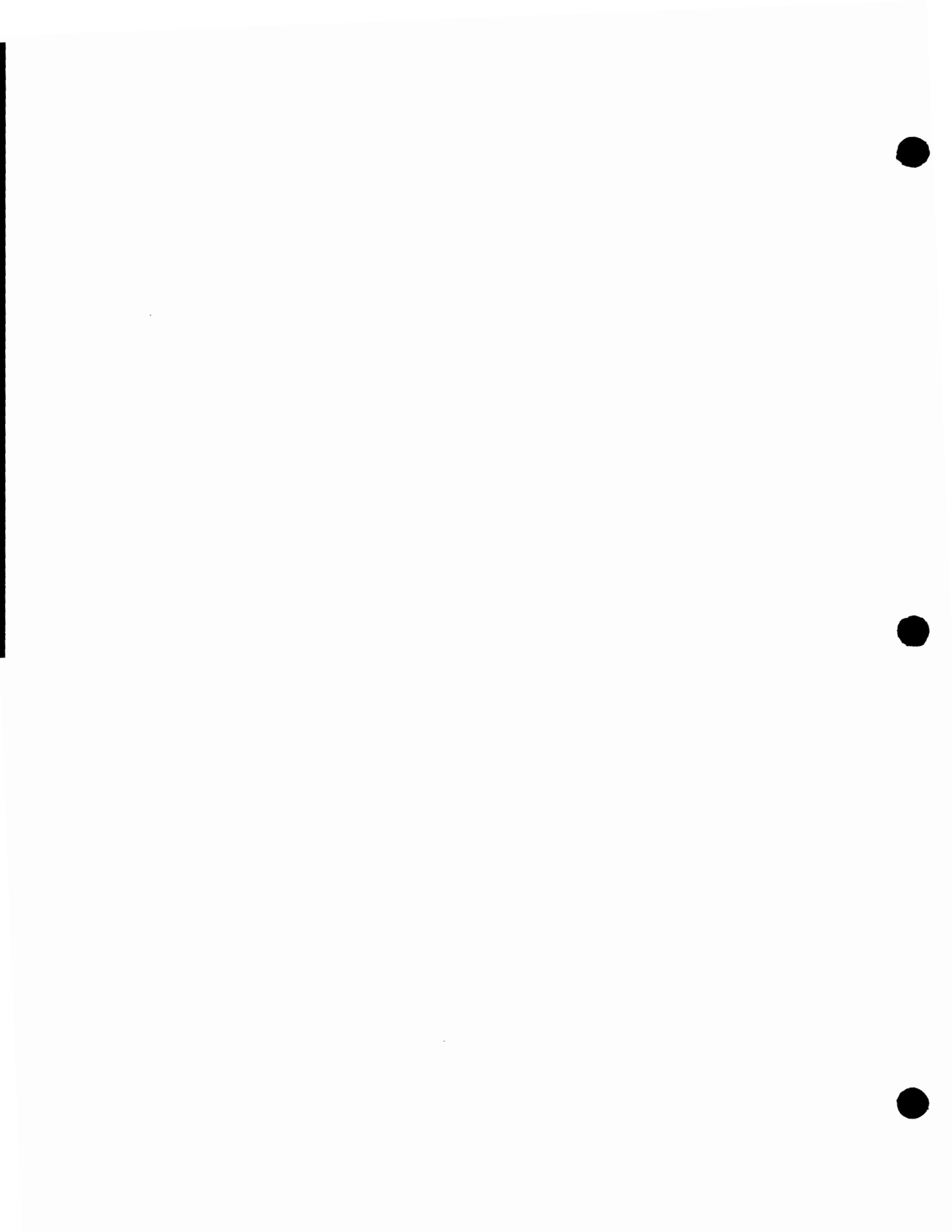
5 The next matter on the agenda -- we're gonna
6 take a break here, and I'll tell you all about that in
7 a second -- will be the Pinnacle settlement
8 agreement.

9 Let's take a -- why don't we call it a 10-minute
10 break? It's 20 till the hour; and so, at 10 till the
11 hour, we'll pretend that we'll all be sitting here.
12 So, a 10-minute break, and we'll take that last
13 matter on the agenda: the Pinnacle settlement
14 agreement.

15 [WHEREUPON, a brief recess is taken.]

16 CHAIRMAN VOWELS: All right. We'll go
17 ahead and call the meeting back to order. It's --
18 it's noon now. And the next matter on the agenda
19 is the Pinnacle settlement agreement, and we'll
20 turn to Mr. Lawrence for that.

21 MR. LAWRENCE: Thank you, Mr.
22 Chairman. Late last year or early this year was
23 a -- a shareholders' derivative suit filed against
24 Pinnacle in California. The suit was William C.
25 Kelsey versus R. D. Hubbard, et al. and Pinnacle



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1 Entertainment, Incorporated. During this -- the
2 beginning of this year, there had been apparent
3 discussions among the parties relative to a
4 settlement of that derivative suit. You have been
5 given confidential documents previously in your
6 packets, and -- as I advised, was discussed in the
7 executive session. What you have before you,
8 Pinnacle and the other parties have submitted to
9 the Indiana Gaming Commission the settlement
10 document entered into for your review and
11 consideration.

12 CHAIRMAN VOWELS: All right. Are there
13 any questions for Mr. Lawrence?

14 COMMISSIONERS: [no response]

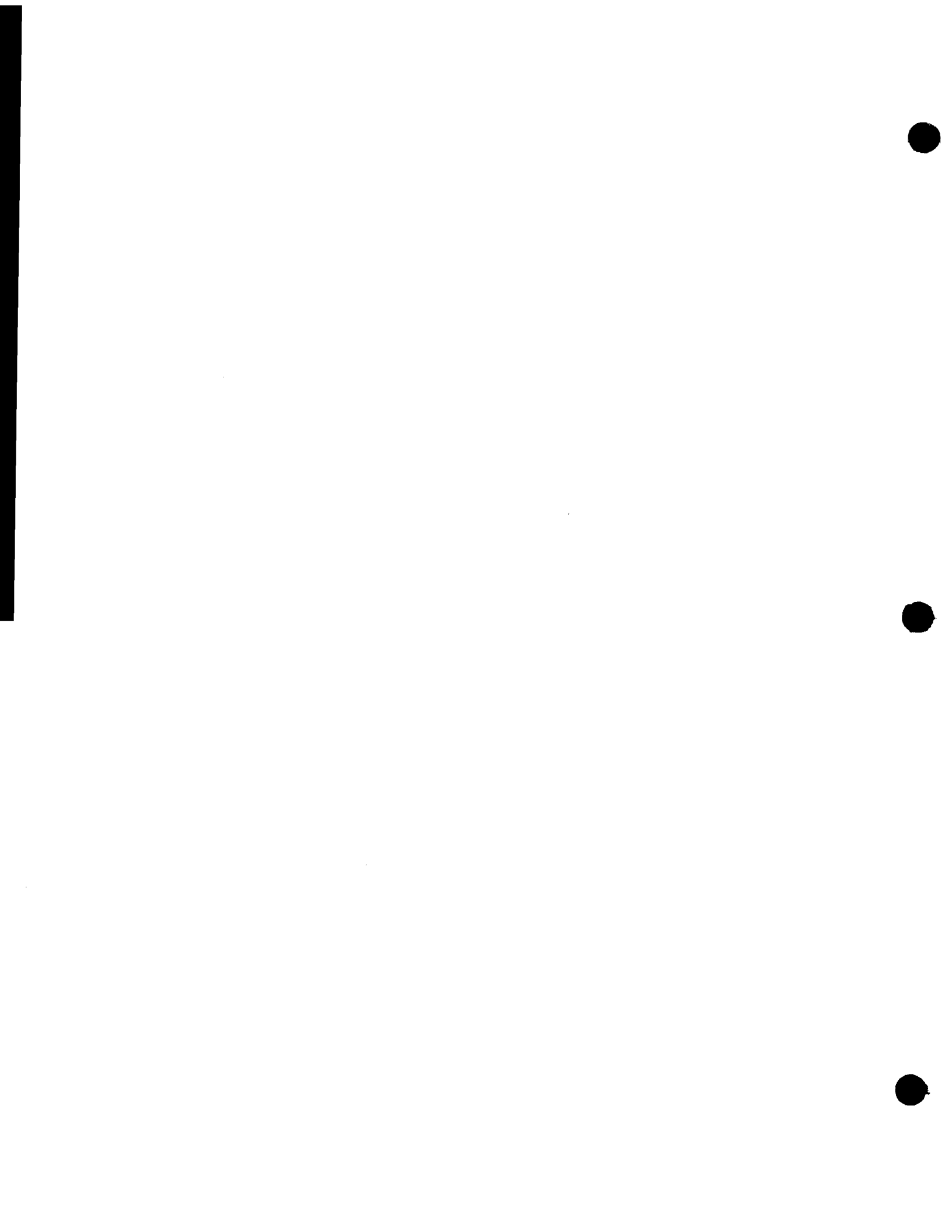
15 CHAIRMAN VOWELS: Mr. Gifford, you're
16 here. I suspect you'd like to tell us about this.

17 MR. GIFFORD: Thank you, Mr. Chairman.
18 This is not loud. How's this?

19 COMMISSIONER ROSE: Much better.

20 CHAIRMAN VOWELS: Thank you.

21 MR. GIFFORD: If I might start, I'd like to
22 start by introducing a couple of people who are
23 here with us today who were very much involved in
24 the litigation and settlement of these derivative
25 actions against the company.



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1 Next to me on my left is David Battaglia.
2 David is a lawyer and partner at Gibson, Dunn &
3 Crutcher, located in Los Angeles. David has been
4 in practice since 1987 and specializes with
5 extensive experience in commercial and derivative
6 litigation. David is admitted to practice in
7 California and in the District of Columbia.

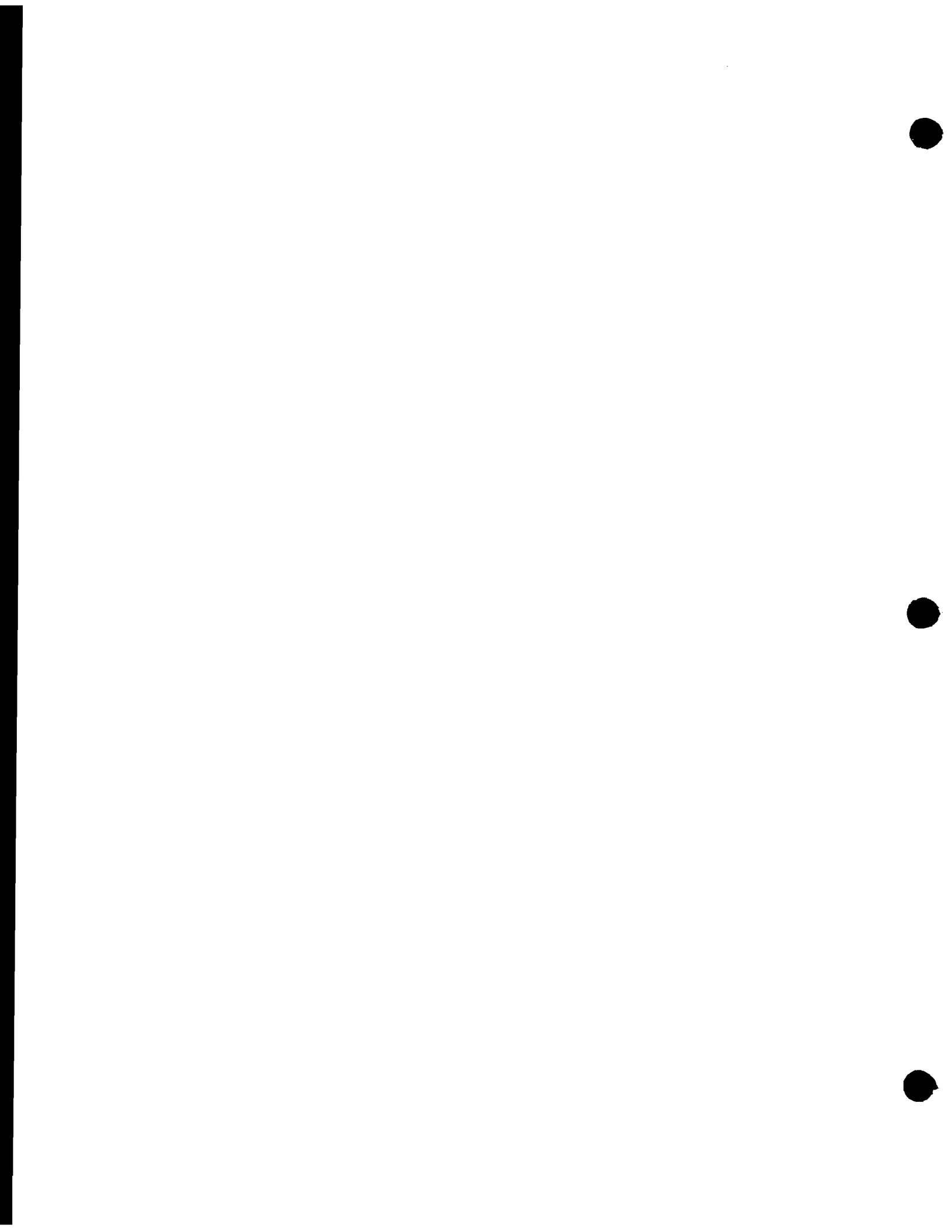
8 And to the extent appropriate, when
9 necessary, Mr. Chairman, I'd like to move for
10 approval of having him appear before the
11 Commission this morning.

12 CHAIRMAN VOWELS: All right. Is there
13 any problem with that -- letting him appear before
14 the Commission in this matter?

15 COMMISSIONERS: [no response]

16 CHAIRMAN VOWELS: That's fine.

17 MR. GIFFORD: Thank you. At this time,
18 Mr. Chairman, I'd also like to introduce Mr. John
19 Giovenco, who is in the second row behind me. Mr.
20 Giovenco became a member of the Pinnacle Board
21 of Directors in February of this year. He was a key
22 member of the Special Committee appointed by the
23 Board to handle the derivative action, and Mr.
24 Battaglia can speak more to that. Mr. Giovenco
25 has a very long and distinguished career in the

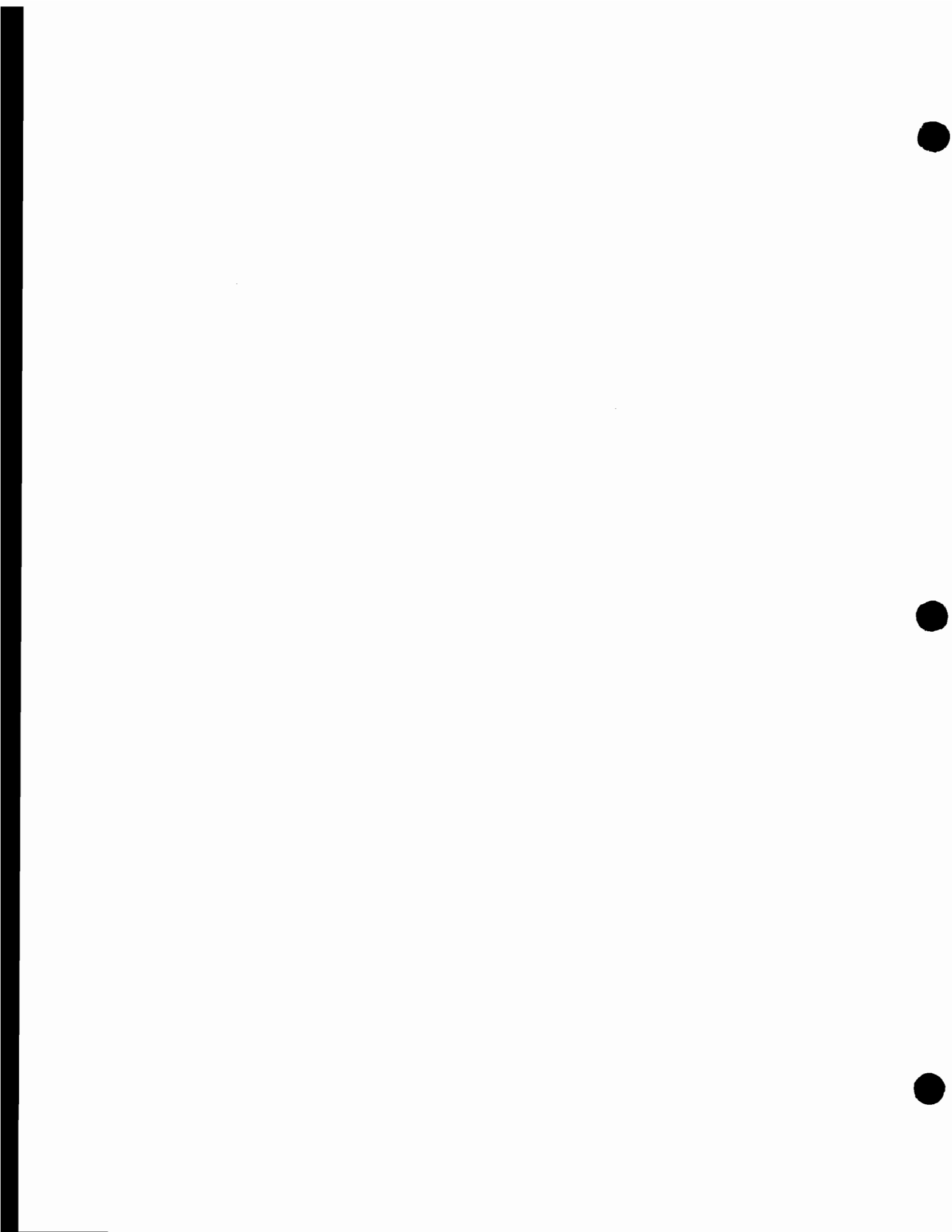


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1 gaming industry and in the financial industry. He
2 served in a variety of capacities with Hilton Hotels
3 and Hilton Gaming, serving as President of Hilton
4 Gaming from 1985 to 1993. I believe, at the time,
5 Hilton may have been the largest gaming company
6 in the country at that point. He served for many
7 years on Hilton's Board and also served as a
8 director for 14 years on the Board of Directors of
9 Great Western Financial Corporation, where, among
10 other things, he chaired the audit committee. So,
11 if appropriate, Mr. Giovenco will be available to
12 receive questions and answer questions today as
13 well.

14 Finally, I would like to acknowledge and
15 introduce Dan Lee, who's the CEO of Pinnacle,
16 whom I believe you know. Also sitting in the
17 second row is Jack Godfrey, the General Counsel
18 of Pinnacle. And each one of them is available to
19 answer questions, as may be the case.

20 Not knowing exactly how much detail will
21 exactly -- like I said, you as the Chairman, I might
22 turn this over to Mr. Battaglia for a brief summary
23 of the -- the derivative litigation itself, the
24 settlement, and then begin a discussion of the
25 benefits of the settlement within the limits stated.



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1 CHAIRMAN VOWELS: That's fine. Maybe
2 if we could make sure the Court Reporter has all
3 the names of people that you mentioned.

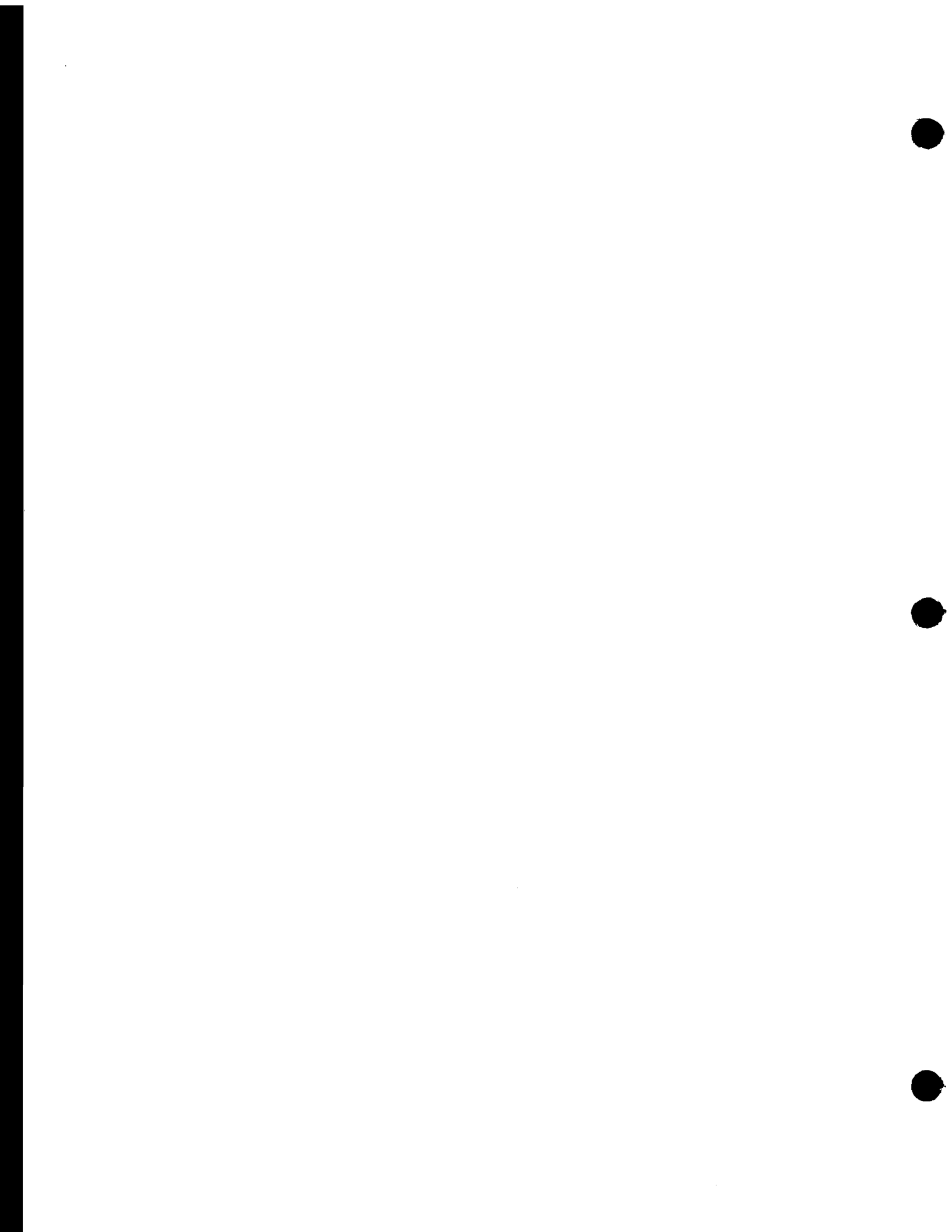
4 MR. GIFFORD: Yes, sir.

5 CHAIRMAN VOWELS: Thank you.

6 MR. BATTAGLIA: Good morning. It's a
7 pleasure to be here. I'm David Battaglia with the
8 law firm of Gibson, Dunn & Crutcher. We are
9 independent counsel to the Special Committee of
10 the Board of Directors, which was vested with
11 authority over the shareholder derivative litigation,
12 and we have significant experience in handling
13 derivative-securities actions throughout the
14 country.

15 A derivative litigation was filed in Los Angeles
16 Superior Court in December 2002. It was brought
17 by the Plaintiff, William Kelsey, on behalf of all of
18 the shareholders of Pinnacle against Mr. Hubbard,
19 Mr. Alanais, and others. And it sought to recover
20 for the company the costs associated with the
21 situation and events involving the -- the Belterra.

22 As required by law, the Board promptly
23 appointed a Special Committee to investigate and
24 address the lawsuit. The Special Committee was
25 vested with complete authority to act in the best



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1 interests of the shareholders. As constituted, the
2 Special Committee had two members, Mr. Giovenco,
3 who is here, and Ms. Reiss, both of whom became
4 members of the Board long after any of the events
5 in question and after the prior settlement with the
6 Commission, and had no prior connections to
7 Pinnacle.

8 Mr. Hubbard, Mr. Alanais, and the Special
9 Committee first proceeded to hire independent
10 counsel to assist them. We previously had not
11 represented Pinnacle or any members of its Board,
12 and never represent Pinnacle and its predecessor
13 during the Hubbard era. And we have not
14 represented Mr. Hubbard or Mr. Alanais either.

15 We conducted an extensive mediation
16 proceeding heard over 2 months before a Los
17 Angeles Superior Court retired judge. He, in turn,
18 helped negotiate a settlement. The negotiations
19 pitted the Special Committee and the Plaintiff and
20 his attorneys on one hand against Mr. Hubbard and
21 the insurer for the Directors and their officers on
22 the other hand. And with the assistance of the
23 mediator, we were able to reach a resolution that
24 we believe is in the best interests of the
25 shareholders of the company and present that



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1 resolution to the Los Angeles Superior Court for its
2 approval and review. It has addressed that, found
3 the settlement to be fair, reasonable, and adequate
4 with regard to the -- protecting the interests of the
5 shareholders of the company. And that settlement
6 agreement is subject to any necessary regulatory
7 approvals which need to be obtained; and,
8 therefore, we are here today to determine whether
9 such approval is necessary to obtain if -- if you
10 deem it appropriate.

11 CHAIRMAN VOWELS: Any questions?

12 COMMISSIONERS: [no response]

13 CHAIRMAN VOWELS: All right. Mr.

14 Gifford, anything else before the Commissioners --
15 they want -- you have scheduled it?

16 MR. GIFFORD: Perhaps it's best if we
17 just respond to any questions or -- or issues that
18 the Commissioners have at this point. Of course,
19 we have provided additional information that you
20 might need, and we know that you have been
21 provided extensive information from Pinnacle. We
22 understand that Mr. Hubbard's counsel has
23 separately provided you information because he
24 has made a separate request to you. So, I think,
25 perhaps, at this point, rather than presenting other



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1 information, we'll just respond to questions or
2 comments the Commissioners have.

3 CHAIRMAN VOWELS: All right. We have
4 received information from the parties. Some of the
5 documents that we have are confidential, but we
6 have had those documents. And the Commissioners
7 have reviewed those.

8 Anyone in particular have any thoughts here?

9 COMMISSIONER ROSE: When did that
10 mediation take place?

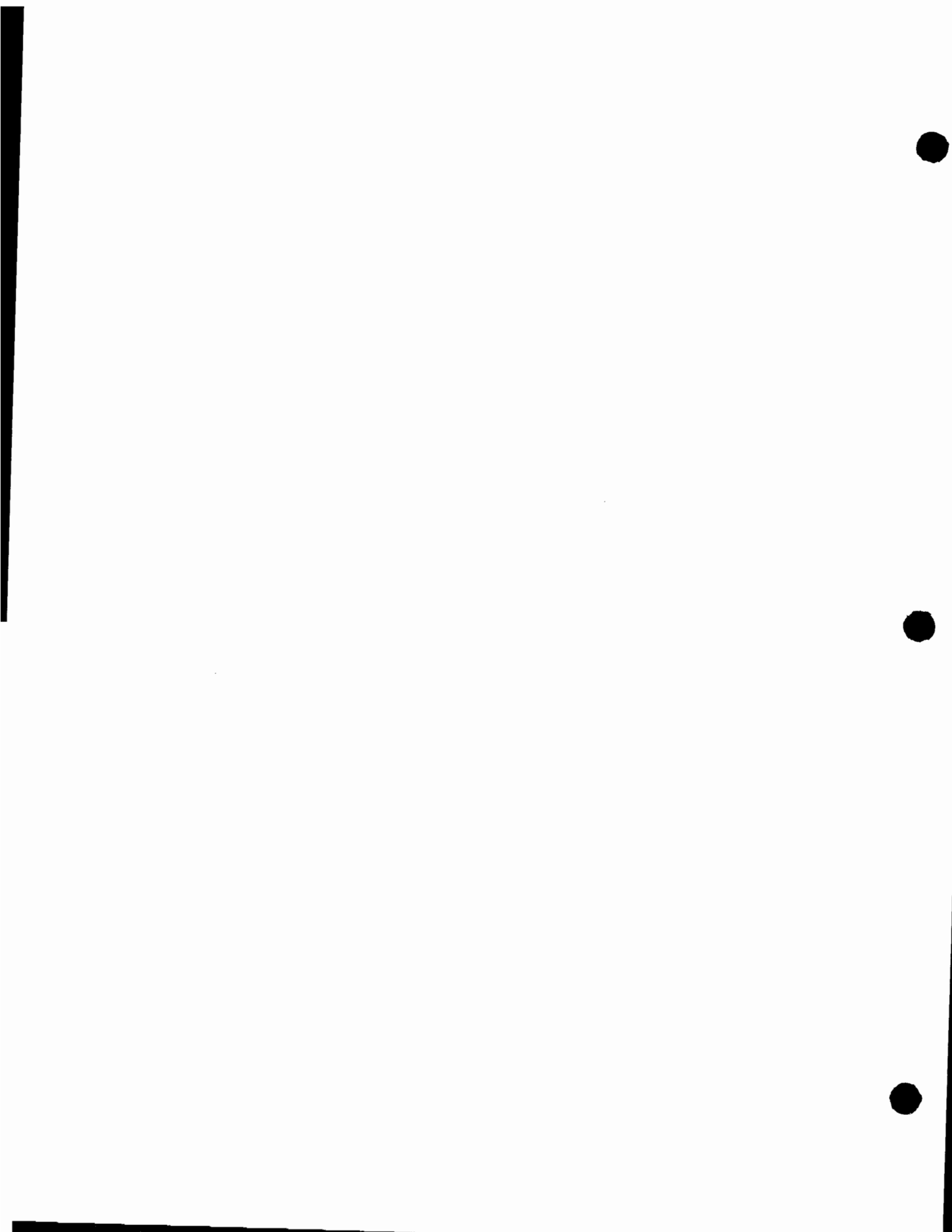
11 MR. BATTAGLIA: Mediation took place
12 over -- it began, I believe, in May and lasted until
13 the end of June, beginning of July.

14 COMMISSIONER ROSE: And a -- and a
15 lawsuit was filed in December of 2002; is that
16 right?

17 MR. BATTAGLIA: It was.

18 COMMISSIONER ROSE: And, so, did the
19 parties engage in discovery from January through
20 May, or were things just -- did you just try to settle
21 right away?

22 MR. BATTAGLIA: The lawsuit was not
23 served until February upon the company, at which
24 point the Special Committee was appointed, and it
25 conducted an investigation. The Special



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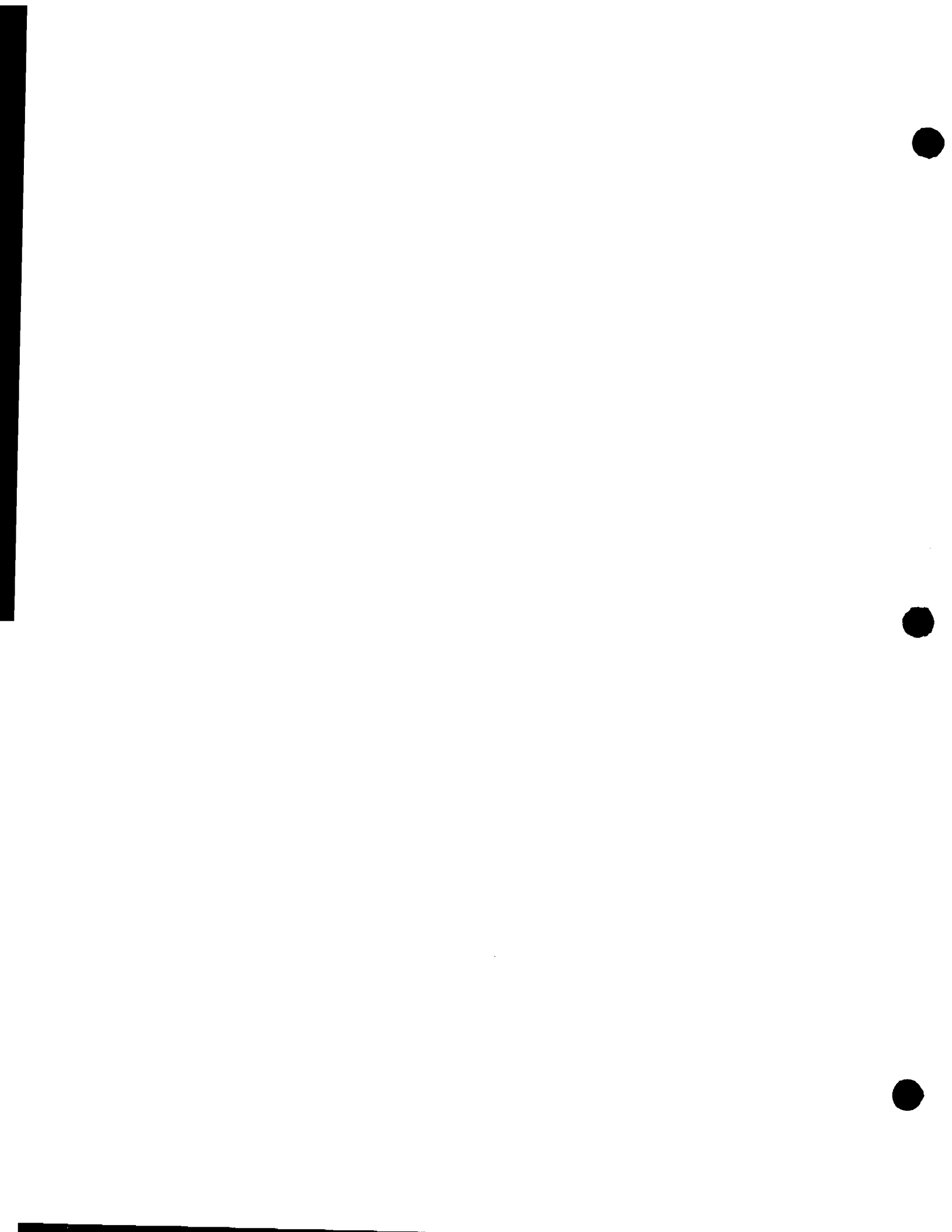
1 Committee members and counsel were not familiar
2 with these events, and therefore reviewed the
3 Indiana materials from the prior proceedings here
4 and familiarized themselves with the circumstances
5 such that they, then, made a determination that it
6 was in the best interests of all concerned to see if
7 a possible resolution could be negotiated. There
8 were stays put in place by the Los Angeles
9 Superior Court pending both the investigation and
10 the subsequent negotiation of the events to
11 determine whether or not, with the assistance of
12 this mediator, a resolution in the best interests of
13 the shareholders could be obtained.

14 COMMISSIONER ROSE: And, of course,
15 the lawsuit -- the shareholder lawsuit arose out of
16 the same set of facts as the situation in Indiana
17 that the Commission looked at in 2002; is that
18 right?

19 MR. BATTAGLIA: It did.

20 COMMISSIONER ROSE: And you're aware
21 of the settlement agreements that, I guess, both
22 Pinnacle and Hubbard entered into with the
23 Commission during that period of time; is that
24 right?

25 MR. BATTAGLIA: We're aware of the



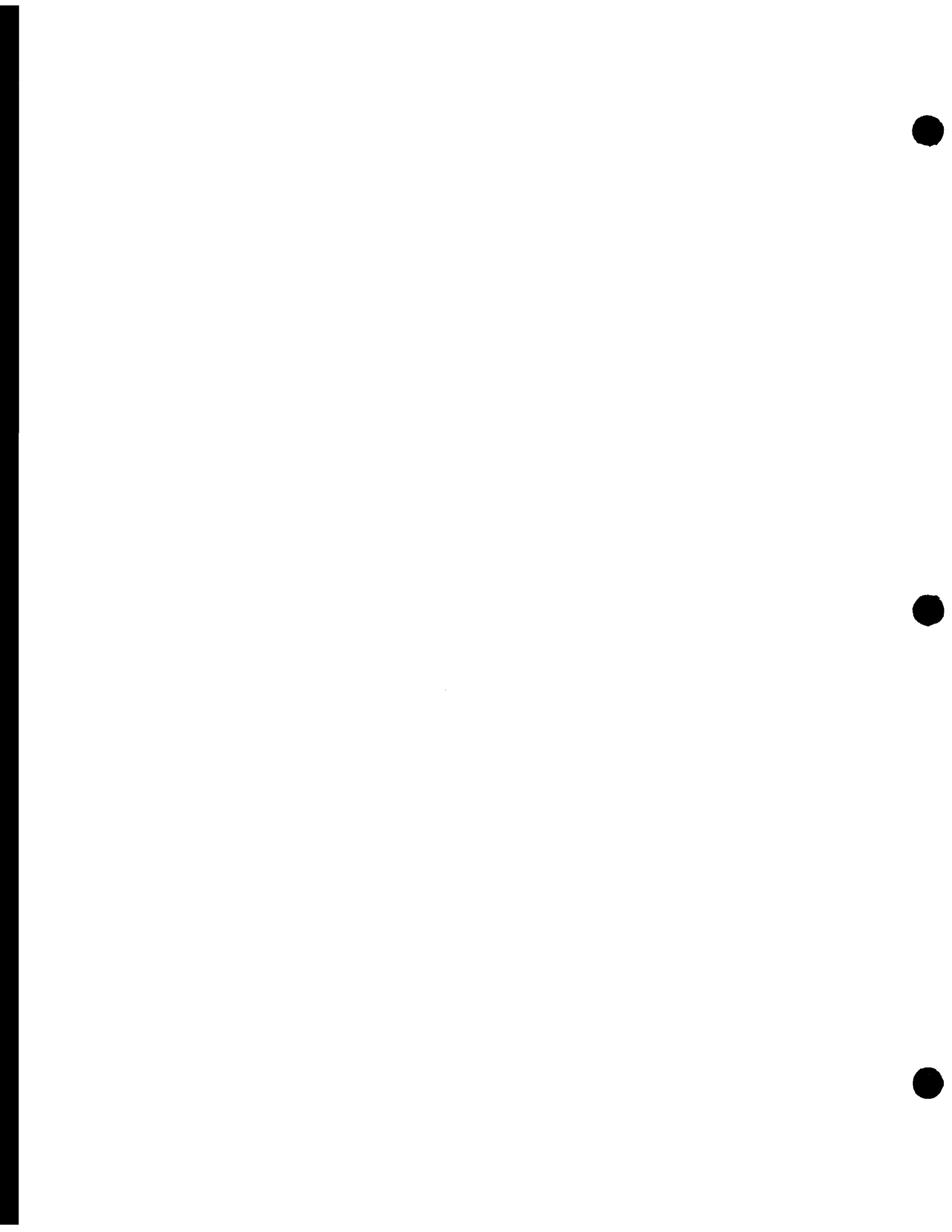
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1 public settlement agreement that was entered into
2 with Mr. Hubbard. We are not aware, and have
3 never been aware, of or privy to the confidential
4 agreement that was reached within -- regarding the
5 sale of his stock for any time period for which that
6 would -- would occur. I believe that is still
7 confidential between him and -- and the
8 Commission because of the potential for it to affect
9 the stock numbers and the price.

10 COMMISSIONER ROSE: Okay. So you
11 have no knowledge whatsoever as to the terms of
12 the confidential agreement that the Commission
13 entered into with Hubbard; is that right?

14 MR. BATTAGLIA: We were led to believe
15 by Mr. Hubbard in the context -- and Mr. Hubbard's
16 counsel in the context in the negotiations that
17 there was an agreement for a set period of time
18 and that part of that agreement allowed for the
19 possibility of extensions of time based, perhaps,
20 on the price of the stock. But we do not know any
21 term of years, any circumstances, in which
22 extensions could or would be granted or considered
23 by the Commission.

24 The goal of the Special Committee here was to
25 try to achieve a result that was in the best



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1 interests of the shareholders. And so, we tried to
2 accomplish that by obtaining benefits to the
3 shareholders in the form of monetary compensation
4 and in the form of stock control over Mr. Hubbard
5 for, as you know, a 2-year and then a 3-year
6 period. We tried to achieve as much as we
7 possibly could in connection with that.

8 COMMISSIONER ROSE: So you're --
9 you're not aware of the possibility that -- that the
10 terms of the settlement agreement that you're
11 asking us to approve might be in conflict with the
12 terms of the confidential agreement that this
13 Commission agreed to in 2002 with Mr. Hubbard?

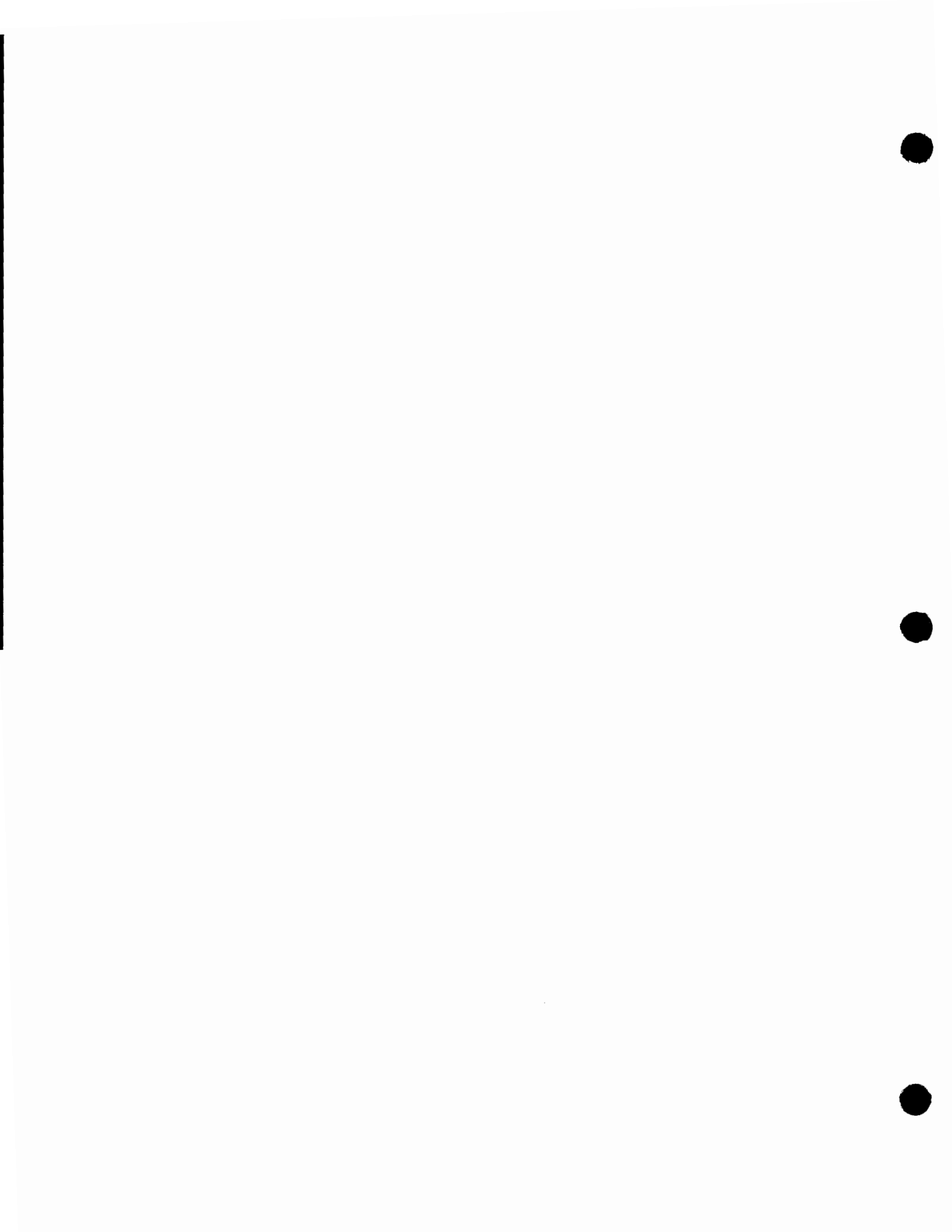
14 MR. BATTAGLIA: We certainly are aware
15 of a -- the possibility, and that's why we're --

16 COMMISSIONER ROSE: Having --

17 MR. GIFFORD: -- presented the -- the
18 materials to you.

19 COMMISSIONER ROSE: And does the
20 settlement agreement provide for a contingency in
21 the event of a conflict with the terms of the
22 agreement that we have?

23 MR. BATTAGLIA: The settlement
24 agreement provides, as you know, for monetary
25 compensation, and, with regard to Mr. Hubbard's



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1 stock arrangements, for a -- an option to the
2 company for a period for a period of years and a
3 right of first refusal for a period of years. The
4 question become -- the company is not -- has not
5 been privy to and is not a part of the prior
6 settlement with Mr. Hubbard, such that, certainly,
7 we believe that we have achieved the benefits to
8 the shareholders as much as we can. We strongly
9 encourage the Commission to allow those benefits
10 to be accorded to the shareholders. But at the
11 same time, if the Commission -- if the extent of the
12 time period to Mr. Hubbard's agreement is not
13 extended in some fashion, I'm not sure that
14 effects, per se, the settlement as it currently
15 exists.

16 MR. GIFFORD: I was not involved with
17 the settlement in the derivative suit, but
18 subsequent, I've had conversations with Mr.
19 Hubbard's counsel in the derivative suit about this
20 process. And in the course of those discussions, it
21 has become clear to me that he was of the
22 impression, as he negotiated on behalf of his
23 client, that, whatever the terms of that time period
24 in the agreement between the Commission and Mr.
25 Hubbard, he was of the view that he was within the



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1 scope of that as he negotiated with the company.
2 The company, obviously, had no way of knowing
3 what that time period was and, I think rightfully,
4 assumed that Mr. Hubbard wouldn't be negotiating
5 for an outcome that would be inconsistent with his
6 obligations under the Indiana settlement that we
7 have.

8 Clearly, as it relates to Pinnacle's settlement
9 with the IGC, nothing in the derivative-lawsuit
10 settlement is inconsistent. We also think it's the
11 case of the -- the derivative settlement and I -- the
12 main -- what I refer to as the "main" settlement --
13 the payment by the insurer to the company, and
14 then the second settlement between the company
15 and Mr. Hubbard -- that those agreements stand
16 apart from Mr. Hubbard's agreement with you in the
17 sense that they weren't contingent upon. There's
18 nothing in the settlement agreements that makes
19 them contingent on his changing the terms of his
20 deal with Indiana.

21 CHAIRMAN VOWELS: So, are you saying
22 that it was represented to the parties involved by
23 Mr. Hubbard or somebody on his behalf that the
24 settlement agreement was not in conflict with --
25 with -- the California agreement was not in conflict



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1 with the agreement with the Indiana Gaming
2 Commission that Mr. Hubbard had -- or represented
3 that it wouldn't be in conflict?

4 MR. BATTAGLIA: Well, that -- that -- it --
5 it's not necessarily in conflict because of the
6 opportunity by him to obtain extensions of time in
7 the best interests of the shareholders.

8 CHAIRMAN VOWELS: You've -- you've
9 not seen this confidential agreement that they
10 have; right?

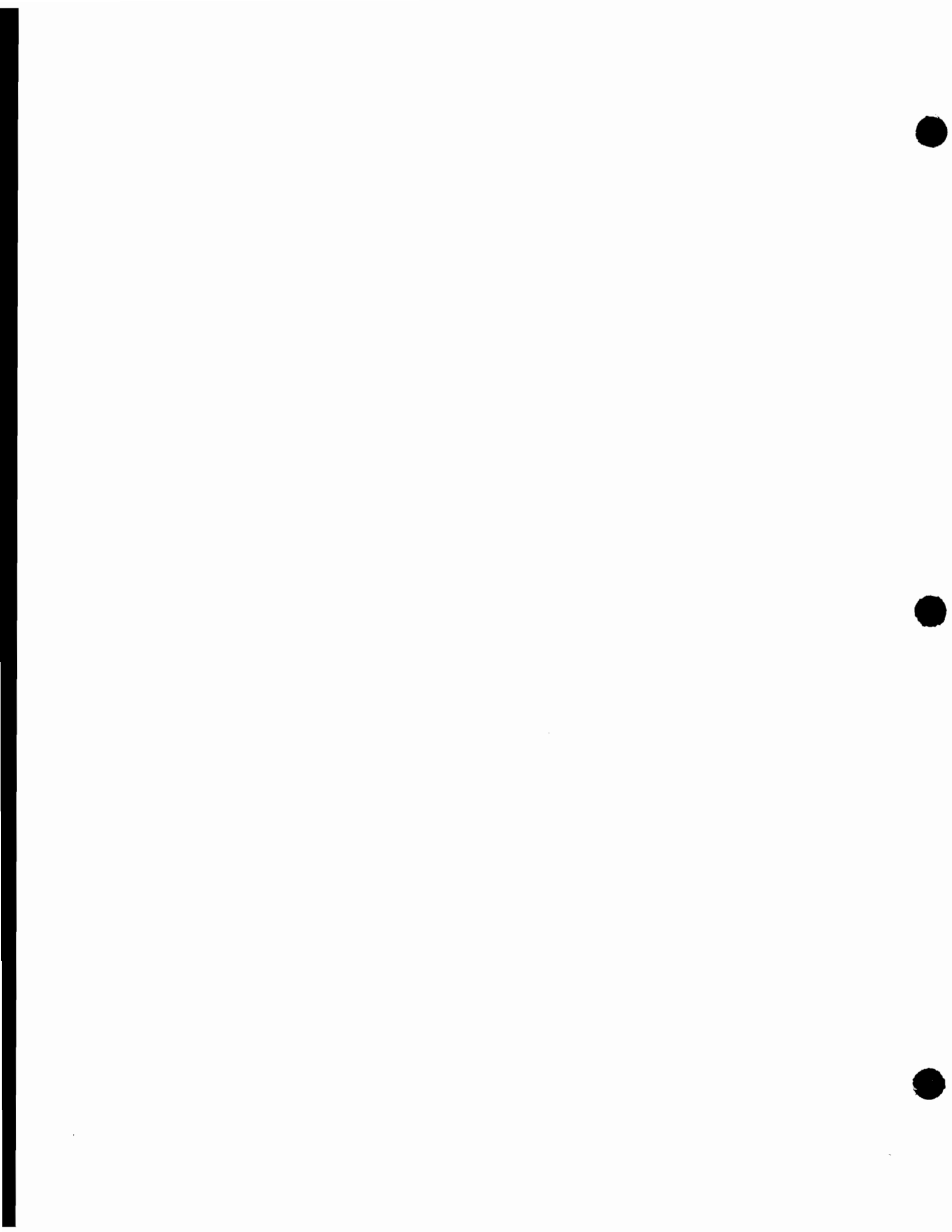
11 MR. BATTAGLIA: I do not know what it
12 says --

13 CHAIRMAN VOWELS: And -- and the
14 only --

15 MR. BATTAGLIA: -- to the extent --

16 CHAIRMAN VOWELS: -- the only way that
17 you believe that it wouldn't be in conflict with what
18 we have is from what Mr. Hubbard or his
19 representatives have -- have communicated to you;
20 is that -- is that correct, you've not established
21 that independently?

22 MR. GIFFORD: We have not. We have an
23 understanding based on a side -- what we call --
24 well, a side letter that's been provided to you. And
25 it's clear from that side letter that the time period



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1 that Mr. Hubbard is seeking, pursuant to that which
2 he has asked of the company to be supportive of
3 and appropriate, obviously must go past the time
4 period that he currently has pursuant to his
5 agreement with you, because it contemplated
6 seeking approval from the Gaming Commission in
7 order to extend that time period to mirror those
8 other -- those other times. But that time period --
9 or you could be sensitive to the fact that the
10 information's confidential.

11 COMMISSIONER ROSE: We understand
12 what you're talking about. We -- we know the
13 terms of it, so we do understand what you're trying
14 to say.

15 MR. GIFFORD: That -- if you look at
16 the -- if you look at the derivative settlement with
17 Mr. Hubbard and you break it up into its various
18 pieces, part of it is a 2-year option, part of it is a
19 3-year right of first refusal on the sale of stock.
20 There are limits on his ability to dispose of certain
21 amounts of stock without -- during this time period.
22 And I think that there was an understanding that --
23 and the company values, for example, that the
24 option has significant value to the company, and
25 we provided the evaluation work on that. And you



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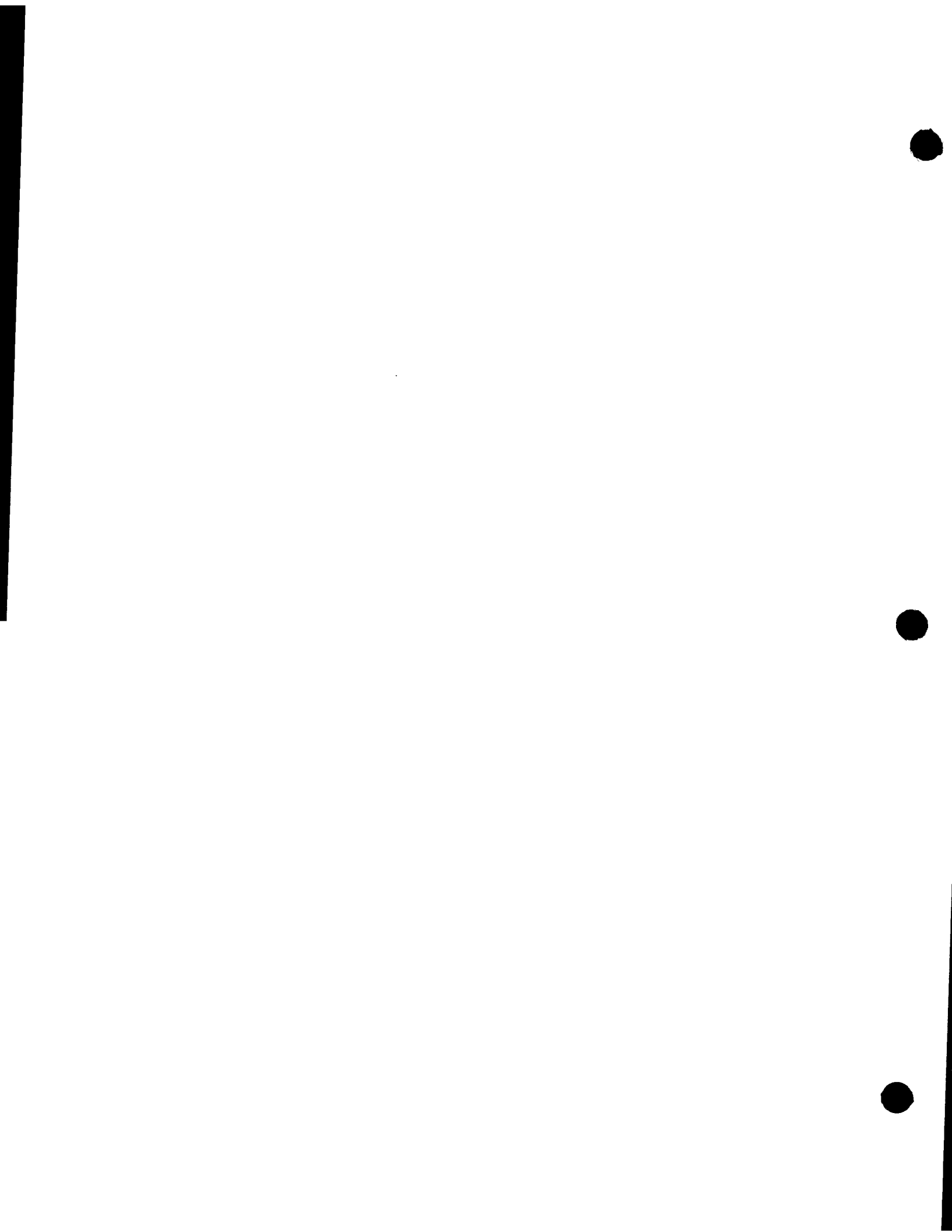
1 will see how the value of that over time is broken
2 out. And so, I think the company values that the
3 value negotiated was the best that was likely to be
4 obtained in the absence of a -- maybe even after --

5 CHAIRMAN VOWELS: Take the mike and
6 speak up.

7 MR. GIFFORD: Maybe until after the
8 settlement was consummated. I'm not sure. My
9 conversations with Mr. Rawlings [phonetic], who's
10 Mr. Hubbard's counsel, started at the point where
11 we started talking about this process, which was
12 immediately as the parties who were consummating
13 the derivative action and knew [phonetic] that
14 Indiana needed to be involved in anything in which
15 the club were involved in [phonetic].

16 CHAIRMAN VOWELS: Okay. And, Mr.
17 Lawrence, there's been some communication and
18 writing from Mr. Hubbard's counsel; is that correct?

19 MR. LAWRENCE: That's correct, Mr.
20 Chairman. I have talked to Mr. Rawlings on the
21 phone, and he has provided confidential documents
22 to the Commission, to me, outlining the process
23 and his thought process that he went through in
24 negotiations. I did have a discussion with him, and
25 he asked if he had -- he had a very difficult



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1 schedule yesterday and today. And I indicated to
2 him that it may not be necessary for him to be
3 here, but he might be admitted by phone if you
4 would need to discuss with him.

5 MR. BATTAGLIA: I -- I would underscore
6 that if an extension is not automatic based on the
7 price of the stock and is necessary to -- to -- to be
8 addressed with Mr. Hubbard, that on behalf of the
9 shareholders of the company, it would greatly
10 effectuate the value of the settlement to have an
11 extension. As you know, the elements of this
12 settlement are that Mr. Hubbard's D&O insurer will
13 contribute a substantial sum of monetary
14 contributions to the company; that there is this
15 option to purchase of the company his stock in
16 Year 1 at a set price and in Year 2 at a set price,
17 which conceivably, if exercised, would cash Mr.
18 Hubbard completely out of the company. And also,
19 a disability to get a premium all at the same time,
20 allowing the company, and not Mr. Hubbard, to
21 receive the upside potential. For example, the
22 stock goes to \$1 more than the exercise price and
23 the company would thereby gain \$2,000,000 that
24 Mr. Hubbard would otherwise get. And that's been
25 valued by an independent evaluation consultant.

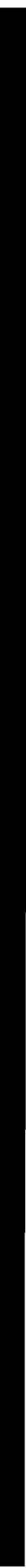


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1 It also -- the settlement we reached, and the
2 Special Committee's attuned to this, controls -- has
3 substantial controls over Mr. Hubbard regarding the
4 disposition of his stocks, such that he's prohibited
5 from using his stock or making any attempt to use
6 his stock in any way to participate in a change of
7 control or obtain control of the company directly or
8 indirectly, which we think assists in what was
9 accomplished previously in the prior settlement
10 reached by the Commission, and the right of first
11 refusal itself over the 3-year period protects the
12 shareholders by preserving the value of the stock
13 to the company. Remember; throughout whatever
14 period in time exists, the stock remains in a voting
15 trust. Mr. Hubbard has absolutely no control over
16 the voting of that particular stock.

17 So, at least as far as the settlement that we
18 have negotiated with the assistance of this
19 mediator that has been passed upon by the
20 California court, we believe we have achieved
21 substantial value and even, I think, virtue to help
22 effectuate that value if necessary in these
23 circumstances to preserve the interests of the
24 shareholders of the company.

25 CHAIRMAN VOWELS: All right. Ms.



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1 Dean, let's go to you for a second. It was some
2 time in July that the Gaming Commission was first
3 notified of this settlement; is that correct?

4 MS. DEAN: July 30th, it was notified, of
5 2003, yes, sir.

6 CHAIRMAN VOWELS: Okay. And then
7 indications started coming into the office; is that
8 right?

9 MS. DEAN: Yes.

10 CHAIRMAN VOWELS: [interrupts] Can
11 you -- can you -- can you go through that diary of
12 when you rec -- what you received and when you
13 received it?

14 MS. DEAN: We received a large
15 submission July 30th, 2003. We received a
16 memorandum August 15, 2003. We received a
17 second memorandum August 29th of 2003. Then we
18 received a submission from Mr. Rawlings
19 representing Hubbard on September 8th, 2003.

20 CHAIRMAN VOWELS: Any other thoughts
21 here?

22 MS. DEAN: Mr. Chairman, may I ask some
23 questions?

24 CHAIRMAN VOWELS: Yes.

25 MS. DEAN: In the information that we



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1 have received, I understand that the insurance
2 company listed in the documents presented by
3 Pinnacle is Westchester Insurance Company.

4 MR. BATTAGLIA: Westchester USA;
5 That's correct.

6 MS. DEAN: In the information we
7 received from Mr. Rawlings, there's an insurance
8 company listed as Ace USA?

9 MR. BATTAGLIA: Yes. I think
10 Westchester and Ace either have the same names
11 or one is the parent or sub of the other. Our
12 insurance contract is with Westchester.

13 MS. DEAN: Are they the ones that
14 provided payment to Pinnacle?

15 MR. BATTAGLIA: They have, and it is
16 being held in trust pending any necessary
17 regulatory approvals by Gibson, Dunn & Crutcher
18 when the client takes account. That is understood.

19 MS. DEAN: And the confidential timing
20 agreement with this Commission that you are not
21 privy to; was that agreement submitted to the court
22 so that the court was knowledgeable and reached
23 in -- their order concerning this settlement
24 agreement?

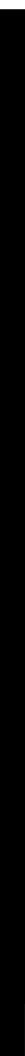
25 MR. BATTAGLIA: I do not know about



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1 that confidential agreement being submitted to the
2 Court. We certainly did not in connection with the
3 approval process. And I'm not aware of any
4 supplemental filings by Mr. Hubbard in connection
5 with that settlement. But -- the court clearly
6 indicated as part of the settlement, and we made it
7 very clear, that if any necessary regulatory
8 approvals were required, that was a condition of
9 the settlement agreement itself. So -- so that we
10 presented it to the Indiana Gaming Commission and
11 the other regulatory agencies deemed necessary at
12 a time -- I think we started presenting materials
13 after -- the week after we had received the
14 approval of the California court as to its fairness,
15 but in a very short time.

16 MS. DEAN: This Commission has learned
17 that in evaluating an option, the extension of time
18 or the period of that option is very important and it
19 does value the option itself, as you have
20 represented to this Commission. So, if that timing
21 agreement would substantially limit the settlement
22 agreement that you have entered into, doesn't that
23 affect the valuation of the option and, then, what
24 action Mr. Hubbard is submitting to the company as
25 a result of this derivative action?



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1 MR. BATTAGLIA: Depending on what the
2 time period of the option is, it would certainly
3 affect the value that the company is receiving. We
4 made a conservative estimate to the California
5 Superior Court that the value of the option was at
6 least \$1.25 million, which was substantially less
7 than the valuation that was being presented. It
8 would affect the value of the settlement. I haven't
9 considered at this point whether or not the
10 California Superior Court would have to repass on
11 that claim. Under the circumstances, it is subject
12 to necessary regulatory approvals.

13 MR. GIFFORD: But during the ti --
14 although the value of the option varies by time
15 here, it's also very much the case that the benefits
16 to the company that are in the derivative
17 settlement would extend also through that time
18 period; and those are the benefits of the right of
19 first refusal on the sale of stock. And the value of
20 that to the company is that it helps protect the
21 company from the disposition of the stock to
22 somebody who's interested in a hostile takeover,
23 for example, of the company.

24 As things exist today in Mr. Hubbard's
25 agreement with this Commission, as I understand it



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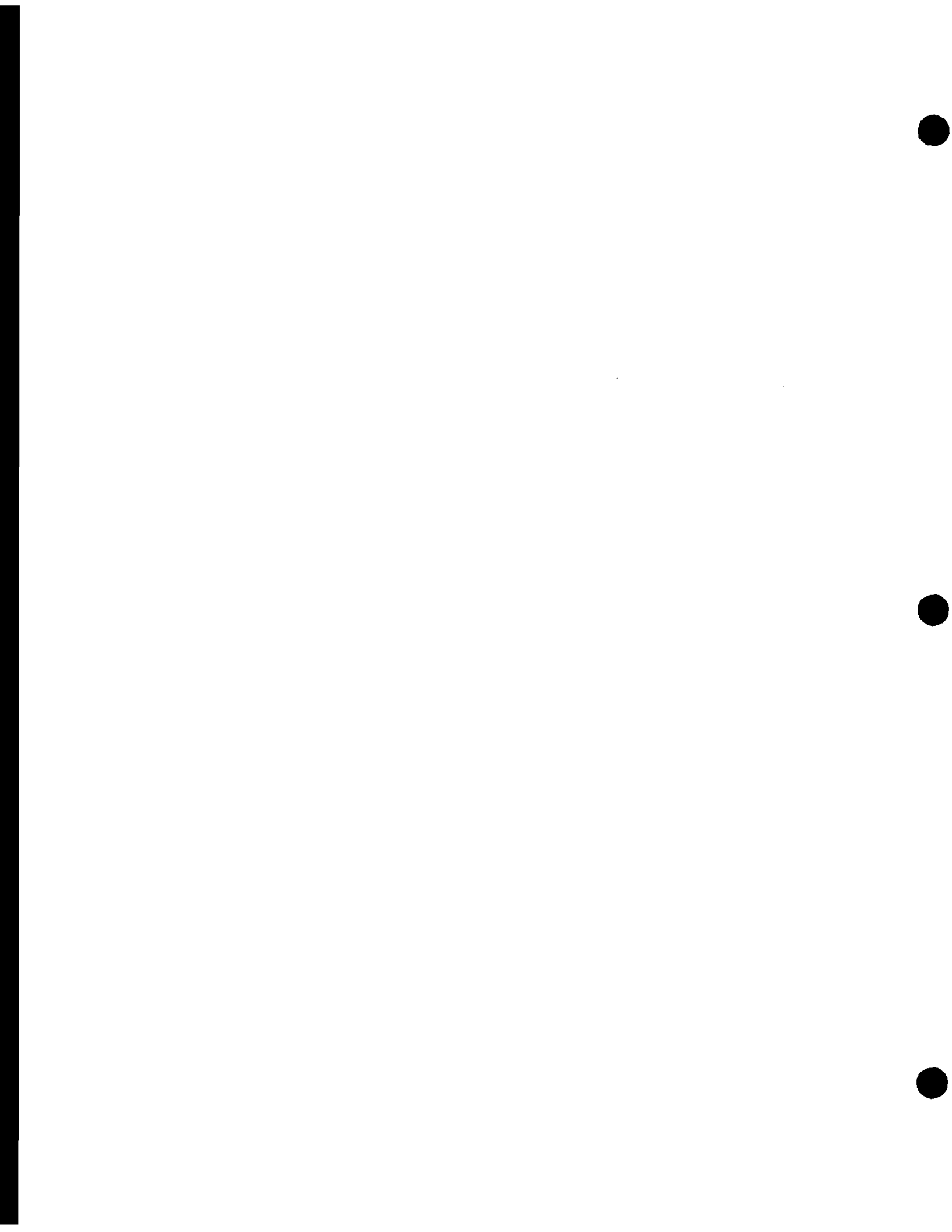
1 simply from the public settlement agreement, he
2 can sell his stock to whomever he wants, whenever
3 he wants, and under whatever circumstances he
4 wants, and -- and at whatever price. This
5 settlement; one aspect of it gives the company the
6 right of first refusal to have control over who can
7 take a significant ownership buyout of its stock. It
8 does -- for the length of the time period that would
9 be available, does provide the company the option
10 so that if the stock price went over the option
11 price, the company could exercise it and prevent
12 that.

13 MS. DEAN: This company recently went
14 to the Board and requested the ability to issue an
15 additional 1,000,000 shares for employee options.
16 Is there anything that you are aware of that would
17 have stopped this company from going forward to
18 Mr. Hubbard and requesting to purchase his shares
19 as opposed to entering into the settlement
20 agreement and the options?

21 MR. GIFFORD: I'll have to ask somebody
22 else to help me with that question.

23 [WHEREUPON, an off the record discussion is
24 held.]

25 MR. GIFFORD: The answer is that under



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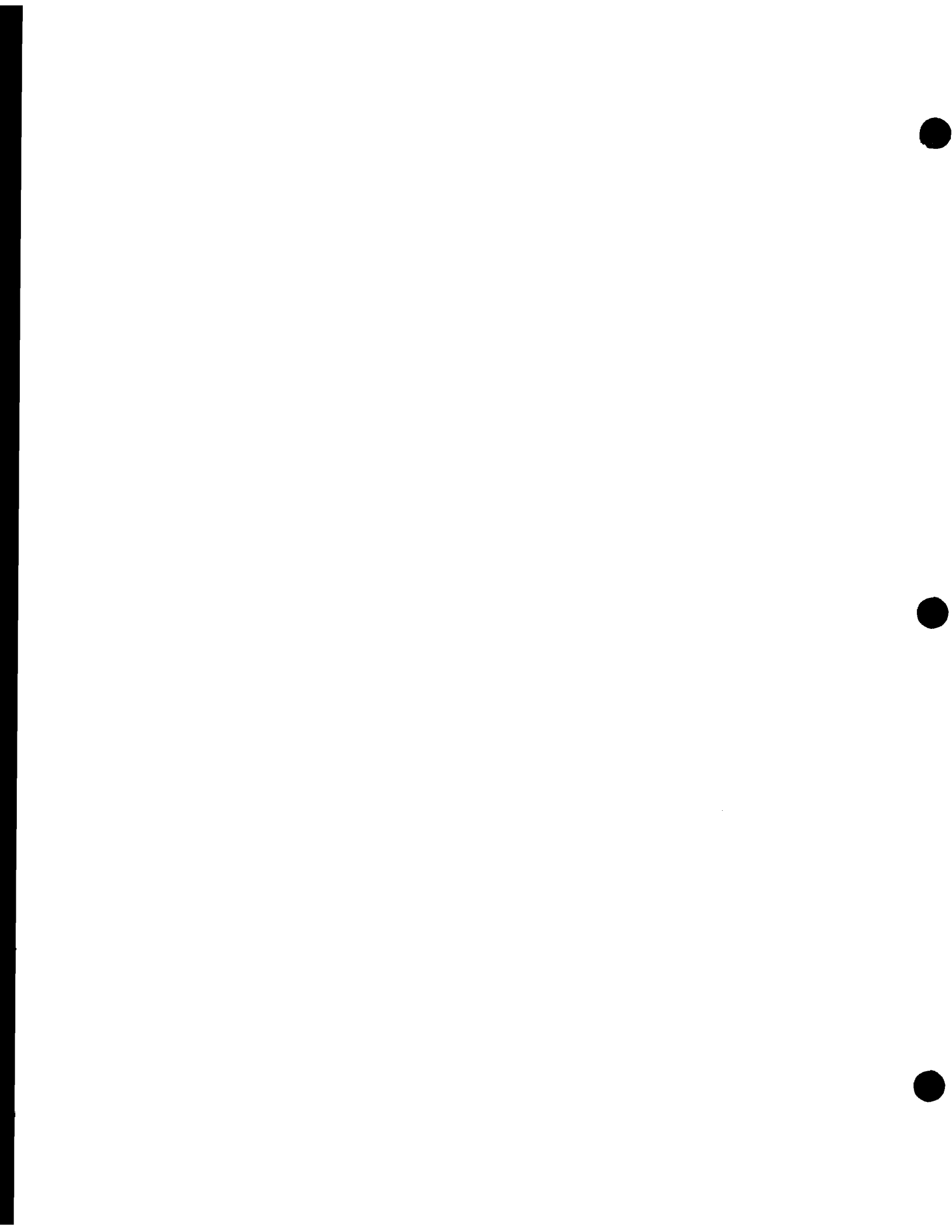
1 our bank -- under our current bank agreements,
2 there is a difference between our ability to issue
3 options like we did and our ability to redeem
4 outstanding stock. So, while we could issue the
5 options that we did for employees, under the
6 current bank -- under the terms of the present and
7 other bank agreements, we really aren't in a
8 position to redeem his outstanding stock in that --
9 in that amount and in that quantity. And, of
10 course, his outstanding shares are more than
11 double the 1,000,000 shares that were issued in
12 options.

13 MS. DEAN: Was the request made on the
14 bank facility to amend the terms to allow the
15 purchase?

16 MR. GIFFORD: Not that I'm aware of.

17 MS. DEAN: Is it your position that the
18 Gaming Commission needs to approve the
19 settlement agreement that was reached in the
20 shareholder derivative action?

21 MR. GIFFORD: The two derivative
22 settlement -- settlements; we -- let me put it this
23 way. In the normal course, the Gaming Commission
24 does not have to approve the settlement of
25 litigation that licensees are involved in, whether



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1 substantial owners are involved. There are -- so
2 there are no specific regulatory requirements to
3 obtain approval of the settlement of litigation.
4 Clearly -- and I'll come back to that in a moment --
5 clearly, to the extent that any party to an
6 agreement with the Commission seeks to amend
7 that agreement to the extent that Mr. Hubbard
8 seeks to amend his agreement with you, for
9 example, that obviously requires your approval.
10 Our position is that the derivative settlements and
11 their effectiveness isn't contingent on Mr.
12 Hubbard's amending his agreement with you. And
13 to that extent, approval of the derivative
14 settlements isn't a required -- isn't a required act.
15 But, as the Chairman and other lawyers know, on
16 the jurisdictional issue, when the court decides it
17 has jurisdiction, or if the court decides it has
18 jurisdiction, that's automatic with the Commission.
19 And that's why we've submitted this. And our --
20 our view is that if the Commission deems, in its war
21 powers, that it should approve these settlements,
22 and that's why we're -- that's honestly why we're
23 presenting this to you.
24 Now, while it's our position that they are not
25 contingent, that the two -- whatever you do with Mr.

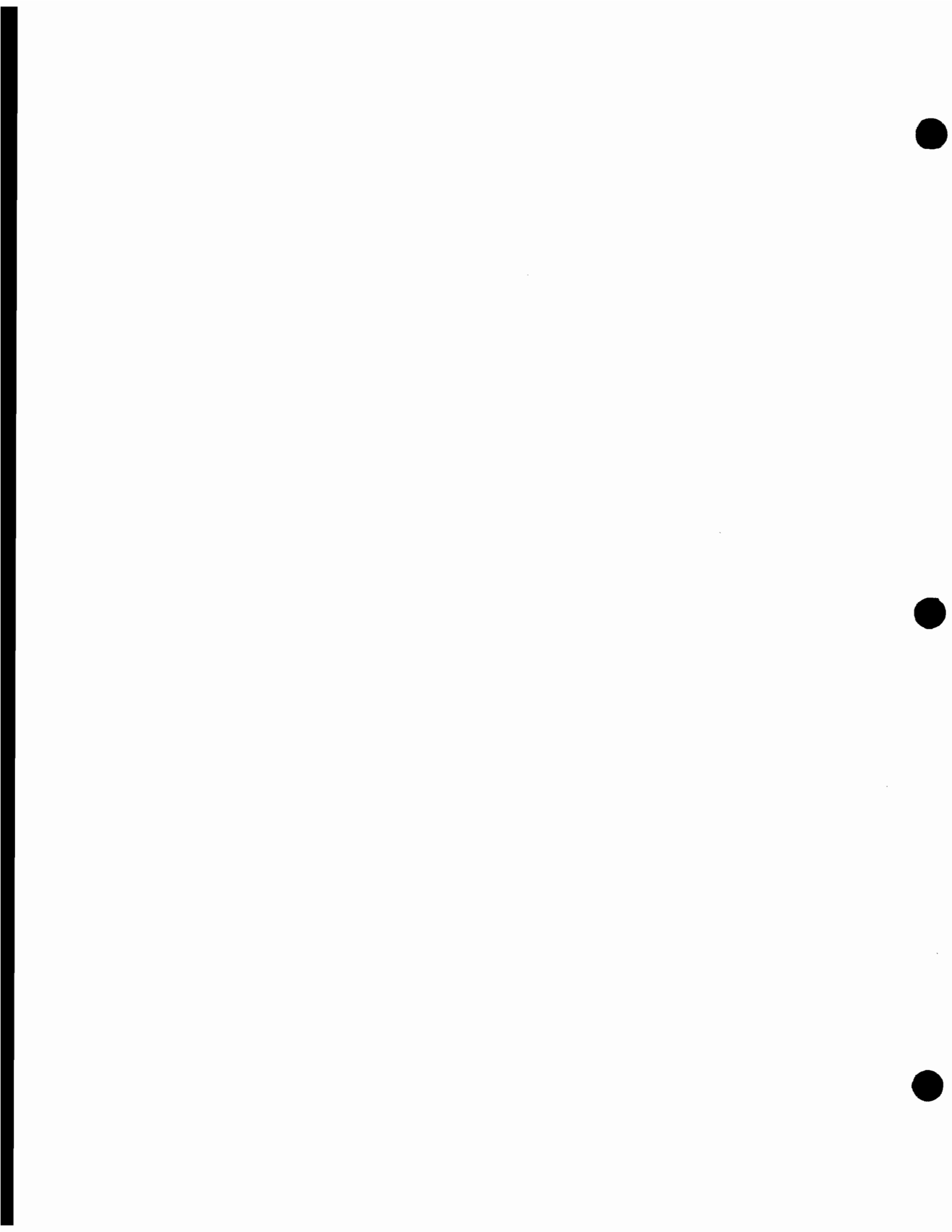


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1 Hubbard, the settlement agreements aren't
2 contingent on that. We do strongly believe that the
3 value to the company and its stakeholders is
4 enhanced if the company has the ability to exercise
5 the rights that it's negotiated in the settlement
6 during that time period. That maximizes the value
7 of the company.

8 It -- the real benefit of this settlement is that
9 it creates an orderly mechanism for the company to
10 financially and effectively eliminate Mr. Hubbard's
11 ownership from the company in a way that doesn't
12 do damage to the shareholders and to the
13 stakeholders, which would include the property
14 here -- the stakeholders of the facility here,
15 employees and owners. So, the real value the
16 settlement agreement and the specifics of it are
17 the mechanism set out that allows the company to
18 take Mr. Hubbard out of the company, which is
19 everyone's goal, but to do it in a way that is --
20 does not create financial damage or challenge to
21 the company which may rebound back on the
22 stakeholders.

23 MS. DEAN: It is correct in this agreement
24 that there is no requirement for him to sell his
25 stock nor is there a requirement for the company to



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1 purchase that stock; is that accurate?

2 MR. BATTAGLIA: There's no requirement
3 that he sell or that the company purchase.

4 MS. DEAN: And actually, under the
5 agreement, it states that he does have to retain
6 interest in stock of 500,000 shares through the end
7 of this agreement?

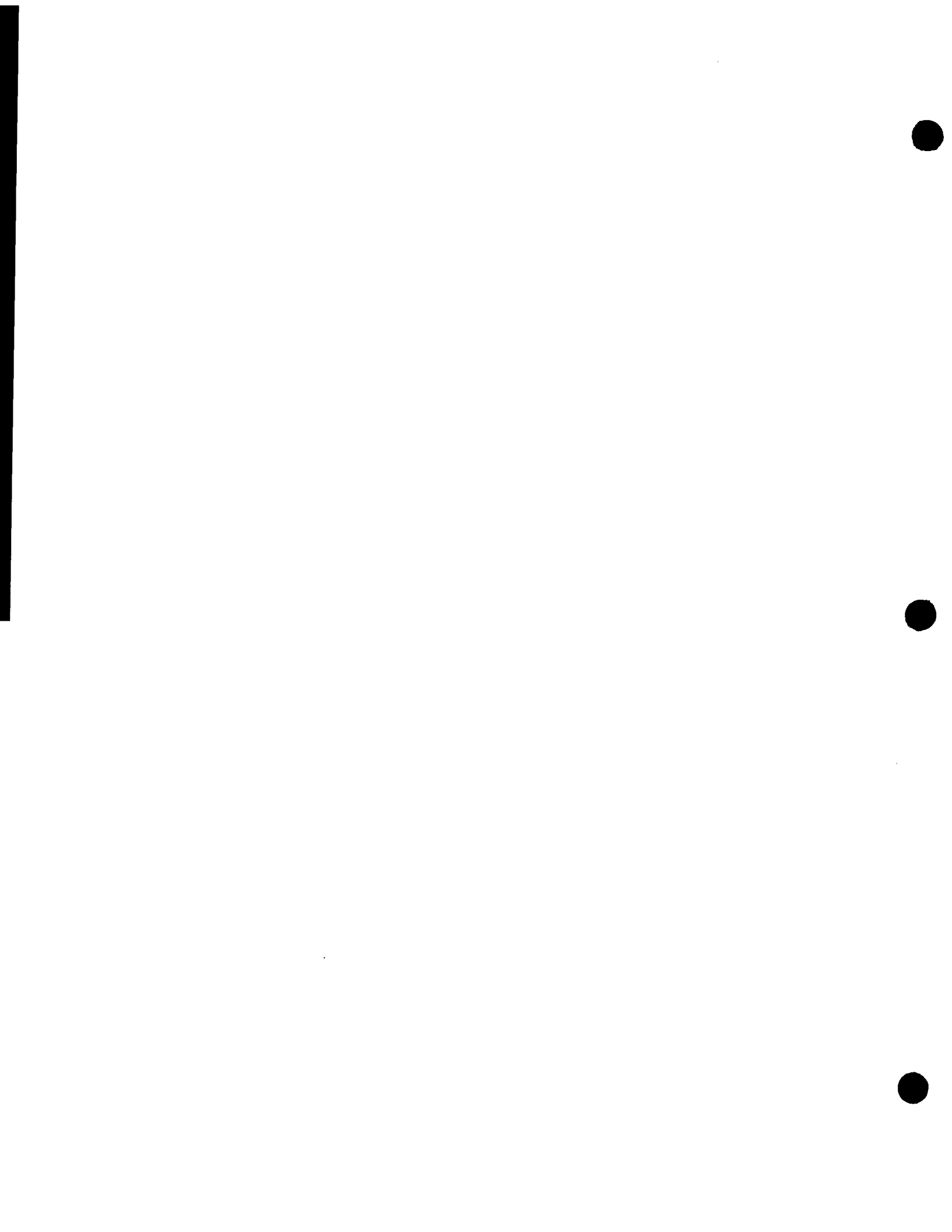
8 MR. BATTAGLIA: For the first 2 years, in
9 order to make the option work in the amounts on
10 the evaluation that were bought. Because if he
11 could sell all of his shares during that period of
12 time, by then there would be no option to exercise.

13 Now, he could sell -- it's not a strict
14 requirement that he keep all his stock, because he
15 could sell all of it as long as he offers the right of
16 first refusal to the company and the company has
17 the right to exercise.

18 MS. DEAN: He is restricted in selling his
19 shares by quarter under this agreement also?

20 MR. BATTAGLIA: Yes.

21 COMMISSIONER ROSE: But he's not
22 required to sell; is that right? So there is no
23 requirement of divestiture by Mr. Hubbard under
24 this -- under the agreement -- the California
25 agreement, I'll call it -- is that right?



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1 MR. BATTAGLIA: That's correct.

2 COMMISSIONER ROSE: Despite the
3 stated goal of divestiture?

4 MR. BATTAGLIA: Divestiture has al --
5 is -- is -- has been ordered. We can understand
6 why this Commission would . . .

7 COMMISSIONER ROSE: Right.

8 COMMISSIONER GETTELFINGER: Mr.
9 Chairman?

10 CHAIRMAN VOWELS: Yes.

11 COMMISSIONER GETTELFINGER: May I
12 ask a question of Ms. Dean?

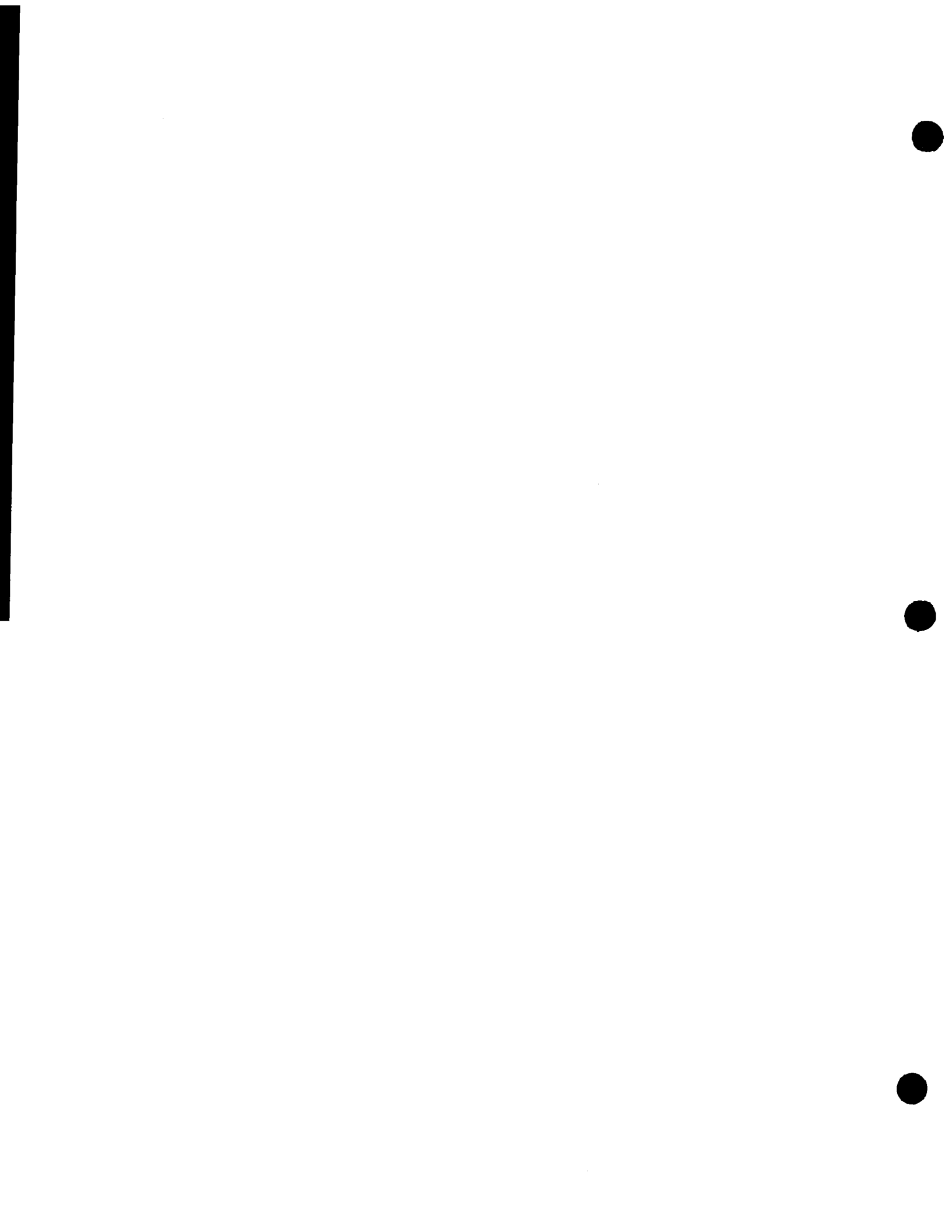
13 CHAIRMAN VOWELS: Yes.

14 COMMISSIONER GETTELFINGER: As I
15 understand our settlement agreement with Mr.
16 Hubbard, he is required to divest himself of
17 ownership by a certain set date; is that correct?

18 MS. DEAN: That is correct.

19 COMMISSIONER GETTELFINGER: What
20 will be the remedies of the Indiana Gaming
21 Commission if Mr. Hubbard fails to dispose of
22 those shares by that set date?

23 MS. DEAN: The agreement itself, I
24 believe, would be determined void because there
25 has been a violation of that agreement; and Mr.



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1 Hubbard would be back before this Commission for
2 a potential fine for unsuitability.

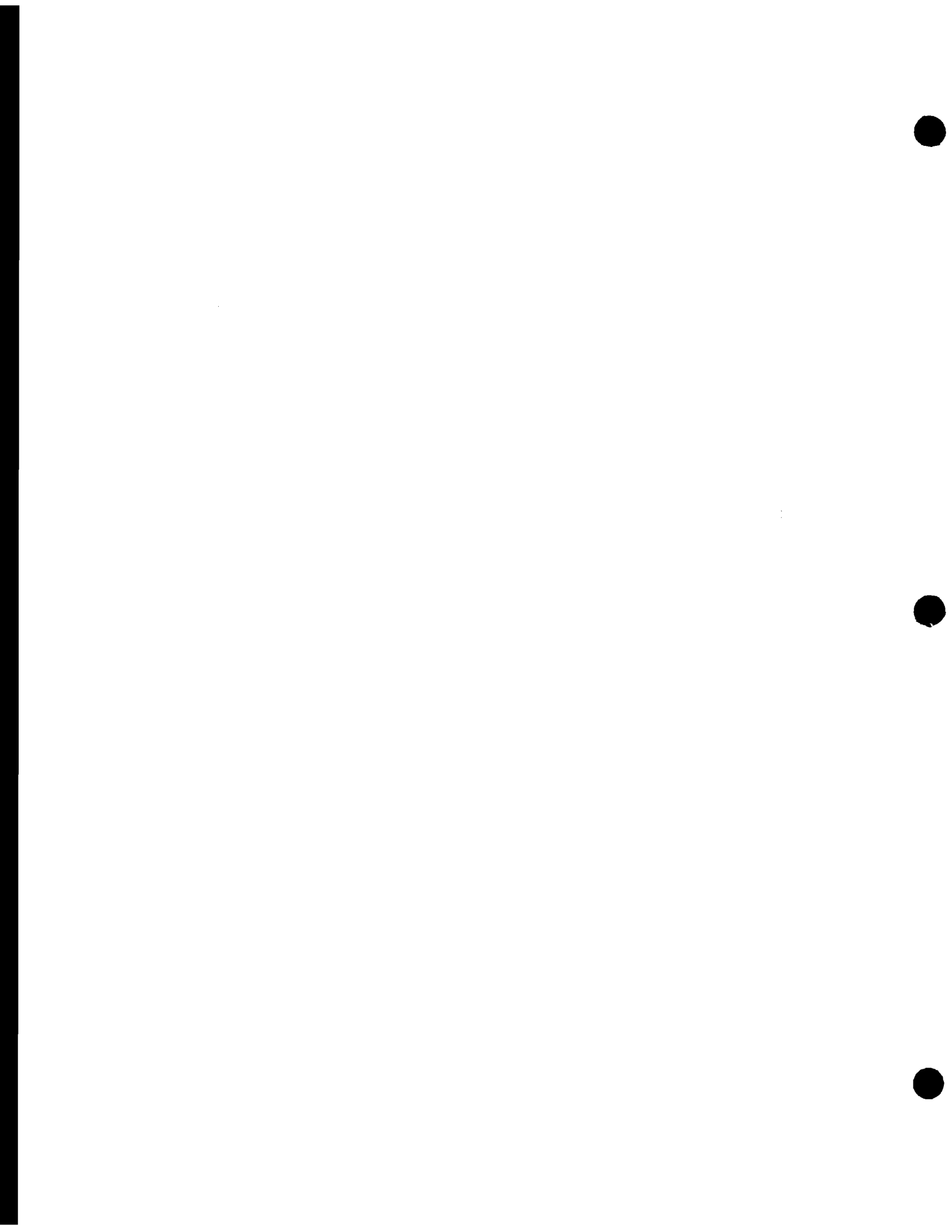
3 COMMISSIONER GETTELFINGER: This
4 would be a question to counsel for Pinnacle, now.
5 What would be Pinnacle's response or
6 responsibility should we find Mr. Hubbard
7 unsuitable to own -- hold a gaming license? Would
8 you have a responsibility to acquire his stock under
9 those circumstances, and if you do, under what
10 terms?

11 MR. GIFFORD: I was just confirming with
12 Mr. Godfrey. Under the Articles, there is a
13 redemption provision.

14 COMMISSIONER GETTELFINGER: Excuse
15 me, I can't -- I'm having trouble hearing.

16 MR. GIFFORD: I'm sorry. Under the
17 Articles of Incorporation, there is a provision that
18 requires any person found unsuitable by a gaming
19 authority to -- to sell their stock and --
20 [WHEREUPON, an off the record discussion is
21 held.]

22 MR. GODFREY: Good afternoon. For the
23 record, Jack Godfrey, General Counsel for
24 Pinnacle. We do have a provision in our Articles
25 that in the event of a determination of unsuitability



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1 of a shareholder, we can require redemption of
2 those securities. As a practical matter, even if you
3 require a shareholder to -- to have his shares
4 redeemed, you might have to resort to litigation to
5 force them to do that. But there is a provision that
6 applies to all of our security holders, including
7 debt-security holders, that can occur in the event
8 of finding under unsuitability or if the company
9 determines it advisable in -- in the face of a
10 regulatory issue.

11 COMMISSIONER GETTELFINGER: What
12 is your mechanism for determining -- determining
13 the timing of those -- of that acquisition and
14 determining the acquisition price?

15 MR. GODFREY: In the case of a finding
16 of unsuitability?

17 COMMISSIONER GETTELFINGER: Yes,
18 sir.

19 MR. GODFREY: It's not clearly defined.
20 When we issue securities -- for example, debt
21 securities -- we put in a provision that in the event
22 of a finding of unsuitability, we would redeem
23 those securities within 30 days or such shorter
24 time period provided by the applicable regulatory
25 authority. But typically, as I understand regulatory



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1 agencies, in the event that they find someone
2 unsuitable, they typically provide some period of
3 time within which those securities can either be
4 redeemed or must be sold. So, in our Articles, it's
5 not precisely defined.

6 COMMISSIONER GETTELFINGER: Ms.
7 Dean, what would be the remedies of the Indiana
8 Gaming Commission should Pinnacle not be able to
9 reacquire the shares of Mr. Hubbard on finding that
10 Mr. Hubbard is unsuitable to hold a gaming
11 license?

12 MS. DEAN: [no response]

13 COMMISSIONER GETTELFINGER: For --
14 to restate it, if Mr. Hubbard were to be found
15 unsuitable, Pinnacle is required to acquire his
16 shares, and Pinnacle does not acquire those
17 shares, what would be the remedies of the Indiana
18 Gaming Commission?

19 MS. DEAN: I believe at that point
20 Pinnacle would have a problem before the
21 Commission as concerning their license here in
22 order to conduct business, because they would
23 have a person who would be found unsuitable by
24 the Indiana Gaming Commission, who would then be
25 a substantial, key person within the organization.



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1 CHAIRMAN VOWELS: Any other
2 thoughts?

3 COMMISSIONERS: [no response]

4 CHAIRMAN VOWELS: Anybody have any
5 proposed solution?

6 COMMISSIONER GETTELFINGER: Well,
7 it seems to me, obviously, we should immediately
8 enforce our agreement.

9 COMMISSIONER ROSE: I guess the
10 problem before the Commission right now is that
11 what we're being asked to do is approve the terms
12 of the California -- approve the settlement
13 agreement in California. And I think that you
14 understand that we have some belief that the terms
15 of that agreement are in conflict with the terms of
16 the agreement that we have with Mr. Hubbard. And
17 it's not clear to me that we have flexibility under
18 our agreement to -- I'm trying not to divulge any
19 confidential information, so I'm trying to pick my
20 words very carefully. It's not clear to me that we
21 have the flexibility that we need under the terms of
22 our agreement to modify that agreement in such a
23 way as to not be in conflict with your agreement.
24 And so -- and I think one of the other issues is that
25 we've got all this material and Ms. Dean has gotten



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1 some material very recently, and you can tell from
2 the intense amount of questioning that we've had
3 about the structure and understanding of these --
4 of how these two things are working together that
5 we're just not clear how this is going to play out.

6 And so, my view is that, on the one hand, I'm
7 not sure we have had enough time to absorb all of
8 the ramifications of approving the settlement
9 agreement with the California agreement and how
10 it's gonna affect us. So that's -- that's a bit -- just
11 to be clear what we're struggling with.

12 MR. GIFFORD: Without knowing the terms
13 of his agreement --

14 COMMISSIONER ROSE: Right.

15 MR. GIFFORD: -- but just thinking about
16 how that might play out, I could envision a scenario
17 where the Commission took a periodic approach to
18 the time period in which he must divest so that --
19 and I -- and I understand that the struggle of
20 saying, "Well, you have until the time periods in
21 the derivative action," and that creates uncertainty
22 that, perhaps -- that some people may not like to
23 see. But I think that you would have, as I
24 understand it currently exists, the right -- not
25 right. I understand from Mr. Hubbard's counsel



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1 and his -- as he described it to me, and the words
2 he used were, essentially, "automatic extensions"
3 of the time period in which he could sell based on
4 certain factors. I don't know what those factors
5 are. I don't know what that time period is. But he
6 believed that there were extensions of the time --

7 COMMISSIONER ROSE: "Extensions"? Is
8 that what he said; "extensions," plural?

9 MR. GIFFORD: That's what I assumed.

10 COMMISSIONER ROSE: Okay.

11 MR. GIFFORD: It seems to me that this
12 Commission could put into place a -- a -- both a
13 series of periodic extensions and, perhaps, even a
14 review mechanism along the way that would remain
15 confidential, would continually give the
16 Commission the authority to address the speed with
17 which Mr. Hubbard's stock was divested, the speed
18 with which he was taken out of his ownership.

19 COMMISSIONER ROSE: But, Mr. Gifford,
20 it's not clear to me that the agreement in California
21 is actually going to result in divestiture. That the
22 reliance upon the -- the divestiture -- the way he's
23 gonna be divested is because of our agreement
24 with him. Is that true? I mean, is that your
25 understanding as well?



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1 MR. GIFFORD: Yes. There's nothing in
2 the Cali -- in the derivative settlement that forces
3 him to sell by a date certain.

4 MR. BATTAGLIA: When we were
5 negotiating this on behalf of the Special Committee
6 for the shareholders, we were well aware of, and
7 understood, that the Commission had required
8 divestiture. And in those circumstances, we were
9 trying to determine whether we could obtain
10 benefits to the shareholders in conjunction with
11 that divestiture. Periodic time adjustments in
12 terms of your dealings with Mr. Hubbard may be an
13 appropriate way to handle that. We believe that
14 there is substantial benefit to the shareholders of
15 the company to obtain a time-period extension
16 that -- that reflects the option period that we've
17 put in place here. It may be that a year from now
18 Mr. Hubbard will no longer be the holder of this
19 stock because the option will have been exercised.
20 And we -- and the stock price, hopefully, you know,
21 would have reached that level such that it made
22 economic sense to have the shareholders to -- to
23 exercise that stock.

24 Since that -- this question over the longer
25 period of time may be moot, such that periodic



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1 extensions as -- as perhaps justified by Mr. Gifford
2 and considered by the Commission, may be the way
3 to address this situation.

4 MR. GIFFORD: There is a very real
5 problem with the uncertainty associated with when
6 Mr. Hubbard has to sell his stock without anything
7 else in place, because it puts an overhang on the
8 stock. When you go into the market, when you try
9 to bring in institutional investors and the like,
10 who -- and -- and in doing financing, that when
11 they see that there's 9 percent of the company's
12 shares outsta -- being held, subject to being sold
13 at some point that no one knows, it depresses that
14 activity. It's an overhang on the stock. One of the
15 things that this settlement agreement does, the
16 derivative action: Even if it doesn't extend
17 whatever the time period is for Mr. Hubbard to
18 exercise, by virtue, in effect, that the company now
19 has the right, either through first refusal or
20 through the option, to exercise these benefits, it
21 relieves that overhang. That's a great benefit from
22 that respect.

23 COMMISSIONER GETTELFINGER: Point
24 of clarification: Does the company have an option
25 or first -- right of first refusal on all of Mr.



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1 Hubbard's shares?

2 MR. GIFFORD: Yes.

3 MR. BATTAGLIA: The option is on all of
4 his shares. The right of first refusal on -- is on
5 whatever proposed shares that he's going to sell.

6 COMMISSIONER GETTELFINGER: Ms.
7 Dean, is that consistent with our understanding?

8 MS. DEAN: It's my understanding that he
9 still has to retain 500,000 shares that he does not
10 have a right -- the company does not have a right
11 of first refusal or an option. And those 500,000
12 shares are to be held beyond the date of this
13 agreement.

14 MR. BATTAGLIA: If he proposes a sale of
15 all of his shares, the company has a right of first
16 refusal over that sale. But Mr. Hubbard -- if the
17 company denies the right of first refusal, he may
18 not sell all of his shares; he would only be able to
19 sell the amounts pursuant to the quarterly
20 limitations in the agreement. In other words, if
21 somebody came to him and said, "Buy the whole
22 company at X price," and all of his shares, the
23 company has the right of first refusal for them all,
24 but he may not be able to sell the company all of
25 his shares at X price because of these limitations.



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1 The -- the shareholders were the ones, in part,
2 that were significantly harmed by this conduct in
3 question. And -- and the shareholders here gain
4 potentially the benefit of an upside value in stock,
5 taking that away from Mr. Hubbard, while at the
6 same time gaining the protection from an ordered
7 dissolution or -- or sale of the stock by Mr.
8 Hubbard at a price that -- that is below market,
9 such that you would end up in a situation where the
10 shareholders in that circumstance would be armed
11 without some control --

12 COMMISSIONER GETTELFINGER:

13 [interrupts] I understand all that. I understand all
14 that. Mr. Hubbard has made an agreement with the
15 Commission, and that's the great challenge here is
16 reconciling the two -- the agreement he's made
17 with us and the apparent agreement he's made with
18 you.

19 MS. DEAN: Mr. Lee further appeared
20 before the Commission at the May 13th, 2002,
21 meeting concerning the shareholders and
22 concerning the company, and requested to remain
23 here in the State of Indiana as opposed to having
24 the license removed, and that that was in the best
25 interest of the shareholders. And the Commission



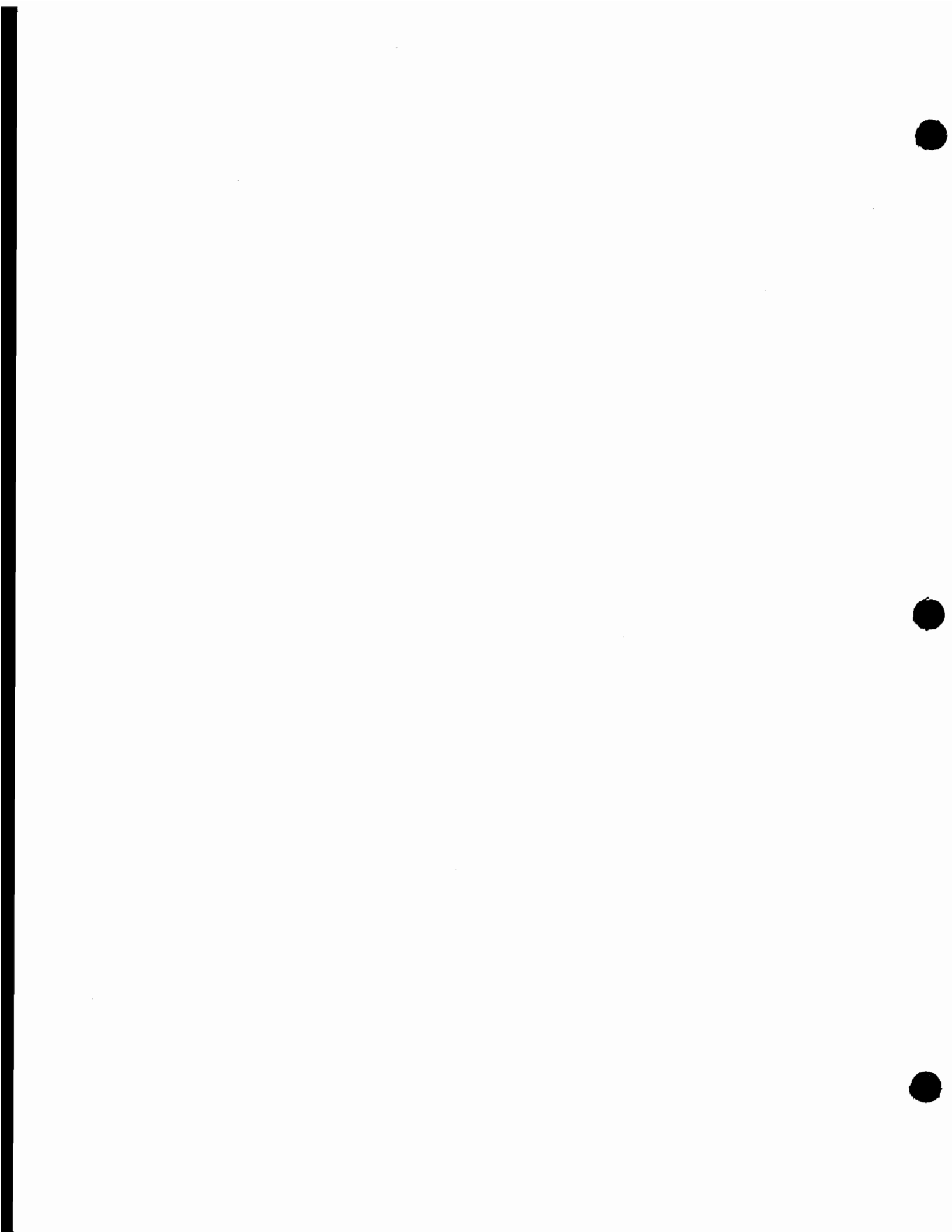
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1 decided at that time that it was in the best
2 interests of the State of Indiana and their
3 employees not to hit the company by asking them to
4 leave the state.

5 MR. GIFFORD: And we agree with that
6 wholeheartedly. And, in this connection, the
7 derivative settlements which -- an important point
8 to note is that the Plaintiff in this case, Mr.
9 Kelsey, is an Indiana resident. I think he's known
10 to some of you. He's a member of the Indiana
11 Boxing Commission, for example. He is from --

12 COMMISSIONER GETTELFINGER:
13 [interrupts] Mr. Gifford, I'm having a little trouble
14 hearing you.

15 MR. GIFFORD: I'm sorry. Mr. Kelsey, the
16 shareholder who brought the derivative action, is
17 an Indiana resident. Some of you know him. He's
18 been recently reappointed to the Indiana Boxing
19 Commission, for example; I noted in the
20 publication. And Mr. Kelsey and his counsel had to
21 review and sign off on the derivative actions and
22 the fact that they provided value to the company's
23 shareholders, many of whom are in Indiana. And
24 we -- we believe that that benefit that the company,
25 its shareholders, and what I would call

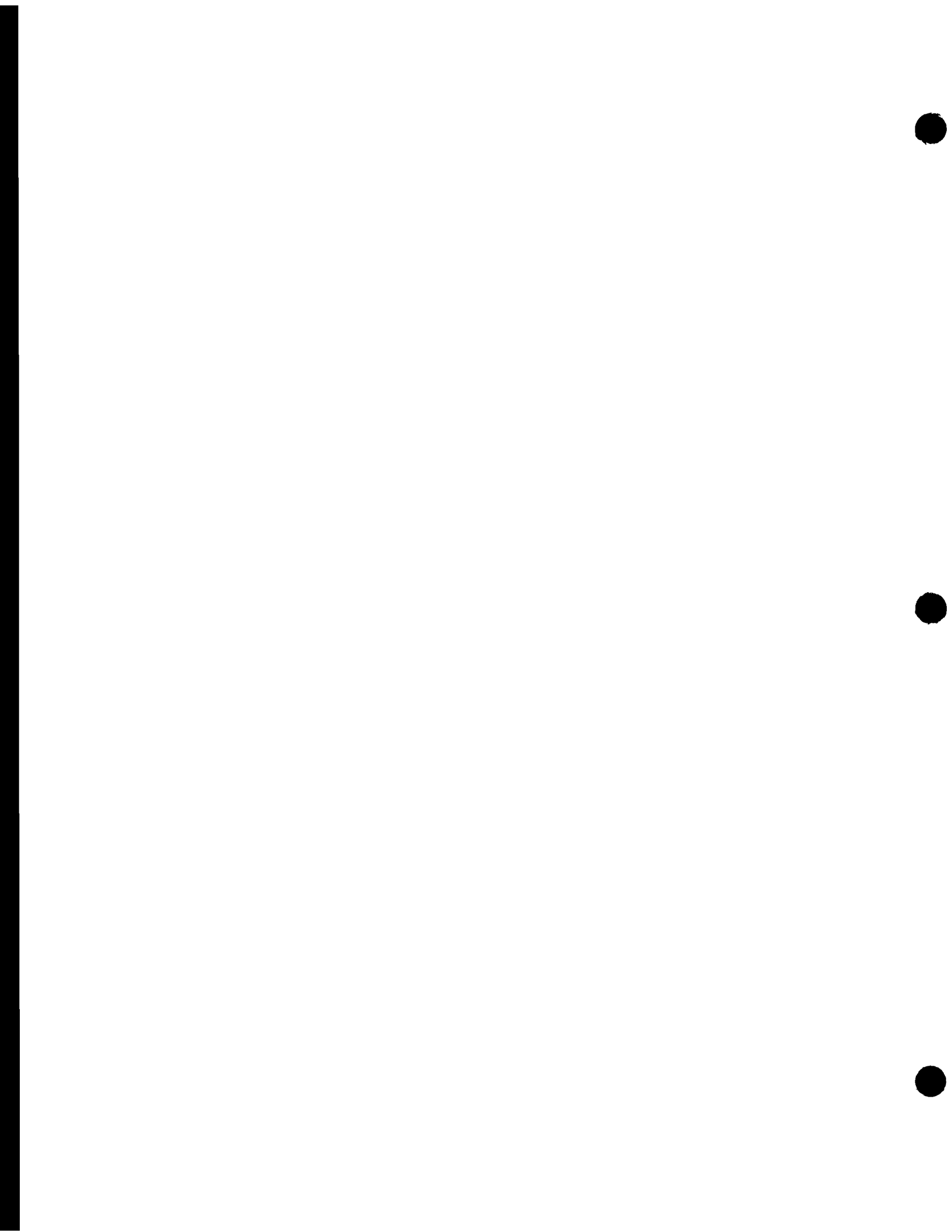


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1 stakeholders derived from this -- from the certainty
2 from the other aspects of the derivative settlement
3 that we've pointed out, are very meaningful.

4 The other point I would make is that I -- I
5 understand that there has been a lot of information
6 provided to the Commission. We began -- even
7 before the first formal submission, we began -- we
8 had conversations; Mr. Lawrence and I had
9 conversations about this. Shortly after we made a
10 formal submission, we had a meeting with the staff,
11 with the General Counsel of Pinnacle, and myself
12 and others. We have been in nearly daily
13 communication about these issues trying to address
14 issues, provide information. We understand that
15 this is a sensitive issue. We are very much aware
16 of that. We also believe that there is great value
17 to the -- to the company and to the state through --
18 through the stakeholders here in allowing us to put
19 together this derivative-settlement action in a way
20 that's consistent with what you're doing, or might
21 do, as well.

22 MR. BATTAGLIA: Just to summarize, I
23 think, the company's position, we do not think that
24 any Commission approval is required for the
25 derivative settlement itself that we've entered into.



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1 But in order for the company and the shareholders
2 principally to obtain the benefits of that
3 settlement, it may be necessary for there to be
4 some extension of time by which Mr. Hubbard would
5 sell his stock. And we don't know, you know, the
6 time period or to what extent that extension is
7 necessary.

8 To the extent that extension is necessary, I
9 think what we might suggest is the consideration of
10 periodic time periods such that we can see how
11 things go in connection with the first option, the
12 second option, and, maybe, move to a -- you know,
13 consideration of a longer period of time and have
14 this revisited at -- at whatever time is appropriate.
15 We're speaking here without knowing necessarily
16 what needs to be done by the Commission to
17 effectuate the full value of the settlement. So,
18 that would perhaps be our suggestion.

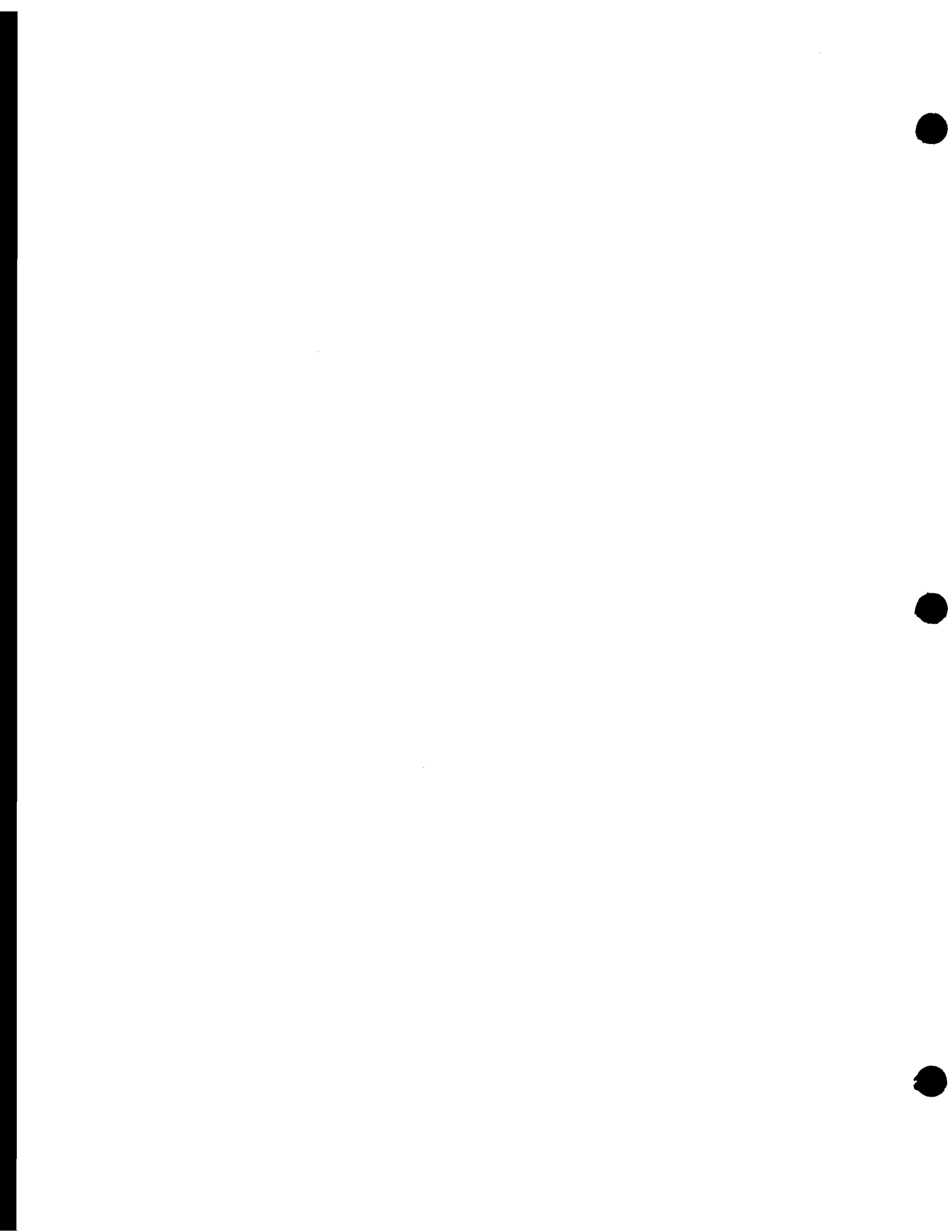
19 COMMISSIONER ROSE: It just strikes
20 me -- excuse me. It strikes me that we are missing
21 someone at the party of this discussion; right?
22 You -- you're -- you're representing Pinnacle, the
23 shareholders of Pinnacle, and asking, you know, us
24 to understand a settlement agreement that -- that
25 you presented to be in the best interests of



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1 Pinnacle and appears to be so. And we are
2 representing the citizens of Indiana and the
3 Gaming Commission, and -- and -- and, perhaps,
4 many of our citizens are also shareholders of
5 Pinnacle, and it's in our best interests that
6 Pinnacle remains a strong and viable corporation.
7 Yet, we have an agreement with Mr. Hubbard that
8 requires him to -- to do certain things by a certain
9 date, and that date affects your agreement. And
10 so, not having him available to speak to this
11 strikes me as extremely odd. And -- and so, I just
12 think -- I think we're missing someone here to come
13 to us and ask us for what needs to happen under
14 the agreement that we have with Mr. Hubbard.

15 MR. LAWRENCE: Commissioner Rose, as
16 I indicated previously, I have had discussions with
17 Mr. Rawlings, and last week he -- he asked whether
18 it would be necessary for him to be here. At that
19 time, we had received the documents that he had
20 sent to us in confidence. And when I reviewed
21 them, I felt that at that time that he somewhat laid
22 out the -- his -- extensively the position of Mr.
23 Hubbard. And at that time, I left a message for him
24 indicating -- he indicated to me that it would be
25 extremely difficult for him to rearrange his



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1 schedule to be here. At that time, I left a message
2 indicating that, in my estimation, it might not be
3 necessary for him to be here, but to be available
4 by phone. So, to -- to his benefit, for the record, I
5 did indicate that to him, so . . .

6 MR. BATTAGLIA: I would also add that I
7 don't think that our interests are necessary --
8 necessarily divergent from one another. I think the
9 shareholders' interests and the interests of the
10 Indiana public, which you are authorized to protect,
11 are similar. Because at the time you entered into
12 this agreement with Mr. Hubbard, you, I assume,
13 had in mind an orderly disposition of -- of his
14 stock, or else you would have required an
15 immediate sale; and, instead, it was over a period
16 of time. The -- Mr. Hubbard has no control and has
17 not had any control and won't have any control over
18 the voting nature of this stock, so that the only
19 question becomes: How can it be disposed of in an
20 orderly manner to protect the interests of -- of the
21 shareholders, many of whom, I assume, are
22 members of the Indiana public, given that this
23 lawsuit was brought by an Indiana resident on
24 behalf of all the shareholders of the company?
25 Mr. Hubbard's counsel, I understand from Mr.



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1 Lawrence, may be available by phone. Obviously,
2 those would have to be confidential discussions,
3 given the nature of the agreement. But -- so I'm
4 not sure what the next step is. But, obviously,
5 those discussions --

6 COMMISSIONER GETTELFINGER: To
7 follow up on the observation made by Commissioner
8 Rose, do you see any merit in you folks talking with
9 Mr. Hubbard and getting back in touch with us?

10 MR. BATTAGLIA: Well, I'm not sure what
11 we would discuss with him that would be
12 nonconfidential. In other --

13 COMMISSIONER GETTELFINGER:
14 [interrupts] Would he have the right to -- would he
15 have the right to share that confiden -- confidential
16 information with you?

17 MR. BATTAGLIA: Does -- does he have
18 the right? Not that we know of, because of the
19 confidences between you -- you and he [sic].

20 COMMISSIONER GETTELFINGER: Well,
21 if we would --

22 MR. BATTAGLIA: And -- and I'm not
23 sure -- I'm sorry.

24 COMMISSIONER GETTELFINGER: Well,
25 I -- I guess I would put that point to our counsel,



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1 then.

2 What can we do to facilitate these folks
3 getting together?

4 MS. DEAN: I believe we could entertain a
5 request for Mr. Hubbard if he will release that
6 information to Pinnacle.

7 MR. GIFFORD: I guess I struggle just a
8 little bit to know what we would do with that
9 information, then, other than what we have done,
10 which is to say, "Here is this negotiated settlement
11 that creates great value to us." The time periods
12 clearly are unknown to us. You have the -- you
13 have the -- the -- the power and the ability,
14 cognizant of those time periods, to extend, if
15 necessary, or to set them as appropriate. And if
16 we knew that the time expired on X date, I'm not
17 sure, other than requesting an extension past X
18 date for a longer period, I'm not sure what else we
19 would do with that.

20 CHAIRMAN VOWELS: The essence of the
21 problem is that if Mr. Hubbard does not comply with
22 the agreement from last year, it negates the
23 agreement. It puts him back in a situation where
24 we could find him unsuitable. You then have a 90
25 percent owner who is unsuitable, and then you guys



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1 have a problem; right?

2 What Commissioner Gettelfinger, I believe,
3 suggested is: We may be in a position, if Mr.
4 Hubbard asks us, to waive our confidential --
5 confidentiality concern on that agreement that we
6 might say, "Fine. Show them if you want." That --
7 that's -- that's the ripple effect.

8 What's your question? Why -- why would you
9 want to see that document? We've been talking for
10 an hour [laughs].

11 MR. GIFFORD: I guess I'm not sure how
12 that changes the question presented to you.

13 CHAIRMAN VOWELS: Well, let me --
14 okay.

15 COMMISSIONER GETTELFINGER: Mr.
16 Chairman, my position is: We have an agreement
17 with Mr. Hubbard, and I intend to do everything I
18 can as an individual to see that that agreement is
19 enforced to the letter of that agreement. And I
20 think, if I was involved on the other side, knowing
21 what the -- knowing what the letter of that
22 agreement is, I think it would be important to your
23 deliberations. I think it would change some of the
24 dynamics of the way that people were figuring
25 these values. How valuable are they? But from my



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1 position, whatever that agreement is, the
2 confidential part of it, I will insist personally that
3 it be enforced to the letter of that agreement, no
4 more. So, for whatever that does for folks, and I
5 just [laughs] think if -- if the Commission can -- I
6 defer to legal counsel, but if the Commission can,
7 if we can in some way empower Mr. Hubbard and
8 his counsel, that he could discuss that, you know, I
9 think that would be valuable dialogue that would
10 help move this along. And, again, I have to defer
11 to counsel if we can do that.

12 COMMISSIONER ROSE: I have a question
13 about the set calendar agreement. Does it have
14 a -- if it's not approved or not executed or -- it
15 would within a certain period of time just become
16 moot? Do you have a time frame on which the
17 agreement --

18 MR. BATTAGLIA: [interrupts] It has no
19 time period --

20 COMMISSIONER ROSE: Okay.

21 MR. BATTAGLIA: -- associated with it.

22 CHAIRMAN VOWELS: I think -- Mr. Lee?

23 MR. LEE: Yeah. Just -- I would just like
24 to make a point that we want Mr. Hubbard out of
25 our company every bit as much as you do.



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1 COMMISSIONER GETTELFINGER: Mr.

2 Lee, I'm having trouble hearing you.

3 MR. LEE: [interrupts] I'm sorry. We want
4 Mr. Hubbard out of our company every bit as much
5 as you do. Okay? The -- none of us talk to him. I
6 have not spoken to the man since I took the job a
7 year and a half ago. A year ago our stock was
8 above 10. We were trying to do an offering to
9 make our balance sheet stronger, to help pay for
10 the expansion that we had underwent at Belterra.
11 And one of the problems I ran into was: The
12 potential buyers of the deal looked at it and said,
13 "Well, we know 9 percent is gonna get sold. Now,
14 if we buy in this deal, we don't know the time
15 frame; that's confidential. Is that stock going to
16 get dumped on the market? So, we -- we buy the
17 shares at 10, and when the stock gets dumped, we
18 end up with 7." And so, it was going to be difficult.
19 And our underwriters went to Mr. Hubbard and said,
20 "Can we get you to sign these standstills so we
21 know you're not going to dump the stock in the next
22 6 months? Or, alternatively, will you put your
23 shares into the deal and we'll sell it as secondary
24 shares so the deal would be part primary shares for
25 the company and part secondary shares selling a



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1 few shares out to institutions?" His comment was,
2 "I won't sign the standstill; and tell me the price."
3 Well, that becomes a catch-22 because you're
4 going to go market shares, you don't know if his
5 shares are in or out, and therefore you can't really
6 determine the price.

7 So when this derivative suit came along and
8 we were trying to figure out how to resolve it, I
9 viewed that \$10 option, which is really most of the
10 value, the option for -- to buy the stock for one
11 year at \$10 is buying right now to force him out.
12 Now, hopefully, if we could get this approved, it
13 would take the overhang off the stock. That, plus,
14 our results are pretty good, as you have knowledge
15 of. That would help our stock move up. Just by
16 comparison of the price Harrah's is paying for
17 Horseshoe, by the same parameters, our stock
18 should be in the mid-teens. If I can get our stock
19 to 10 1/8, I'll go out with an offering so fast and
20 exercise our option and take him out. Now, I can't
21 buy it ourselves because of our debt limits. But I
22 can transfer that option to an underwriter, and the
23 underwriter can sell it to institutions, and we can
24 get him out of our company.

25 MS. DEAN: Was the request made to your



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1 debt companies that you've asked for approval and
2 received approval from today in order to be able to
3 purchase stock should you -- should you so need?

4 MR. LEE: The debt covenants both on --
5 on bonds were issued 20 years ago. We're trying
6 to refinance some of them now. And the covenants
7 are heavily negotiated and not easily changed. On
8 the bank deal that was done 3 or 4 months ago,
9 heavily negotiated because of the amount of
10 leverage we had because somebody else wanted to
11 buy 90 percent of my stock and could not resell it,
12 the -- the banks would have a problem with that
13 because of the -- the -- that's a pretty big deal.
14 Most companies have covenants that would not
15 allow them to retain 10 percent of their stock.

16 MS. DEAN: I'm just asking: If they've
17 had a problem with a cap on the interest rate and
18 you came back before this Commission today and
19 you received additional financing today, those
20 covenants are not set; correct?

21 MR. LEE: Well, the -- the bank deal we
22 did several months ago, the proceeds are being
23 used to build the expansion of Belterra and the new
24 property we're building in Louisiana, so the banks
25 are looking at their money being put to work in a



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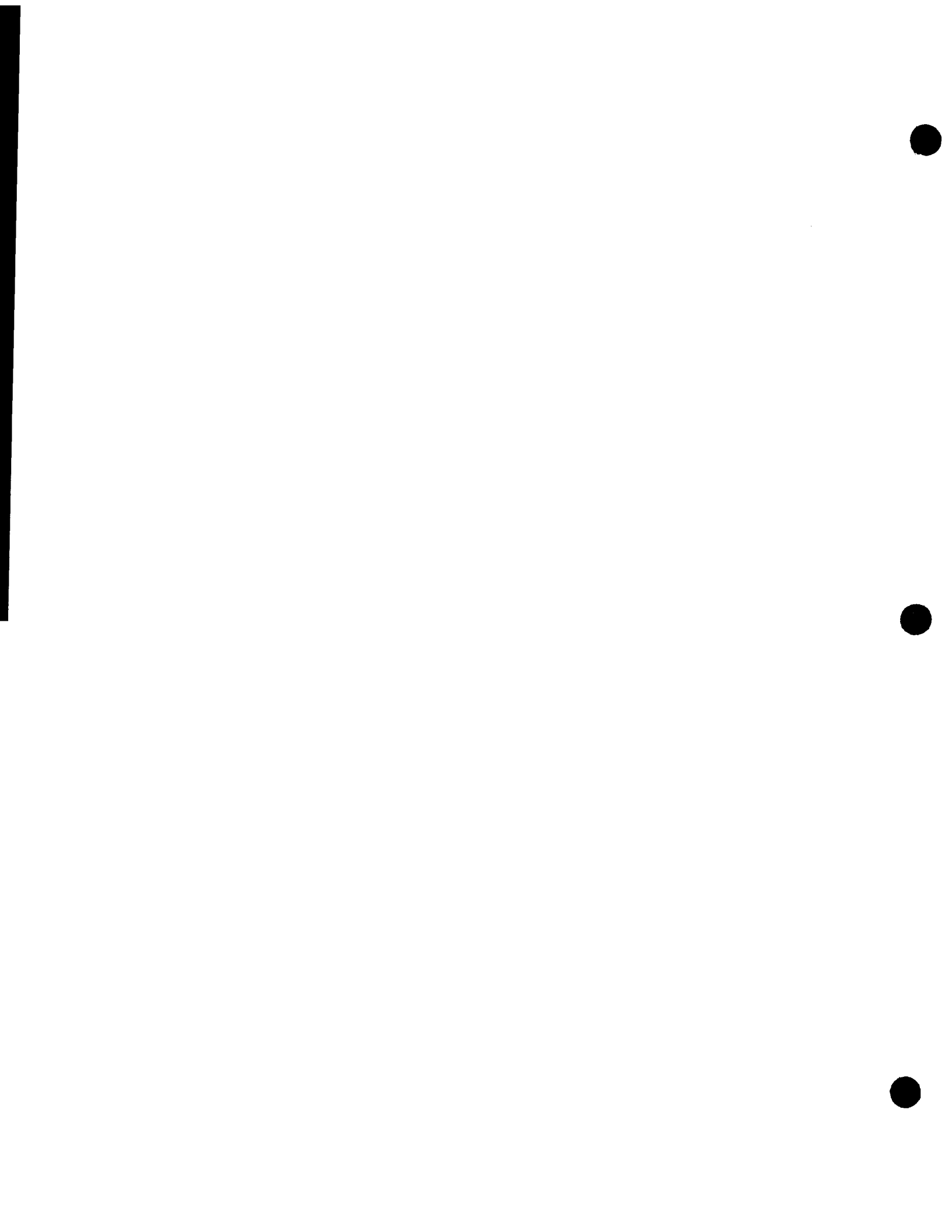
1 way that produces profits from which we can pay
2 their interest. If you borrow money from a bank
3 and use it to buy stock, the money is just gone
4 from their point of view. So, they're very resistant
5 to allowing a company to borrow money and buy
6 stock. So, really, the value of the option for us is
7 the ability to transfer it to somebody who is selling
8 it to others and, hopefully, to institutions.

9 MS. DEAN: And what were -- what
10 assurance is there that this party you would
11 transfer this option to is aware of this time period,
12 which we understand substantially affects the value
13 of this option?

14 MR. LEE: Well, we would transfer the
15 option to somebody who's gonna exercise it right
16 away. And we would do it as a way to get him out
17 of the company.

18 MS. DEAN: But under the terms of the
19 agreement itself, it does not provide for all of the
20 stock to be purchased right away; it is limited by
21 quarter?

22 MR. LEE: No, it doesn't. If I exercise
23 our option, it's done; he's gone. Our -- our option
24 to buy the stock at \$10 is an option -- we'd love to
25 buy all the stock at once and then resell it.



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1 Literally, what you do is transfer it to Merrill Lynch
2 or Bear Stearns or something and say, "We're
3 doing this offering," and at the closing of the
4 offering, we transfer the option to Bear Stearns.
5 Bear Stearns exercises the option and transfers the
6 stock to a college retirement equity fund or
7 something like that. I'm sorry; I'm not a lawyer.
8 The lawyers can explain.

9 COMMISSIONER ROSE: Mr. Chairman,
10 can I -- I have a couple of suggestions.

11 CHAIRMAN VOWELS: Go ahead.

12 COMMISSIONER ROSE: The first
13 suggestion that I have is that the Commission
14 consider a motion that would allow the disclosure
15 of our agreement; that we would agree that if Mr.
16 Hubbard so agrees, that the confidential agreement
17 that we've entered into with Mr. Hubbard could be
18 disclosed to Pinnacle for the very limited purpose
19 of understanding its implications with regard to the
20 shareholder derivative action. And, of course, Mr.
21 Hubbard would also have to agree to this. And I
22 think that the Commission might be in a position to
23 strongly urge him to do so to get this taken care of.

24 So I will move that we approach Mr. Hubbard
25 with regard to releasing this document to Pinnacle



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1 for this limited purpose.

2 COMMISSIONER GETTELFINGER: Mr.

3 Chairman, I second --

4 CHAIRMAN VOWELS: Is there a motion?

5 COMMISSIONER GETTELFINGER: -- that

6 motion.

7 CHAIRMAN VOWELS: Is there a

8 discussion?

9 COMMISSIONERS: [no response]

10 CHAIRMAN VOWELS: Mr. Lawrence, any

11 particular thoughts?

12 MR. LAWRENCE: No, sir.

13 CHAIRMAN VOWELS: Okay. All right.

14 We have a motion -- I'm sorry, go ahead.

15 MR. GIFFORD: Mr. Chairman, one issue

16 is: We're very concerned about that knowledge

17 totally unrelated to this issue because it subjects

18 the company, then, to later charges that it, knowing

19 the date by which he has to divest himself -- it

20 opens the company to charges that it deliberately

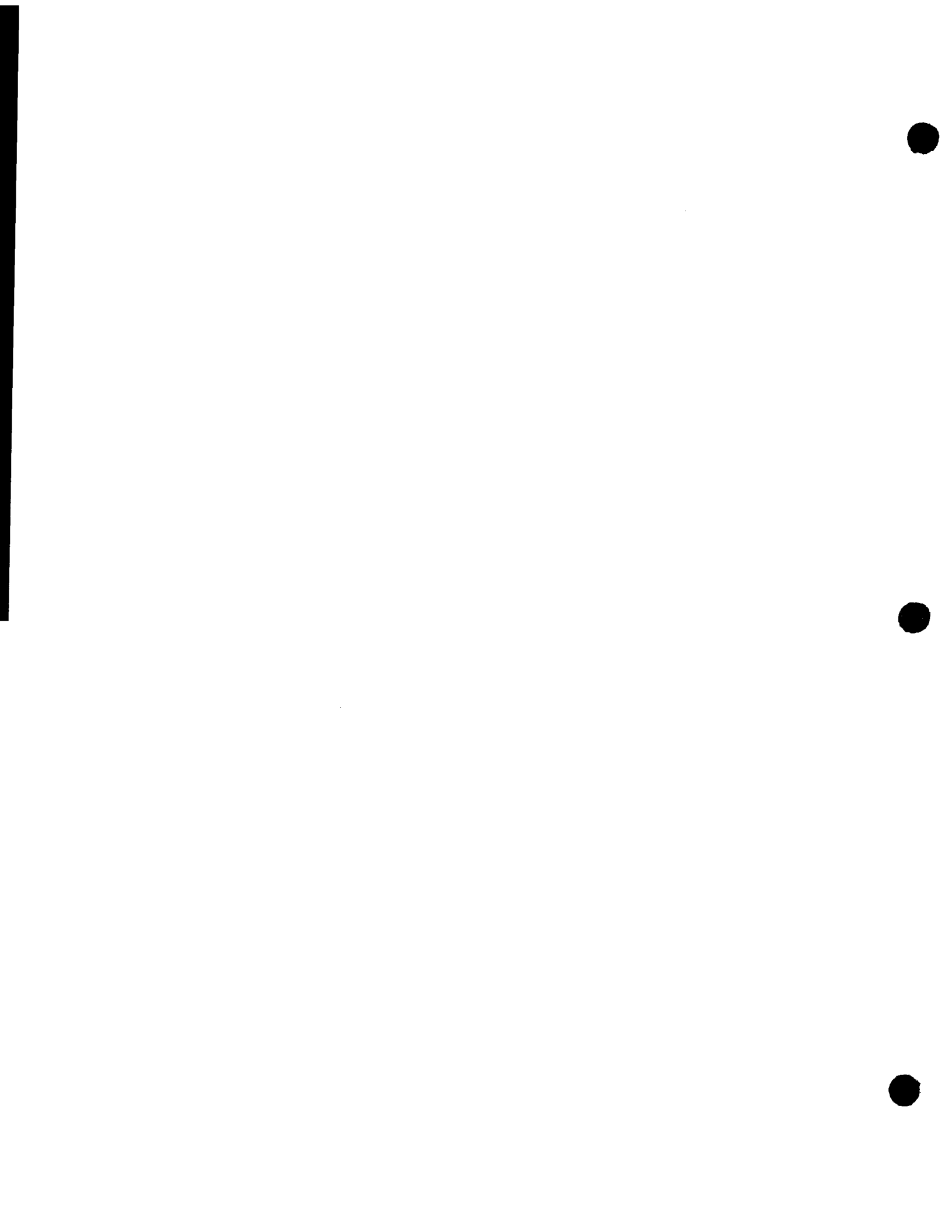
21 low-paid on it; it had an impact -- negative impact

22 on the stock in order to hurt his ability to sell his

23 stock. That's our -- that's a very serious concern

24 of having that information.

25 The second aspect of that, however, is just --



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1 COMMISSIONER GETTELFINGER: Well,
2 Mr. Gifford, why is that situation any different now
3 than it was when the agreement was entered into?

4 MR. GIFFORD: Because we don't know
5 when that expires.

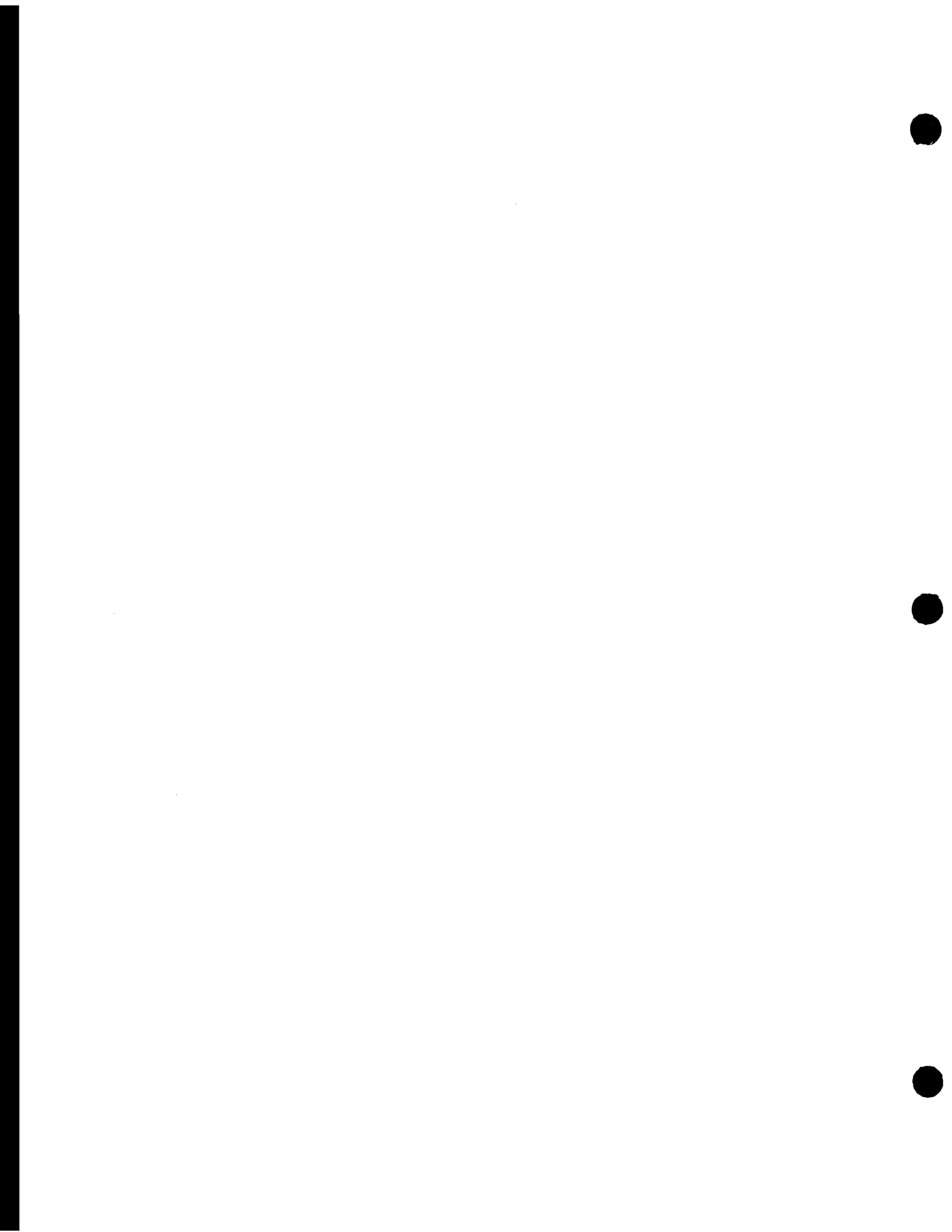
6 COMMISSIONER GETTELFINGER: Well,
7 if that -- there was negotiation when this
8 settlement was -- the first time; wasn't the parties
9 part of that? So I don't -- I don't see the point that
10 the -- it's a problem now and it wasn't a problem
11 earlier.

12 MR. GIFFORD: Well, earlier, it was not a
13 known fact, and we may well have an obligation
14 under SEC disclosure requirements to say to the
15 world that 9 percent of our stock held by this
16 individual has to be sold by this date. Now I -- I
17 believe, I wasn't --

18 COMMISSIONER GETTELFINGER: Well, I
19 don't know if that --

20 MR. GIFFORD: -- none of us was party to
21 the negotiations that you-all had with Mr. Hubbard
22 a year ago. But I have to believe that the rationale
23 of keeping that confidential was for those very
24 issues -- those very points.

25 MR. BATTAGLIA: The second point of



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1 that is that I'm not sure necessarily knowing that
2 date would change the position with the Special
3 Committee vis-à-vis the Commission. It would -- if
4 it knew a date, would still come before you and --
5 and seek your assistance in providing for an early
6 disposition of this stock and some type of periodic
7 time exten -- extension so that the value that was
8 negotiated on behalf of the shareholders here
9 could be achieved in the form of the options. And
10 so, knowing that information would not necessarily,
11 I think, change any position that the -- the Special
12 Committee would urge on the Commission, besides
13 the potential for SEC reporting requirements, which
14 I assume you would desire to avoid in the first
15 instance.

16 MR. GIFFORD: Perhaps --

17 COMMISSIONER ROSE: Let me just --

18 MR. GIFFORD: -- my understanding --

19 COMMISSIONER ROSE: -- let me just say
20 one thing, Mr. Gifford. I think you're right about
21 the disclosure obligation if you did know -- if -- if
22 Pinnacle did know that information. And I'm gonna
23 withdraw my motion to not have to put you in that
24 kind of position.

25 CHAIRMAN VOWELS: Show the motion is



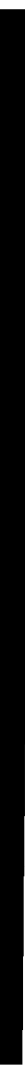
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1 withdrawn. Any problems with that?

2 COMMISSIONER GETTELFINGER: No.

3 [WHEREUPON, Commissioner Rose's motion is
4 withdrawn.]

5 MR. GIFFORD: May I make a suggestion
6 perhaps, for a resolution that gets us down the
7 road in a beneficial way, I -- I'm thinking? I
8 understand from the conversations with Mr.
9 Rawlings that, separate and apart from the
10 settlement agreement -- the public settlement
11 agreement with the Commission that -- obviously,
12 the only one that I was aware of -- that there is a
13 second agreement that provides the ability for Mr.
14 Hubbard to get extensions of his time period to sell
15 based on certain conditions. I don't know anything
16 more about it than that. I don't know what time
17 period the extension -- I don't know what the
18 periods are. But it would seem to be if the
19 Commission, either administratively or as a body,
20 took that course and extended his time period
21 commensurate with that existing agreement to a
22 point in the future, that would provide the company
23 the benefits of the settlement we discussed
24 through that time period, which I suspect is -- runs
25 some time until next year, I'm just gonna guess.



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1 Not knowing, I'm gonna guess it's some time next
2 year.

3 At that point -- as we approach that point, the
4 Commission then could revisit -- we -- we would
5 know whether -- if -- if the stock price had gotten
6 up above 10 and we've exercised the option, this
7 all becomes moot. But if it hadn't, and the
8 circumstances were still below the option price, at
9 that point, the Commission has -- continues to have
10 the ability it has today, which is to revisit the issue
11 and determine whether it's in the public interest to
12 extend or pull the trigger and tell Mr. Hubbard that
13 he has to divest by that date. In the conversation
14 with him, the company would still have the benefit
15 of a negotiated deal through that time period. And
16 if it was appropriate to extend, we could come back
17 and revisit the issue at -- at a time and in a way
18 that wouldn't expose that time period. It seems to
19 me that that is consistent with the existing
20 agreement between the Commission and Mr.
21 Hubbard.

22 COMMISSIONER GETTELFINGER: I
23 would agree and I'm -- individually I'm prepared to
24 do that, but no more than what our current
25 agreement states.



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1 COMMISSIONER ROSE: Do you think that
2 Mr. Hubbard needs to come before the Commission
3 to make that motion to the Commission?

4 COMMISSIONER GETTELFINGER:
5 Commissioner Rose, you made a very good point
6 earlier. I think it would be helpful to have Mr.
7 Hubbard and his representatives here to do that. I
8 don't know if it's necessary for you to make a
9 motion, but -- I don't know what more to say, other
10 than: Everything Counsel has said, I agree with,
11 only so far -- up to the limits of our agreement, no
12 more than what we've already agreed to.

13 MR. BATTAGLIA: Could there -- I'm
14 sorry. Could there be some resolution to the effect
15 of -- that the Commission does not necessary have
16 to pass on the settlement agreement that has been
17 entered into or that, subject to whatever is
18 negotiated with Hubbard, the settlement agreement
19 is approved such that the company can receive the
20 monetary benefits of this agreement and begin to
21 receive the potential value in the form of the
22 option so that it could exercise and take him out,
23 you know, within the time frame that -- that -- that
24 you -- you have potentially set and may be willing
25 to extend, I don't know, such that the rest of the



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1 issue, whether there should be some further
2 extension beyond that time frame, becomes moot?

3 COMMISSIONER ROSE: Okay. Let's try
4 it one more time. Okay? I'm going to move that we
5 approve the California settlement agreement
6 subject to the extent that it is not in conflict with
7 the agreement that we have with Mr. Hubbard, and
8 to the extent that there needs to be changes within
9 the confines of the agreement that we have with
10 Mr. Hubbard, then we authorize the Commission
11 and the staff to negotiate that with Mr. Hubbard,
12 subject to the strict terms of that agreement, and
13 to report to the Chairman and the rest of the
14 Committee about that at our next meeting.

15 CHAIRMAN VOWELS: So you -- we have
16 to negotiate with the Executive Director; is that
17 correct?

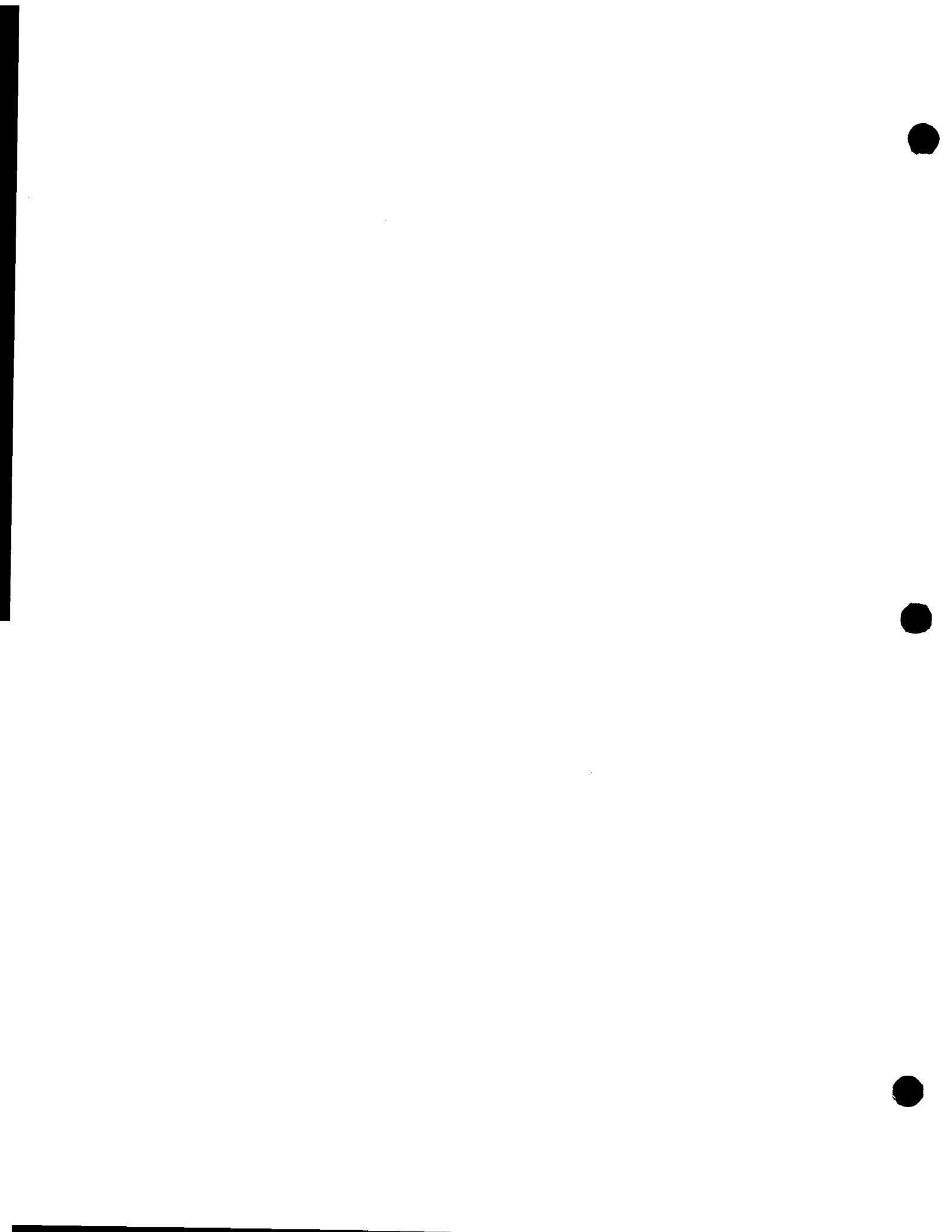
18 COMMISSIONER ROSE: Right, and report
19 to you.

20 CHAIRMAN VOWELS: All right. Is that
21 motion -- is there a second?

22 COMMISSIONER NDUKWU: Second.

23 CHAIRMAN VOWELS: Is there further
24 discussion?

25 COMMISSIONERS: [no response]



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1 CHAIRMAN VOWELS: All those in favor
2 of the motion say "Aye."

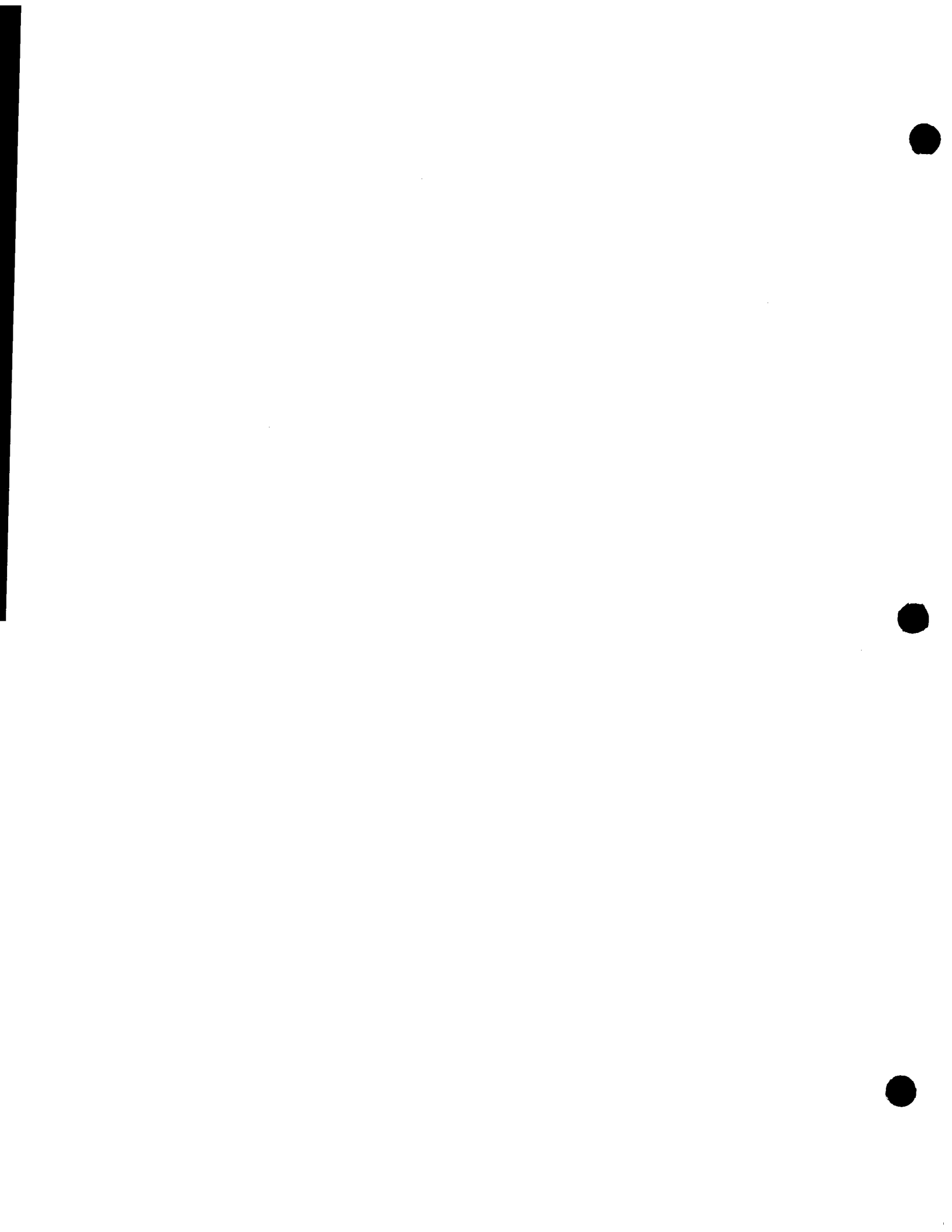
3 COMMISSIONERS: Aye.

4 CHAIRMAN VOWELS: Show that the
5 motion carries.

6 [WHEREUPON, the Commission approves the
7 California settlement agreement subject to the
8 extent that it is not in conflict with the
9 agreement that the Commission has with Mr.
10 Hubbard, and to the extent that there needs to
11 be changes within the confines of the
12 agreement that the Commission has with Mr.
13 Hubbard, then the Commission authorizes the
14 Commission and the staff to negotiate that with
15 Mr. Hubbard, subject to the strict terms of that
16 agreement, and to report to the Chairman and
17 the rest of the Committee about that at the next
18 Commission meeting.]

19 CHAIRMAN VOWELS: Try somehow to see
20 what it says.

21 MR. GIFFORD: We were just trying to
22 understand specifically what the "subject to" -- the
23 approval of -- of the California settlement was
24 subject to -- specifically what the "subject to" was
25 and how that -- the extent to which there's a



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1 contingency there. It sou -- I was gonna say it
2 sounded like --

3 MR. BATTAGLIA: I guess our only
4 concern is: We understand that the agreement that
5 the Commission has with Mr. Hubbard may affect
6 the value that the shareholders receive. We would
7 like there not to be any conditions precedent in
8 connection with the approval of the settlement
9 agreement because if the stock goes up to 10, we
10 wanna be able to exercise that option. We don't
11 want Mr. Hubbard or anybody else to claim that
12 there's a condition precedent here regarding his
13 negotiation.

14 Our agreement with Mr. -- the Special
15 Committee's agreement with Mr. Hubbard is -- is
16 separate. He has another obligation to the
17 Commission, and so I'm gonna leave the subject
18 to . . .

19 MR. GIFFORD: Well, I'm just wondering.
20 Was the condition precedent simply that the
21 Chairman and the Executive Director will negotiate
22 with Mr. Hubbard's counsel as to the extension of
23 the time period pursuant to your existing
24 agreement?

25 CHAIRMAN VOWELS: That -- that was the



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1 condition.

2 COMMISSIONER GETTELFINGER: Let me
3 say what I -- what I understood. The California
4 agreement and our agreement are in conflict. And,
5 as I understand, we are authorizing the Executive
6 Director -- we are approving the California
7 agreement to the extent it is not in conflict with
8 our agreement. To the extent that those
9 agreements are in conflict, we are authorizing the
10 Executive Director to work with you folks, subject
11 to no change in the document we have now from Mr.
12 Hubbard. Is that helpful?

13 MR. GIFFORD: Yes.

14 CHAIRMAN VOWELS: That's the
15 commentary to the motion that was carried
16 [laughter]. Well, that explains, you know, the
17 problem areas that we can't talk about what we
18 were talking about. So if you're down there
19 guessing or whatever you're doing . . .

20 MR. GIFFORD: I understand.

21 CHAIRMAN VOWELS: That's why were
22 sitting a lot higher than you [laughs]. Okay. I
23 think that resolves for today -- right? -- this issue.
24 Is there any -- anything else that -- Mr.
25 Lawrence, on this settlement agreement; that takes



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1 care of it for today; right?

2 MR. LAWRENCE: Yes, sir.

3 CHAIRMAN VOWELS: Okay. Is there any
4 other business?

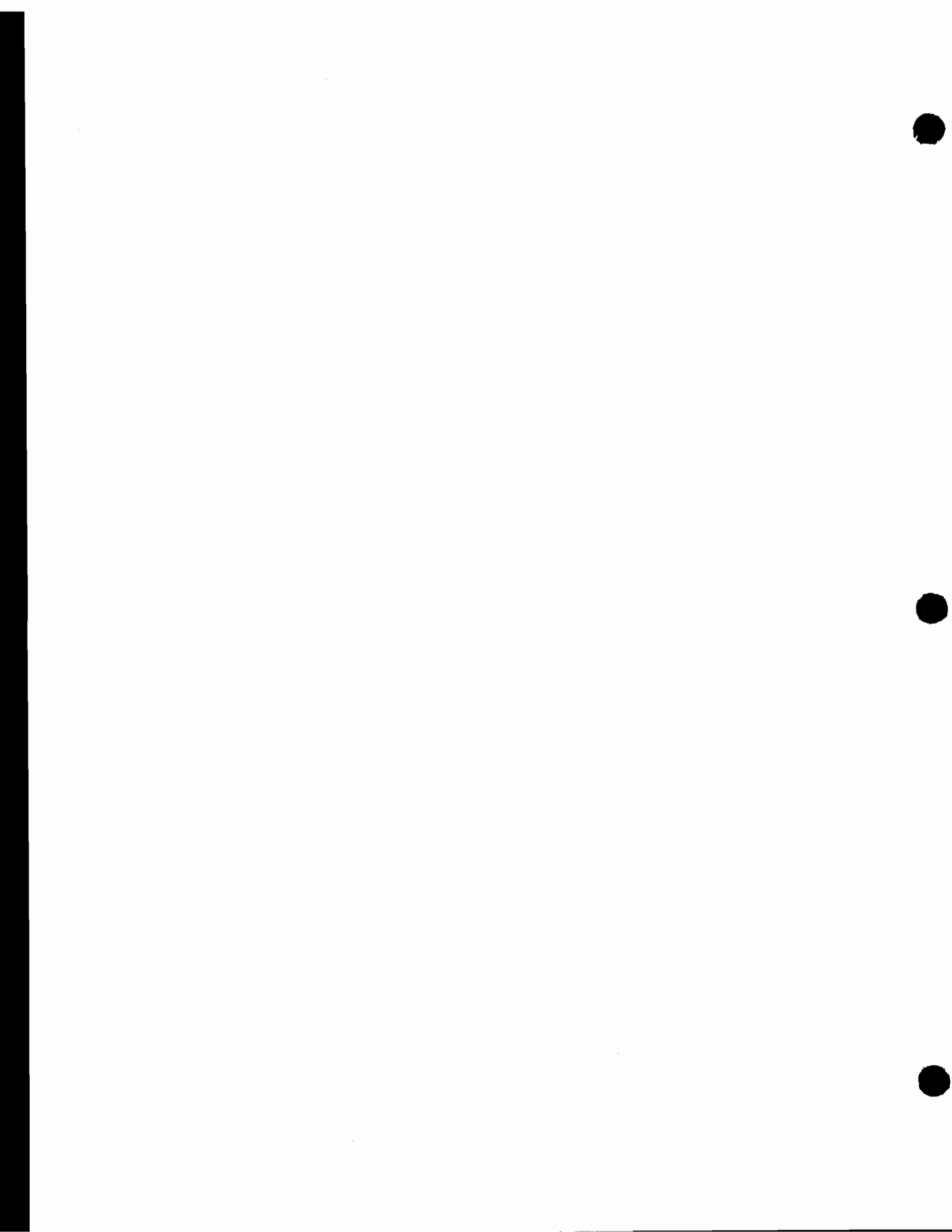
5 COMMISSIONERS: [no response]

6 CHAIRMAN VOWELS: Our next meeting
7 that we've scheduled will be in Evansville. And is
8 that November the 14th?

9 MR. LAWRENCE: Novem -- Friday,
10 November 14th, Aztar relicensing. We will be on
11 location for that as well.

12 CHAIRMAN VOWELS: And before we
13 move to adjourn this portion of the meeting, the
14 next portion of the meeting will deal with
15 relicensing of Caesars. Most of our stomachs
16 are -- except for, I believe, Commissioner
17 Gettelfinger, are an hour behind what's going on
18 here. I'll refer to Commissioner Gettelfinger about
19 whether we take lunch right here or not.

20 COMMISSIONER GETTELFINGER: Well,
21 that would be too much power to give me to
22 determine lunch. I would like to suggest, maybe, a
23 short break, 10 or 15 minutes, if that would
24 accommodate everyone's schedule, before we
25 resume.



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1 CHAIRMAN VOWELS: Okay. But let's --
2 let's do that before we adjourn here, then, just a
3 moment.

4 Let's take a 15-minute break. It's 20 after the
5 hour, so at 25 till the hour, then Caesars will begin
6 their presentation at that time.

7 Jenny Arnold over here has the sign-up sheets,
8 so anybody who wishes to comment during the
9 Caesars period -- so you just find Jenny over
10 there, fill out the forms, if you have time
11 limitations, let them know it.

12 Is there a motion to adjourn [sic]?

13 COMMISSIONER ROSE: So moved.

14 CHAIRMAN VOWELS: Second?

15 COMMISSIONER GETTELFINGER:

16 Second.

17 CHAIRMAN VOWELS: Further discussion?

18 COMMISSIONERS: [no response]

19 CHAIRMAN VOWELS: All in favor say

20 "Aye."

21 COMMISSIONERS: Aye.

22 MR. BATTAGLIA: Thank you for your
23 patience.

24 [WHEREUPON, the Indiana Gaming Commission
25 Hearing/Public Meeting is recessed at 1:22



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1 p.m.]

2 [WHEREUPON, the Indiana Gaming Commission
3 Hearing/Public Meeting reconvenes at 1:50

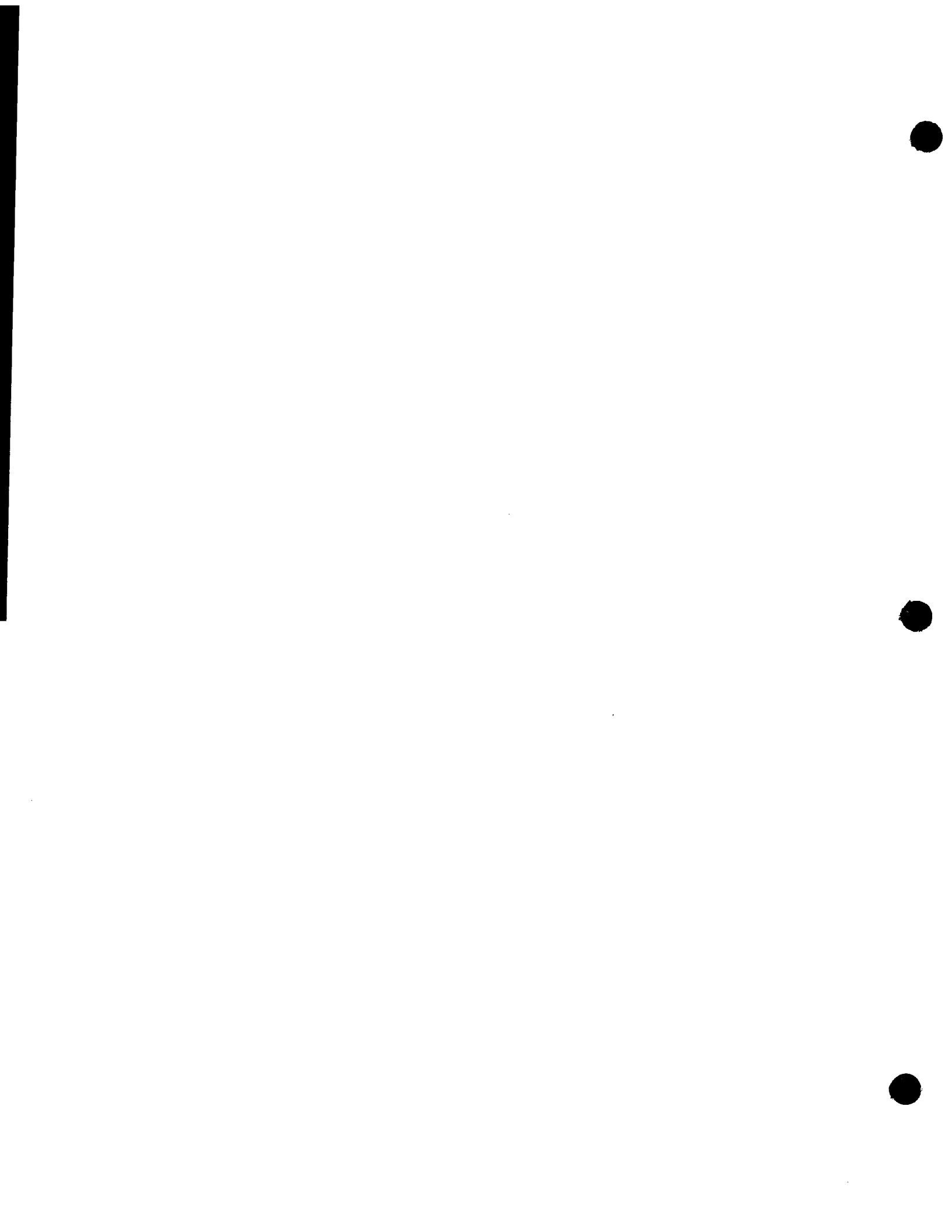
4 p.m.]

5 CHAIRMAN VOWELS: We'll go ahead and
6 call the meeting to order. This is the portion
7 dealing with the relicensing of Caesars. Show,
8 again, that all Commissioners are present with the
9 exception of Commissioner Bochnowski. And we do
10 have a quorum.

11 Mr. Klacik, we'll start with you, if you want to
12 come on up to the podium.

13 MR. KLACIK: Thank you, Mr. Chairman,
14 Executive Director Lawrence, and members of the
15 Commission and Gaming Commission staff. I'm a
16 policy analyst at a place called the Center for
17 Urban Policy and the Environment, and as you
18 guys, or most of you, are probably aware, we have
19 worked with the Gaming Commission since the
20 original license applications. We've also
21 performed as staff for the Governor's gambling
22 impact study commission.

23 Today I'm going to provide you and -- as part
24 of the 5-year license-renewal process, we prepared
25 a report involving the issues. The first is



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1 compliance, which includes issues such as project
2 development, employment, and negotiated
3 incentives. Second is work-force development. We
4 looked at both employment and training, then
5 economic development of both tourism and the
6 im -- and the economic impact on local taxes and
7 negotiated contributions that's spent by local
8 government. And finally is the fiscal impact on
9 schools and the -- and Harrison County.

10 In terms of compliance, as of June 2003,
11 Caesars has spent approximately \$434.6 million,
12 which is 206.4 million more than was agreed upon
13 in the original agreement. \$161.9 million of that
14 money was spent locally in Harrison, Clark,
15 Crawford, Floyd, and Washington Counties.

16 Negotiated incen -- negotiated incentives are
17 also on schedule. Caesars has paid over \$49.2
18 million in negotiated incentives, primarily to local
19 community foundations.

20 In terms of employment, there were no specific
21 employment goals. The five-year average of
22 employment was 2,198. There were 2,239
23 employees as of June 2003. Since opening,
24 Caesars has paid over \$329 million in wages,
25 approximately 43.8 million in 2003. As of June

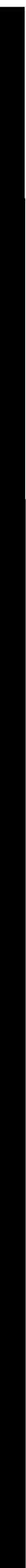


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1 2003, 16 percent of the Caesars work force were
2 minority and 23 percent were residents of Harrison
3 County; 67 percent were residents of the State of
4 Indiana.

5 We also look at impact on the work force. At
6 the beginning I gave you a survey, as you may
7 recall, of the employees at riverboats. We've --
8 we've set a new record again. We had 1,919
9 responses out of a total of 2,198 employees.
10 That's almost 95 percent. If -- if you guys think
11 back to the very first one, I think there were 189
12 responses when we did the first 5-year analysis.
13 As a policy analyst I do this kind of stuff; I'm now
14 willing to project, that after three more polls we will
15 actually have 102 percent return [laughter].

16 What we've learned from -- from these
17 responses is that approximately 24 percent of
18 those who responded to the survey were
19 unemployed prior to beginning work at Caesars. 58
20 percent of those who were employed found that
21 either more money or improved benefits were the
22 principal reasons for beginning work at Caesars.
23 The average length of employment for the
24 respondents was 3 years and 3 months. Most
25 respondents worked full-time. Approximately 10



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1 percent worked 35 hours or less. 78 percent,
2 basically three in every four, have received a raise
3 since beginning work at Caesars. The average
4 annual increase in wages since beginning work at
5 Caesars has been \$6,700, which means that
6 Caesars employees' income has been growing
7 faster than the average employee in the State of
8 Indiana.

9 Approximately 1,320, or 69 percent,
10 received -- we also went through job training.
11 Approximately 1,320, or 69 percent, of those who
12 responded received job training or skill
13 improvement directly related to their jobs at
14 Caesars. Many less received additional job
15 training that might be transferred beyond those
16 jobs. 210 received general training paid for by
17 Caesars, and about 271 more reported -- reported
18 being -- I'm sorry. 210 received training from
19 Caesars and they felt it would transfer to other
20 jobs. 271 reported being reimbursed by Caesars
21 for additional training.

22 We looked at the economic impact of tourism
23 and the spending of local taxes and negotiating
24 incentives by local government, which I think is
25 kind of an overlooked benefit of the post



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1 [phonetic], that those tax -- those are tax dollars
2 that would not typically be raised at local-
3 government levels. What we found, based on a sur-
4 -- sur -- survey of 187 tourism patrons, was that
5 we're very successful in attracting people from
6 outside of Harrison County to the boat. In fact --
7 in fact, 98 percent of all the people who came to
8 Harrison County said that the reason they were
9 here was because of the riverboat, and 70 percent
10 of all the people who responded were actually from
11 outside of Indiana.

12 We were less successful in generating, based
13 on survey results, additional economic activity
14 outside of the boat but inside of Harrison County.
15 Only 19 percent spent more than 8 hours. 16
16 percent of those were from -- were overnight, and
17 every one of them reported that they spent the
18 night in the hotel casino. I mean, visiting here for
19 the first time, that obviously made sense. And that
20 should have been anticipated in the survey.

21 The economic impacts of local taxes and
22 negotiated incentives has been limited to the \$46.5
23 million spent by Harrison County and the
24 community foundations for which we could identify
25 the type of expenditure, and it doesn't include



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1 money spent by -- that's shared with other local
2 units of revenue or money that has been collected
3 but not spent. The spending of that \$46.5 million
4 results in about \$66,000,000 of economic activity
5 in the four-county area, which is Crawford,
6 Harrison, Floyd, and Washington. The singularly
7 largest sector of the county that's affected is
8 infrastructure investment, which adds about
9 \$31,000,000 to the local economy. We estimate
10 that there's been 1,096 new full-time jobs created
11 as a result of the investment of these tax dollars
12 and negotiated incentives, and over \$17,000,000 of
13 wages.

14 The important question that remains to be
15 asked on the road is: What are the long -- those
16 are the short-term economic impacts of this
17 investment. By investing in things like
18 infrastructure and other hard costs, we think that
19 the long-term economic investment might be even
20 greater because the in -- because the investments
21 in infrastructure and other improvements to the
22 quality of life should theoretically improve the
23 economic competitiveness of the entire region. We
24 look forward to trying to determine that over -- over
25 the years to come.



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1 The last thing we did -- well, not the last thing
2 we did, but the last thing I'll report on today -- is
3 the fiscal impact of the boats. And, basically, that
4 looks at the amount of new public revenue -- tax
5 dollars generated for the community relative to the
6 amount of the new cost generated by the presence
7 of the riverboat casino and it -- and its visitors.
8 So, this analysis was actually done by a partner of
9 ours at Purdue University.

10 What we found is that when you include the
11 admissions tax, the fiscal impact on the -- on
12 Harrison County was a positive \$23,000,000, which
13 in a sense means they've collected \$23,000,000 of
14 tax revenue than -- than -- than the amount of
15 increased costs. When you do not include the
16 admissions tax, then you see a small negative
17 fiscal impact. It costs somewhere between 28 and
18 \$119,000 more to provide services after the
19 presence of the riverboat than before. Depending
20 upon perspective, if someone asked me if I knew
21 this 28,000 to \$119,000 knowing full well that that
22 would bring me a benefit of \$23,000,000, I'd be
23 perfectly happy to do that, and I would also advise
24 any of my children who were investing to do that --
25 do that as well.



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1 The risk -- the -- we -- normally we also look
2 at cities and towns, but in this case it's located not
3 in an incorporated single city or town, so there is
4 no -- there is no fiscal impact to acknowle -- to
5 analyze, which is different than any of the previous
6 boats that we've done the analysis for.

7 We look at -- when we look at the Southern
8 Harrison County Community Schools, the first thing
9 I should point out is: The schools do not receive
10 the admissions tax. However, because of the
11 increased property tax resulting from both the
12 facility and the relatively small increase in
13 demand, it was found that there was about a 36 to
14 \$114,000 positive fiscal impact on the community.

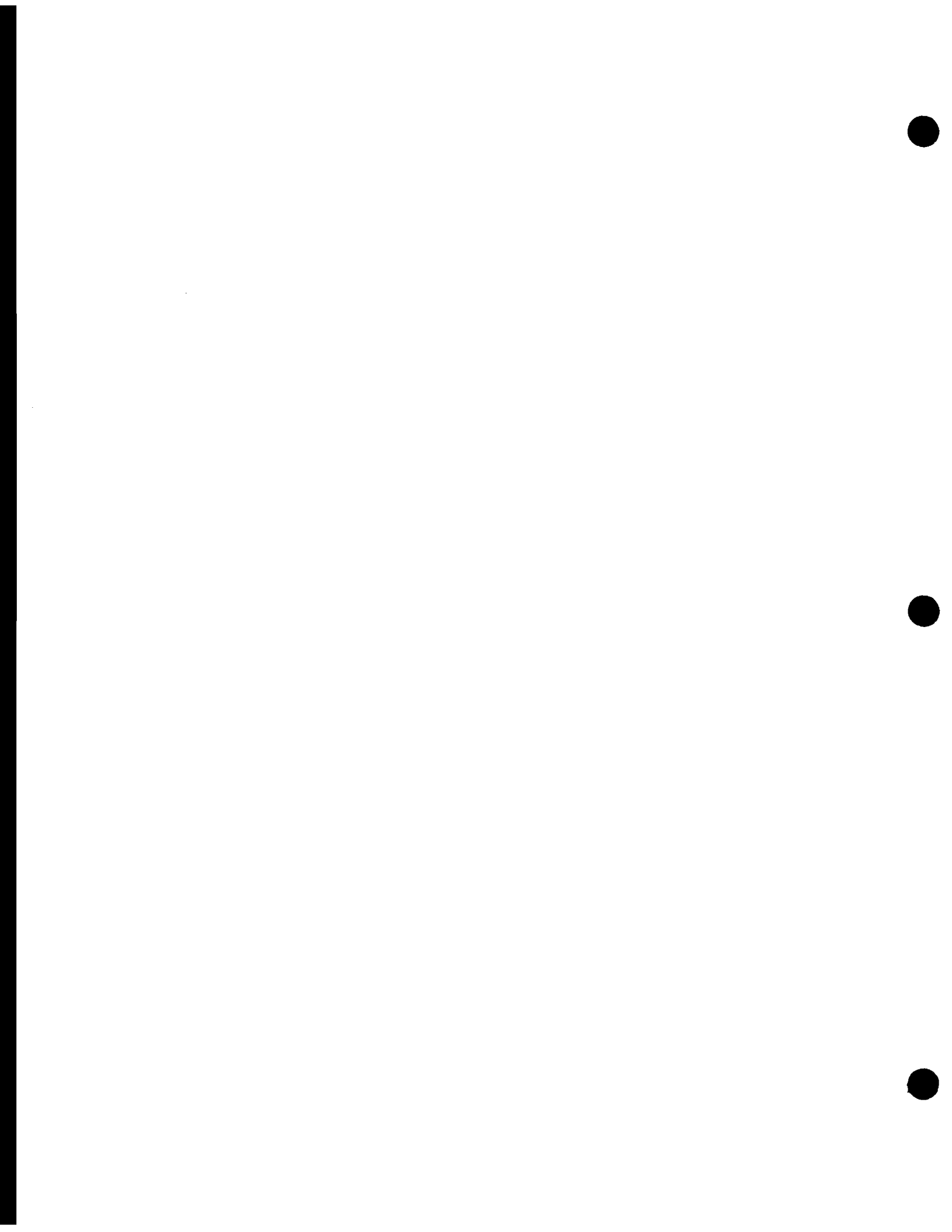
15 Thank you for taking the time to listen to me.

16 CHAIRMAN VOWELS: Any questions for
17 Mr. Klacik?

18 COMMISSIONER NDUKWU: I have one.
19 Why do you think there has not been any other
20 economic activities . . .

21 MR. KLACIK: The acoustics are really
22 bad. Did -- did you ask -- did you ask me whether
23 or not there's been any long-term economic impact
24 study?

25 COMMISSIONER NDUKWU: No.



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1 MR. KLACIK: Oh.

2 COMMISSIONER NDUKWU: Economic
3 activity outside of the general area of the casino;
4 why hasn't there been any?

5 MR. KLACIK: Well, we could -- we could
6 have great fun in speculating on that. There's
7 been no research that -- there's -- there's been
8 little research done to -- to try to determine that. I
9 think in some ways, and -- and this would purely be
10 conjecture on my part -- there's -- it's -- it's in the
11 sense of volume function. And that -- that -- until
12 you -- until you can attract enough folks that the
13 entertainment spills over and that there's enough
14 density of the single destination, then I think it's --
15 it's hard. In this case -- the additional economic
16 impact's hard in this case. All you have to do is
17 look around the facility and you'll realize that
18 there's very little opportunity for spillover impact.
19 Because this, in effect, becomes a resort
20 destination, I think, as opposed to a part of an
21 economic community. I think there's, maybe, 7 to 8
22 miles between here and the closest retail facility.

23 COMMISSIONER NDUKWU: So, an
24 alternative speculation would be that because of
25 the -- of the -- the salary given by the workers, is



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1 there more individuals out there to actually
2 compete to that -- that kind of salary scale. So,
3 the industries looking to relocate here see this as
4 a tough competitor for the workers.

5 MR. KLACIK: So -- so, your hypothesis
6 would be that as a result of wages paid by casino
7 employees, there's a shortage of potential
8 employment and other things might not be
9 economically competitive to come here?

10 COMMISSIONER NDUKWU: Possibly.

11 MR. KLACIK: That -- that -- that -- that
12 very thing's mentioned occasionally in literature.

13 COMMISSIONER GETTELFINGER: I've
14 got a few questions. Could we go to Page 35 of
15 your report in the Summary of Findings?

16 MR. KLACIK: Sure.

17 COMMISSIONER GETTELFINGER: Impact
18 on Caesars' Work Force. Would you comment on
19 your first bullet point that 35 percent of the work
20 force here were either not working or working part-
21 time jobs before they came to work at Caesars, and
22 what conclusion do you draw from that?

23 MR. KLACIK: Hang on just a second. In
24 which subject -- which sub -- heading?

25 COMMISSIONER GETTELFINGER: I'm on



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1 Page 35.

2 MR. KLACIK: All right.

3 COMMISSIONER GETTELFINGER: The
4 Impact on Caesars' Work Force, your first bullet
5 point.

6 MR. KLACIK: What -- what -- I -- I -- one
7 of the original premises of -- of legalizing gaming
8 in Indiana was that it would be -- provide economic
9 oppor -- opportunity for many who -- who need that
10 initial opportunity. And one -- and so, one of the
11 things we've constantly looked at is: Where are
12 the employees for riverboat casinos coming from?
13 And the fact that 35 percent, basically one in every
14 three, were either unemployed or underemployed,
15 at least in terms of hours, before they began here,
16 implies that the casinos are doing, in a sense,
17 exactly what was intended, which is that they are
18 creating opportu -- economic opportunity for
19 previously unemployed and underemployed
20 individuals.

21 COMMISSIONER GETTELFINGER: And
22 then, the -- the -- the last -- or the third bullet
23 point there, where the wages are \$6,732 more, that
24 was six -- 6,700 more after they'd come to work for
25 Caesars than they were making before?



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1 MR. KLACIK: That was since they began
2 working at Caesars. There isn't -- there isn't --

3 COMMISSIONER GETTELFINGER: When
4 they started at Caesars, they got \$6,732 --

5 MR. KLACIK: On the average.

6 COMMISSIONER GETTELFINGER: Oh.

7 MR. KLACIK: And their average
8 employment has been 3.3 years. In fact -- in fact,
9 as -- as I said, that's actually -- wage rates of
10 Caesars employees have grown faster than wage
11 rates in Indiana as a whole.

12 COMMISSIONER GETTELFINGER: One
13 last point. I don't mean to embarrass you; but, on
14 Page 36, why are 11 percent of the folks receiving
15 their training from Blue Chip?

16 MR. KLACIK: Because our editor -- like,
17 it would be me [laughter] -- did not notice that.

18 COMMISSIONER GETTELFINGER: Thank
19 you.

20 MR. KLACIK: You're welcome.

21 COMMISSIONER ROSE: Mr. Chairman, I
22 have one question. What -- what's the -- what was
23 the difference in the unemployment rate in the
24 county?

25 MR. KLACIK: Oh.



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1 COMMISSIONER ROSE: Did you look at
2 that?

3 MR. KLACIK: I -- actually, we looked at
4 that very intensively when we did work on our
5 Governor's gambling study effect commission [sic].

6 COMMISSIONER ROSE: Uh-huh.

7 MR. KLACIK: And in -- and in every
8 county -- every county had a higher unemployment
9 rate than the state before the riverboat casinos
10 opened. And -- and as of a couple of years ago,
11 every county had a -- had a lower unemployment
12 rate than the state. I can -- I can get, through
13 commission staff, the actual numbers for you in a
14 day or two, but off the top of my head I don't know
15 the exact numbers by county.

16 CHAIRMAN VOWELS: There was a --
17 there was a statistic that you had in one of your
18 prior presentations for relicensing about
19 homeownership. Is there anything in here or
20 anything that specifically reports that percent?

21 MR. KLACIK: I can probably -- I can tell
22 you what percent of the Blue Chip employees buy
23 homes [laughs]. No, now, it is -- it is in here, and
24 I -- I don't remember the exact page. That's --
25 that's a question that we frequently ask because it



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1 implies --

2 CHAIRMAN VOWELS: I see it now. It's
3 on Page 36.

4 MR. KLACIK: -- it's a nice question
5 because it implies a sense of financial se --
6 financial security and assurance.

7 CHAIRMAN VOWELS: So, the number is
8 almost 13 percent; 241 employees reported moving
9 rental houses to homeownership while employed
10 with Caesars. Okay. I just thought that -- when we
11 talked about that --

12 MR. KLACIK: And that was at Caesars?

13 CHAIRMAN VOWELS: At Caesars. Right.
14 Got anything else for Mr. Klacik?

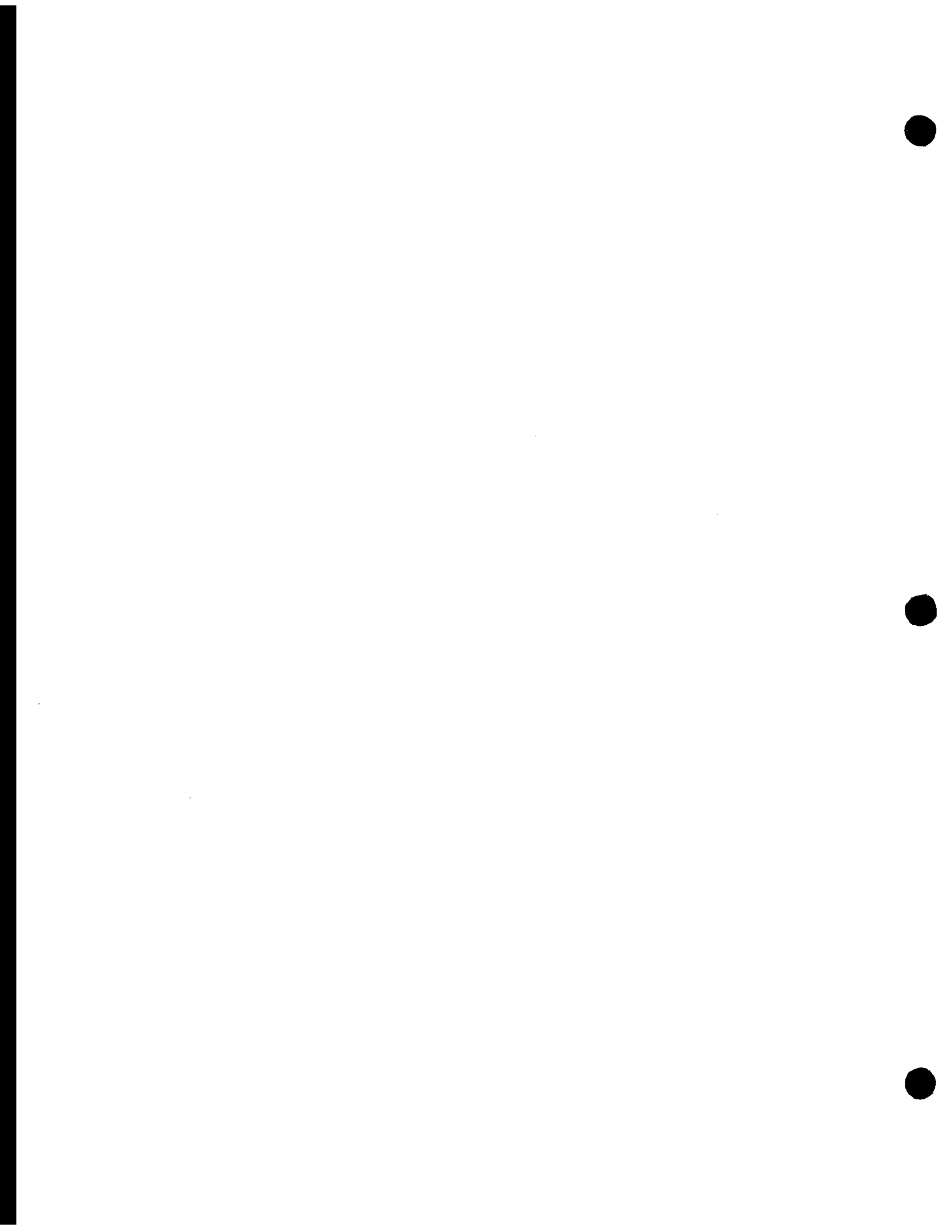
15 MR. KLACIK: Thanks.

16 CHAIRMAN VOWELS: All right. Thank
17 you.

18 All right. Then at this time, I -- we'll move to
19 listen to the Caesars people and their presentation
20 of why they should get their licenses.

21 MR. GIFFORD: Mr. Chairman, members of
22 the Commission, I'm Ron Gifford. Thanks for
23 clarifying that point about Blue Chip. We were
24 afraid we were going to get busted.

25 It's a pleasure to formally present Caesars'



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1 request for relicensing to you here at their fifth
2 anniversary. We're going to begin our presentation
3 with some brief remarks from Wally Barr, who is the
4 President and CEO of Park Place Entertainment,
5 which is Caesars' parent company. Then Barry
6 Morris, who is the general manager of the property,
7 will emcee the rest of the presentation, which will
8 include a short video and comments from
9 community leaders.

10 I'm going to introduce Mr. Barr to you as one
11 of the most influential and respected gaming
12 executives in America. He's been in the industry
13 for more than 25 years; has extensive operating
14 and finance experience in Las Vegas and Atlantic
15 City. He previously served as Park Place's chief
16 financial -- or chief operating officer until he
17 became CEO earlier this year. He serves on
18 numerous boards of organizations and
19 philanthropies. And I would just note that Mr. Barr
20 and Bernie DeLury, who is Park Place's General
21 Counsel, who's in the front row, need to be in New
22 York City about 5:30 today; and so, they may sneak
23 out shortly after Mr. Barr's remarks and the video;
24 so, just to let you know. It's a privilege to present
25 Mr. Barr to you.

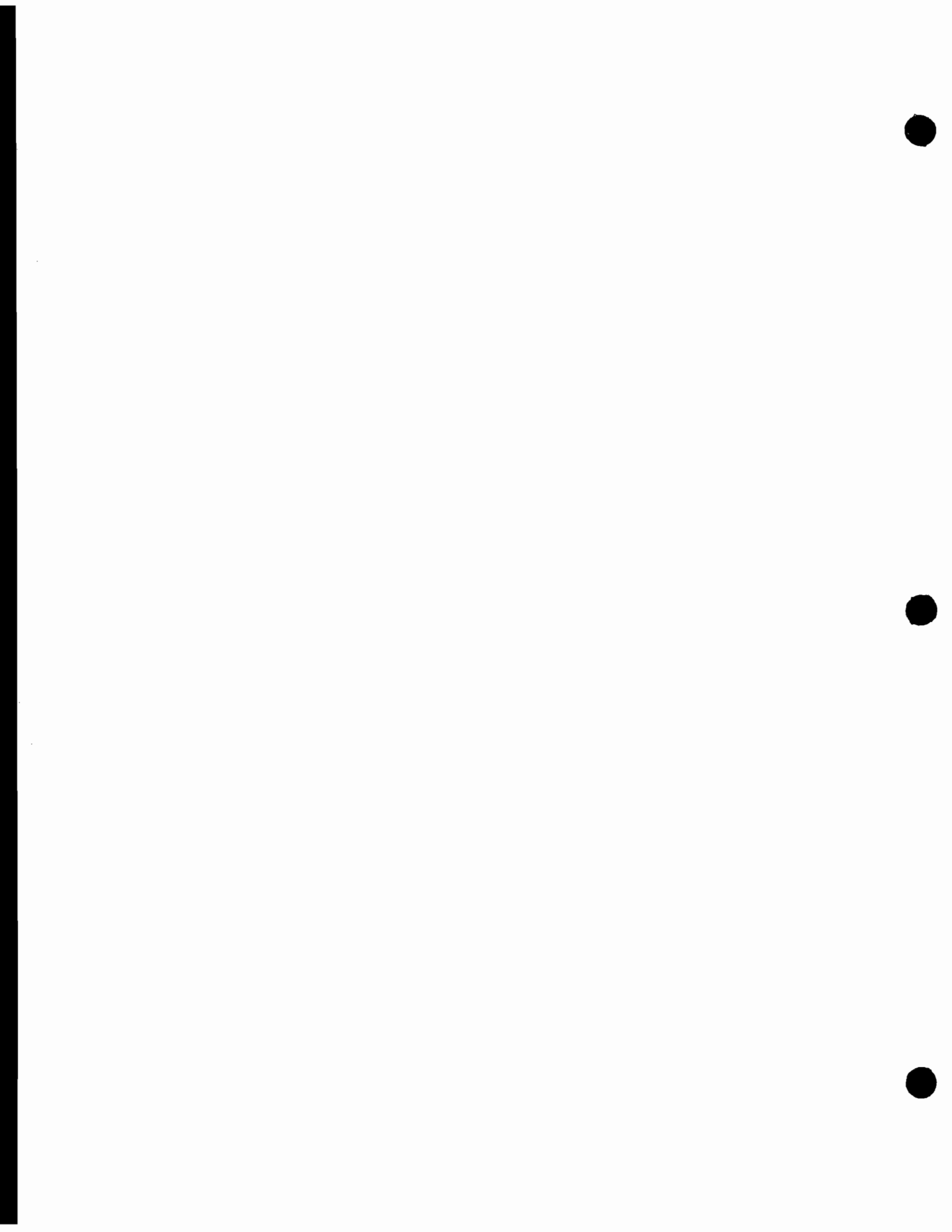


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1 MR. BARR: Good afternoon. The
2 founding president of this company used to have a
3 saying, "When you're making a presentation, use
4 the Three Bs." And I inquisitively asked one time
5 before my presentation what the Three Bs were,
6 and that was to be brief, be bright, and be gone.
7 And I will attempt to do that today in the interest of
8 time and your patience with the length of today's
9 meeting and in accordance with what you have to
10 decide this afternoon.

11 Before I start, though, I'd like to introduce to
12 you our partner from RDI, Riverboat Development,
13 Inc., Mr. Larry Thompson. Larry is the chairman of
14 the board and chief operating officer of RDI, and it
15 has been a pleasure to be a partner and be an
16 associate with him over the last number of years
17 we've been associated with the prop -- property.
18 Also in attendance today from Park Place
19 Entertainment is Bernie DeLury, our executive vice
20 president and general counsel, as well as Mr. Jim
21 Darcy, our vice president of compliance.

22 Park Place Entertainment is one of the leading
23 gaming companies in the world, with 29 locations
24 spread out over 19 domestic locations, 10
25 international locations, spread out over 5

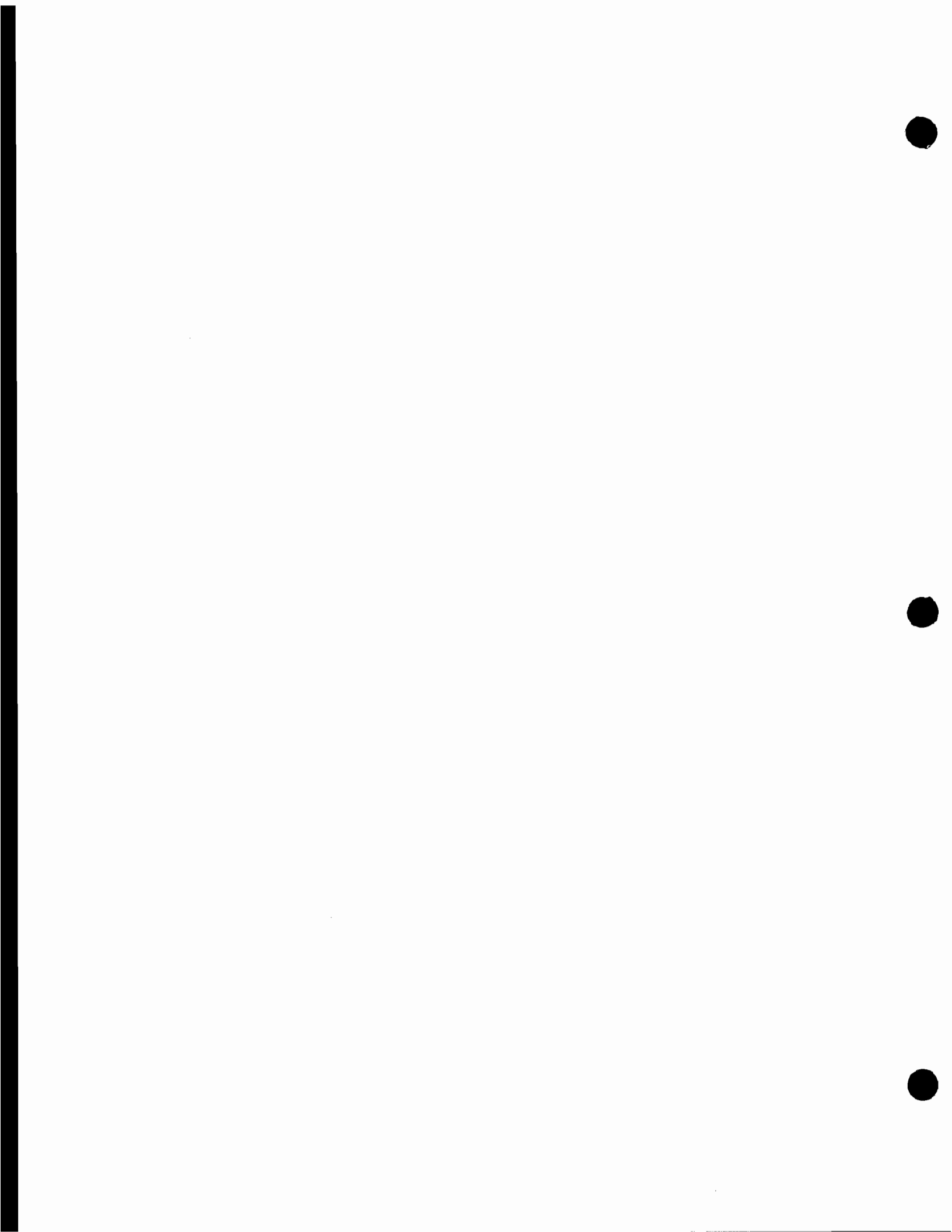


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1 countries, 54,000 employees, 29,000 hotel rooms,
2 revenues in excess of \$4,000,000,000 received as
3 cash flow that allows us to keep properties such as
4 this in a first-class condition and continue to bring
5 new unit improvements on line as we see fit for the
6 properties.

7 Recently, through a -- a vote of our
8 shareholders -- a special shareholders' meeting
9 last Wednesday morning, we are changing the name
10 of the company from Park Place Entertainment to
11 Caesars Entertainment. That will be effective on
12 January of this upcoming year when we start
13 trading on the New York Stock Exchange under the
14 symbol "CZR." We have made a commitment to our
15 shareholders and to our management that as we go
16 forward with development in all areas of the
17 domestic United States and the -- the overseas
18 company -- or overseas locations, we will be using
19 the name "Caesars" as we continue to expand.

20 We were brought into the Indiana environment
21 back in 1999 when Park Place Entertainment
22 acquired Caesars World, Inc., and acquired from
23 them locations in Las Vegas, Atlantic City, Lake
24 Tahoe, and Caesars Indiana, which was under
25 development at that point in time. When we looked



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1 at not only the Caesars Grand, which was one of
2 the best known "grands" in gaming, as evidenced
3 by our change in our corporate name and our
4 commitment toward going forward, we saw that in
5 Indiana the potential of Caesars Indiana with its
6 proximity to the Louisville -- or "Louahville," I
7 guess I'm supposed to say -- western Kentucky
8 market and immediate impact in southern Indiana
9 the property would have within the region as a
10 destination resort that would bring jobs and
11 business opportunities to the regions. The
12 potential in Caesars Indiana has been outstanding.
13 Caesars Indiana has fulfilled its promises it made
14 to the community in general, Harrison County in
15 particular, into this commitment 5 years ago.
16 During this period Caesars Indiana has been a vital
17 component of PPE's con -- contribution to the
18 financial health -- to its financial health and to the
19 enhancement of its reputation as a leader in the
20 gaming industry. This is a testament to the
21 competence, the dedication, and the commitment of
22 the staff here at Caesars Indiana, headed up by
23 Barry Morris, our executive vice president and
24 general manager of the product -- property. We
25 are very prideful of the property that we offer here



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1 and the amenities that we offer.

2 In short, when we arrived in 1999, we
3 committed to fulfill the promises that Caesars
4 World, Inc., were made prior to our arrival. In
5 some regions, they committed jobs and good jobs,
6 well-paying jobs; we delivered on that commitment.
7 They had made a commitment for first-class
8 properties and first-class hos -- hospitality; we
9 have delivered on that commitment. We have also
10 made a commitment to be a leader in the WBE and
11 the MBE development; we have made that
12 commitment and we -- we believe we have become a
13 leader in that commitment, a commitment which we
14 have kept. We are proud to be in Indiana, proud to
15 be a part of the community, and we are proud to be
16 a part of the business community in this state.

17 What I'd like to do now is have Barry Morris,
18 our executive vice president, continue in the Three
19 Bs.

20 Come on up here and give 'em a presentation
21 to show what Caesars is all about.

22 MR. MORRIS: Chairman Vowels,
23 Commissioners, I think we've had a good lunch
24 [phonetic]. Ladies and gentlemen, what bothers me
25 more to announce is that, during the break, Wally

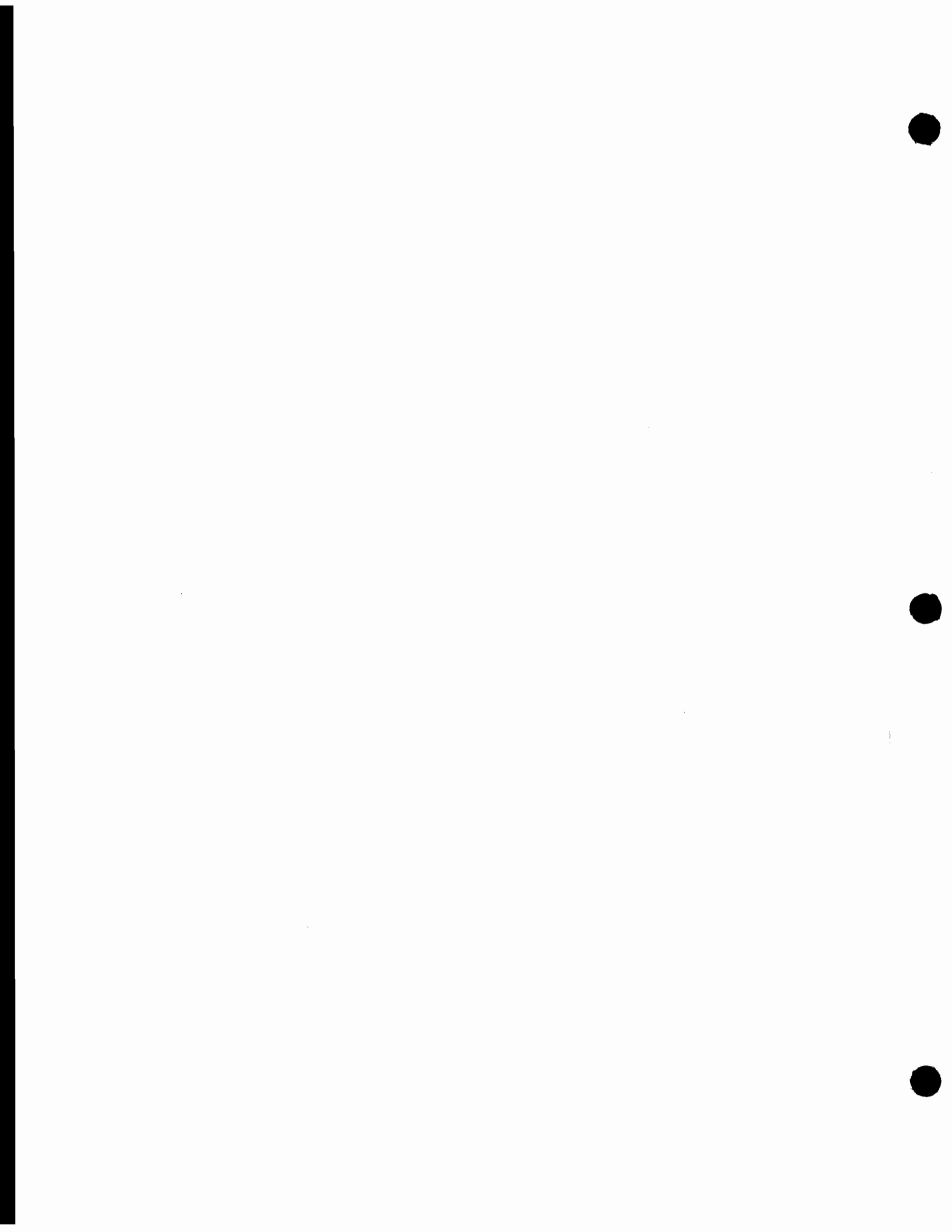


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1 stole my speech [laughter]. So I'm not gonna have
2 much to say except to tell you a couple of things
3 about myself and the biggest part of our property.
4 And I hope that what we show you today will speak
5 for itself.

6 I'm a 47-year-old Englishman from
7 Leicestershire [phonetic] and I've been in gaming
8 now for 26 years; it's the only thing I know.
9 Gaming has been an amazing thing for me and for
10 my family. I've been a member of the Park Place
11 Caesar's since it's inception in January 1999, and
12 before that, worked the Grand Casinos Mississippi
13 since 1993.

14 My wife is a Hoosier, and I've mentioned this
15 to the Commission on numerous occasions, and I
16 continued to say [phonetic], so, for her, it's a bit
17 of a homecoming. I'm purchasing our home in
18 Harrison County, and my two children, ages 10 and
19 6, go to school here in Harrison County. Our home
20 is just over the Knobs, and not only have you
21 made, as a company, a major investment in this
22 property, I've made a major investment in that
23 home. My payment went up. It's available at a
24 very reasonable rate, considering what I've put into
25 it, people [phonetic].



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1 Having said all that, we are -- we're trying to
2 benefit this great [phonetic] community here.
3 We've worked hard to join local organizations.
4 We've worked hard to make sure, whenever
5 possible, we've hired local folks who are qualified
6 in the jobs that we have available. And if they're
7 not qualified, we've worked extremely hard to make
8 sure they were given the training they needed to
9 become qualified.

10 In January of 2000 when I was asked to be
11 involved with this company, I -- I came and I saw a
12 property of exceptional potential not as yet
13 fulfilled. What I saw was the pavilion. This room
14 was built as a completely different room; where you
15 see an open room right now, was enclosed and no
16 one knew quite what to do with it. The boat was
17 built; the pavilion, with the exception of the villa,
18 was completely unfinished. By the time the year
19 2000 rolled around, every square inch of this
20 pavilion has been built out. As I show you our
21 presentation, we -- we were able to convert our
22 potential into real revenue.

23 We also had one other issue when I got here in
24 January of 2000, and that was one of the top high
25 expectations that at that point had not been met.



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1 We worked hard to design a great product. We
2 worked hard to make sure it got put together
3 appropriately. But we also maintained and worked
4 hard to make sure that all the proper goals set for
5 us by the State and the Commission were met. I
6 can say that we reasonably have the people, I
7 think, or other people who have the right to say
8 that better than I can, so we have a short 10-
9 minute video where I go to speak to our community
10 and all of you. Thank you very much.

11 [WHEREUPON, videotape is played.]

12 MR. MORRIS: As a -- as a side on that
13 video, you might remember that there was a
14 deckhand, Larry, who spoke about how he'd never
15 been on a boat before. In the 5 years since we've
16 opened, Larry has not only been employed with
17 great benefits; he's also studied hard, and now he
18 has come from never being on a boat in his life to
19 now being a mate. And on a regular basis he is
20 second in command of that whole vessel. That
21 would never have happened without -- without us
22 being here.

23 Oh, another point on the video that I would
24 like to touch on is: On the day we were on the
25 ship, some of our team members were back closing



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1 a deal on new cars. So it's kind of exciting. It's
2 ego just how much I just -- comments about it
3 [phonetic].

4 Before I move on, I'd like to -- I would like to
5 acknowledge the folks we have with us here in the
6 audience today. As I call your name, I would like
7 you to speak up. We have our County -- County
8 Commissioners J .R. Eckart, President; James
9 Goldman, Commissioner, and Jim Heitkemper. As
10 you can see, they're separated one from the other
11 by lines. We have members of the Council here
12 today, Gary Davis, the President; and Carl Duley;
13 please stand. From the Harrison County
14 Foundation, Gordon Pendleton, the President;
15 Pamela Lands [phonetic]; buried somewhere is
16 Steve Gilliland, who's the Executive Director. We
17 have, from the Harrison County Convention and
18 Visitors' Bureau, Jim Epperson. From our friends
19 in Floyd County, we have John Reisert, the
20 President of the County Commissioners, and the
21 New Albany mayor, Regina -- Regina Overton. And
22 lastly, from the Floyd County Foundation, we have
23 Jerry Finn, who's the Executive Director of that
24 group. I want to thank you all for coming today.
25 Thank you very much.



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1 I have a brief PowerPoint presentation I would
2 like to share with the Commissioners. And, maybe
3 5 minutes, we'll get to that. I've -- I've spoken
4 earlier -- I can spare folks if we can get that back
5 up for you.

6 Thank you very much. The commitment
7 originally was for 228,000,000 of capital
8 investment, and at last count we were at
9 \$435,000,000 in capital investment. I sat alone
10 looking at our gaming records since inception and
11 the taxes paid. Since the property opened in
12 November of '98, we have generated 1,121,000 --
13 \$1,121,000,000 of revenue and gross gaming-
14 revenue taxes of \$257,000,000, admissions tax of
15 nearly \$70,000,000, and our revenue sharing with
16 the two foundations I mentioned a little earlier of
17 nearly \$44,000,000. Total payments, tax, and
18 revenue sharing since November of '98 is
19 \$371,000,000.

20 Let's take a look at a moment about how this is
21 broken out by year. In our first full year of
22 operation -- of 1999, we generated \$157,000,000 of
23 revenue and \$48,000,000 in taxes. I won't bore
24 you by reading through this -- that's why we have
25 the graph -- but I just want to make note of the fact

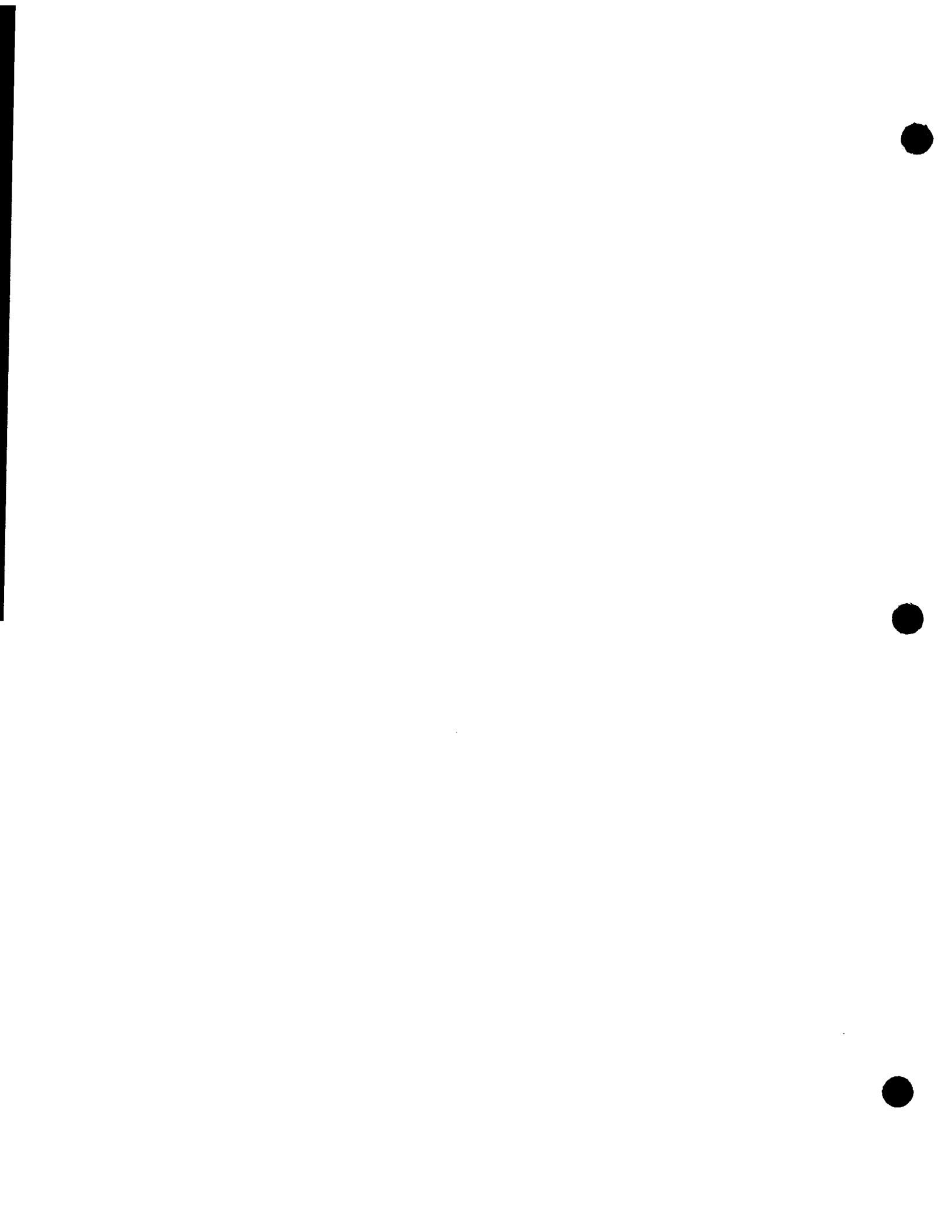


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1 that the PPE purchase came into effect in 1999,
2 and as the amenities came online, you're able to
3 see how the revenues continued the pace. We've
4 also taken note in that graph of some significant
5 events. The most significant from my point of view
6 is the opening of the hotel in late 2001.

7 Let's take a look at our revenue since -- for
8 the last couple of years and the impact of gaming
9 taxes since we went dockside. In '02, we have
10 \$265,000,000 of gross gaming revenue and we paid
11 \$86,000,000 in taxes; and projected for '03 is
12 \$285,000,000 of gross gaming revenue and a
13 \$111,000,000 tax bill. As the property is
14 developed and as we stay involved -- as our
15 operating environment has changed, you see that
16 our -- tax -- our -- our tax structure's changed
17 somewhat from a flat 31 percent through 2001 and
18 with the equitization of dockside gaming in 2002
19 through the projected first full year of dockside
20 gaming, we now have gone from a 32 to a 39
21 percent real tax structure.

22 Okay. I'd like to pause for a moment to
23 introduce some local folks who would like to spend
24 a moment addressing the Commission. The first
25 person I would like to introduce to the Commission



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1 would be J. R. Eckart, who seems to be bickering
2 with his colleagues. J. R. is the President of the
3 County Commissioners and is a reluctant public
4 speaker; however, we thought he'd like it here.

5 MR. ECKART: I'm -- I am J. R. Eckart,
6 President of the local Harrison County
7 Commissioners. I have the opportunity today to
8 have with us our other two Commissioners, Mr. Jim
9 Heitkemper and Mr. James Goldman, who've
10 elected not to join me here, so I'll -- I'll just stand
11 here all alone.

12 Very briefly, I want to talk a little bit about
13 Harrison County. Harrison County was founded
14 here when the original territorial survey was done
15 here almost 200 years ago, around 1805. And
16 Harrison County has always had some form of
17 county government here and has continued on
18 during that period of time. But the river has been
19 a very important part of the community. I'm sure
20 you're aware that Harrison County at one time held
21 the county seat of Corydon. At that time, it was
22 the state capital of the State of Indiana; the first
23 state capital. And so, we've got a -- an ability
24 here in the county government to provide for the
25 citizens in this area for a long time, and -- the



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1 river being a part of that. We have several
2 towns -- New Amsterdam, Mauckport, Bridgeport --
3 that all thrived because of the river business,
4 Bridgeport being the location of the Caesars
5 complex we're in today. So, the river, again, is
6 providing for Harrison County as it has over the
7 full 200 years of Harrison County's existence.

8 The -- the point I want to talk about today was
9 just the enhancement of Caesars to Harrison
10 County. For a leader as county government, I've
11 had an opportunity over the years to provide to the
12 citizens with all the basic needs and -- and
13 infrastructure that they needed. With Caesars, we
14 have had a great influx of funds, and it helped us
15 to enhance the programs that have always been in
16 place. And -- and have created some new programs
17 that we didn't have opportunities for before.

18 We've been able to increase our water supply
19 and make it more reliable. We've had fire hydrants
20 out in the rural communities, an opportunity for
21 them to have fire protection in that area through
22 our water-system improvements. We've been able
23 to enhance our fire departments through a turnout
24 here of fire equipment, trucks, heavy equipment to
25 work with; things that we had before, but we were



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1 very, very limited; and it's a great enhancement to
2 the -- our safety of our -- our citizens. Our
3 ambulance service; we've been able to build remote
4 stations to two stations annually across the county
5 to reduce the response time and give better service
6 to the citizens again.

7 The roads; I think you heard mention in the
8 video about the resurfacing and new surfacing of
9 roads. We acquired better equipment for our
10 highway departments. We increased our signage
11 and our striping on the roads, which has increased
12 the safety aspect of travel in Harrison County.

13 We've been able to enhance more programs
14 like community services, our alternative schools,
15 our Gerdon Youth Center, our Renaissance pro --
16 Renaissance program in the high schools. All
17 these things have all benefitted through the
18 enhancements that Caesars have given us through
19 their funding and their community development.
20 They're very active in a lot of these -- these
21 programs and promote them as well -- hooks
22 [phonetic].

23 Beyond this, I guess I'd just like to make
24 mention of the fact that Caesars is -- is just a good
25 corporate neighbor. They've been here quietly



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1 along the river. I mentioned that in the video
2 earlier. But as far as what Harrison County knows
3 about Caesars, we know there are a lot of good
4 jobs here, there's good opportunity down here for a
5 wide variety of people, and -- and they have a
6 good -- good positive connection -- addition to
7 Harrison County.

8 I appreciate your time this afternoon. Thank
9 you.

10 MR. MORRIS: The next gentleman I would
11 like to introduce to the Commissioners would be
12 Gary Davis. Gary is the president of the Harrison
13 County Council. Thank you, Gary.

14 MR. DAVIS: Good afternoon. I have been
15 fortunate to be on the County Council the entire 5
16 years that Caesars' riverboat has been in
17 operations, and I've been president for the last 3
18 years.

19 In addition to funding the many things that
20 Commissioner Eckart mentioned, we have also used
21 our riverboat funds for several additional areas.
22 We supported the transition of our local Harrison
23 Township library to a full county-wide library by
24 providing operating funds until they got their own
25 tax rate and provided capital funds for improving



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1 and renovating their facilities.

2 We have funded 10 police officers, the total
3 cost through riverboat funds. That includes
4 salaries, benefits, their cars, their uniforms, and
5 all their equipment.

6 We have funded several million dollars to the
7 three public-school corporations in Harrison County
8 for the support of their operations. They in turn
9 use these funds for additional technology
10 improvements, to buy schoolbooks for their
11 libraries, and to make capital improvements in their
12 facilities as well.

13 We funded a Harrison County Lifelong Learning
14 Center that provides educational opportunities for
15 our older citizens.

16 We have provided money to support Leadership
17 Harrison County, which trains serving leaders to go
18 back into their communities and provide leadership
19 to them. And I was a graduate of their first class.

20 J. R. mentioned Harrison County Renaissance,
21 which recognizes the academic achievement of the
22 students in our high schools. He also mentioned
23 the Gerdon Youth Center, and that center provides
24 a place for children to go after school, and they
25 are the ones that are now housing an alternative



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1 school that will allow continued educational
2 opportunities for students who are suspended from
3 our high schools during the period of their
4 suspension.

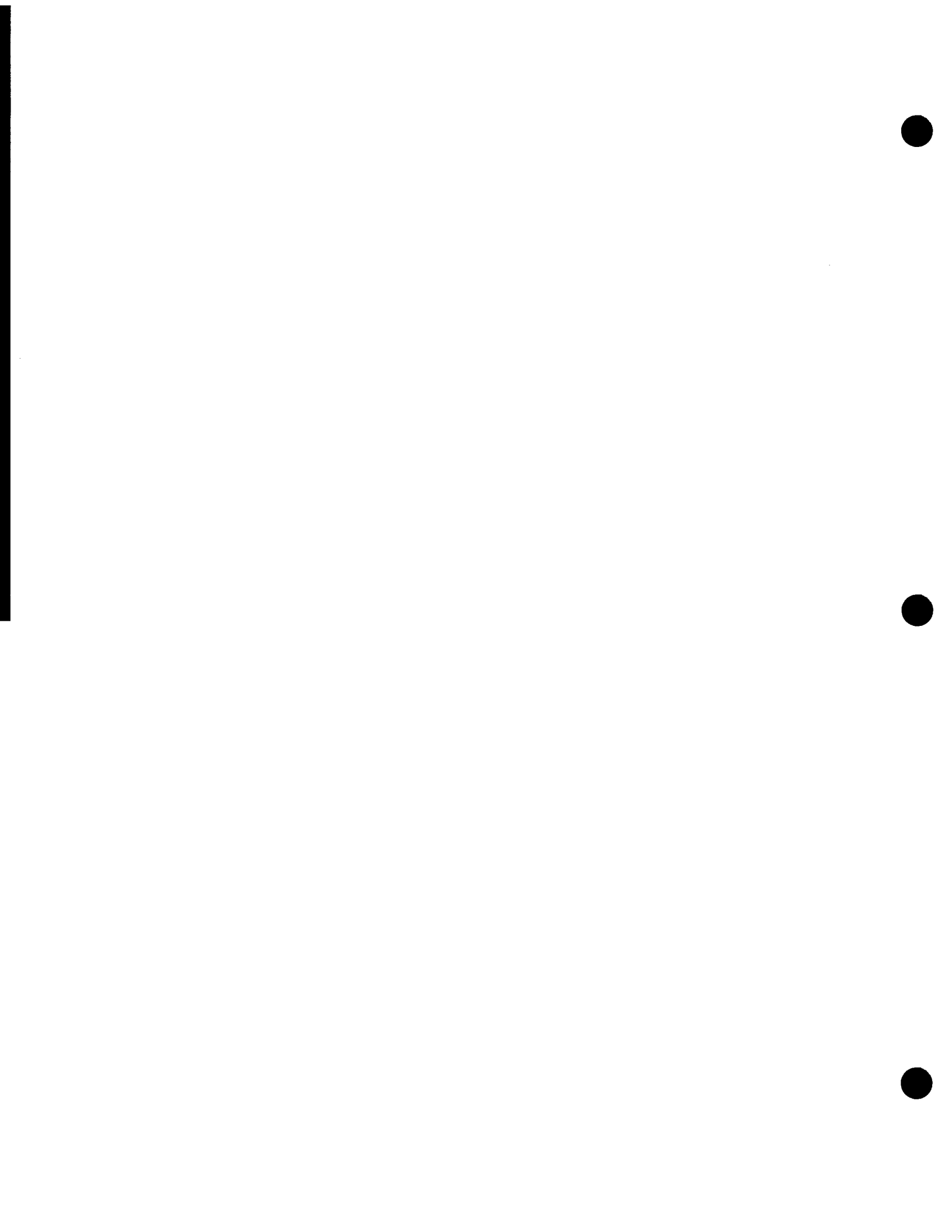
5 We have provided \$100,000 in each of the last
6 2 years for sow-and-work programs to help farmers
7 in Harrison County.

8 We fund -- provided funding to Harrison
9 County Community Services, an organization which
10 attempts to provide a safety net for many of our
11 more unfortunate citizens. This funding has grown
12 to 200,000 over the last 2 years with the reduction
13 in funds available from state and federal grants.

14 We funded the creation and operation of the
15 Joint County Economic Development Committee,
16 which is endeavoring to leverage the advantage of
17 the riverboat money we have to take -- take
18 advantage of the upturn in economy that we expect
19 to occur.

20 We've provided \$6.5 million to the three
21 school corporations to use in paying off some of
22 their debt service, which in turn has reduced
23 property taxes for Harrison County citizens.

24 Finally, we have shared 18 percent of our
25 revenue -- 15 percent to other counties and 3



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1 percent to the 10 towns and -- incorporated towns
2 of Harrison County.

3 As you can see, we've used our funds for more
4 than brick and mortar. We've attempted to improve
5 educational opportunities for our citizens, provided
6 for public safety. We funded social services and
7 we've provided property-tax relief. These funding
8 needs will continue to grow as we plan for the
9 future of Harrison County. All this has been made
10 possible by our partnership with Caesars. I look
11 forward to continuing what's been a very profitable
12 relationship both for Caesars and ourselves. And I
13 look forward to working with Barry, and we
14 wholeheartedly support the relicensing of Caesars
15 Indiana Riverboat Casino. Thank you.

16 MR. MORRIS: Next, I should like to
17 introduce to the Commissioners Darrell Voelker.
18 Darrell is the Executive Director of the Chamber of
19 Commerce in Harrison County.

20 MR. VOELKER: Caesars has made a
21 tremendous economic impact on Harrison County.
22 The investment of nearly a half million dollars and
23 the creation of 2,000-plus jobs alone represents an
24 economic-development project that is simply
25 unparalleled in a community like ours.



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1 Caesars has been an outstanding corporate
2 partner, too, as has been mentioned before. They
3 work with the Chamber and sponsor many projects
4 like "Images of Harrison County," which is our
5 publication that we put out to help make the image
6 of our business community. They help with
7 Showcase Harrison County and the Chamber annual
8 meeting, and both take place in this room; and
9 collectively we attract more than 1,000 people to
10 these events to help showcase what Harrison
11 County is all about to the rest of our region. Prior
12 to Caesars' building this Colosseum, we had no
13 place to host an event like that.

14 They've been a partner of the Harrison County
15 Convention and Visitors Bureau. They support
16 such projects as celebrating National Tourism
17 Week. They worked with the Bureau to put an
18 informational kiosk and several brochure racks in
19 this pavilion to promote the rest of the tourist
20 attractions in Harrison County. They support the
21 coöperative advertising projects. And today
22 they're working on a hospitality training program to
23 help serve and train hundreds of service-sector
24 workers throughout Harrison County.

25 The personnel from Caesars are also very



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1 active in the community in many, many different
2 organizations. Particularly, the Chamber of
3 Commerce board is served by senior management,
4 the CVB Tourism Committee, and the Regional
5 Work Force Investment Board.

6 The Chamber of Commerce has been able to
7 obtain funding support to purchase and develop 84
8 acres for a new industrial park in the county. We
9 were also able to provide infrastructure to a new
10 production company that's opening in the existing
11 industrial park later this year. We were able to
12 initiate a job-training program for industrial
13 workers that concludes with the participants
14 earning college credit.

15 The Convention and Visitors' Bureau has also
16 been able to expand their programs tremendously
17 with the help of the additional tax revenue
18 generated by the hotel and the admissions tax.

19 Caesars is also the top traffic generator for
20 visitors in the entire Louisville economic region.
21 The 2,200 jobs here make them the largest
22 employer by far in south-central Indiana, and they
23 are among the top 10 largest in the Louisville
24 metropolitan area.

25 The Chamber of Commerce and the business



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1 community as a whole in Harrison County have
2 been very fortunate to have Caesars Indiana in
3 Harrison County for the last 5 years, and we look
4 forward to continuing to work with them in the
5 future. Thank you.

6 MR. MORRIS: Gentlemen, thank you very
7 much indeed.

8 I'll spend a moment talking about our team
9 members whom we had on the employment market
10 here in southern Indiana. When the property was
11 operational in 1999, we had 2,065 employees. As
12 amenities came on line and as our business grew,
13 we employed 2100 in 2000. Between 200 [sic] and
14 2001, we're up to nearly 2300 in 2002. And that
15 last number includes our most recent amenity,
16 Chariot Run Golf Course, which is about 8 miles
17 away from here just through Elizabeth.

18 Let's talk a little bit about where those folks
19 come from. The gentleman that was here early on
20 spoke about how our employment breaks out. 22
21 percent of our employees are from here in Harrison
22 County, 45 percent are from southern Indiana, and
23 the remaining 33 percent are from our neighbors
24 across the river in Kentucky. 497 people employed
25 in Harrison County, 1,037 from the southern



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1 Indiana counties, and 744 people from Kentucky.

2 I'll spend a moment talking about our wages.

3 As pointed out, we not only employed our work
4 force, but that work force also earned incremental
5 wages as they gained seniority. In 1999 our
6 payroll was 45,000,000, and now in 2002 our
7 payroll is up to, maybe, \$67,000,000. And what's
8 interesting when you talk about payroll; it's not
9 only what people receive in their paycheck, but
10 also our benefit package.

11 The gentleman in the video earlier today spoke
12 about how he didn't believe our benefits could be
13 beaten. When you think about all the benefits that
14 we do that include, like, health, payroll taxes, paid
15 time off, and holiday pay and disability pay, our
16 benefit package totals up to \$28,000,000 a year.
17 That's \$14,000 a team member, or 67 percent of
18 our payroll. A significant investment, an
19 investment we believe we have to make, and one
20 that pays off in retention and great improvement.

21 In addition to those benefits we just spoke
22 about, we have some that we like to talk about as a
23 "hidden paycheck," which includes our paid lunch
24 and our paid breaks, employee events like picnics
25 that we have, free covered parking, discounts in



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1 our retail stores. I wouldn't go through the whole
2 list, but it's a significant amount of benefits that
3 no one ever really thinks about putting a dollar
4 amount to until I did the other day. And all of
5 those hidden benefits are now an additional million
6 three; a significant investment, one that's well
7 worth spending.

8 Our team members are quite a diverse group
9 and we've teamworked hard to maintain that
10 diversity. We made a commitment 5 years ago that
11 9.4 percent of our employees would be minority.
12 The actual fact is 13.6 percent of our employees
13 are minority. The commitment was for 33.6 of our
14 employees to be female, and the fact of the matter
15 is nearly 50 percent of our employees are female,
16 and they are doing a spectacular job.

17 While we talk about the diversity of our work
18 force, let's spend a moment talking about the
19 diversity of our vendors. Again, we want to point
20 out that in 1999 the property was not meeting these
21 goals. And we recognized, when we made the
22 purchase, that we'd have some hard work to do in
23 order to not only operationally meet the goals that
24 were set for us, but also, in a -- in a -- in a
25 cumulative sense, by the time the build-out of the



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1 property was completed, all the goals needed to be
2 met. On our most recent year in 2003, year-to-
3 date, 33.3 percent of our purchases are either
4 minority or -- or women-owned businesses. 25.2
5 percent of our businesses are minority businesses
6 and 8.1 percent of our purchases come from
7 women-owned businesses.

8 I'd like to ask another member of the
9 community, Lewis Smoot, to speak to our
10 relationship with minority-owned businesses and
11 the experiences he's had here with us. Mr. Smoot?

12 MR. SMOOT, SR.: Good afternoon. My
13 name is Lewis Smoot, Sr. I'm the president and
14 chief executive officer and majority owner of Smoot
15 Construction. I'm just going to take a minute and
16 give you a little history of our company because
17 it's one of the oldest minority-owned construction
18 companies in the United States. We don't publicize
19 that too much because we let our work do our
20 talking, so to speak. But in 1928 my father and
21 three of his brothers, as well as his father, formed
22 a masonry company in a place called Boone
23 County, West Virginia, which is not too far from
24 here. That period of service that they had as
25 masonry contractors was interrupted in 1944 when



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1 my father was called into the Navy.

2 In 1946 he began the company a little
3 differently as a sole proprietorship rather than just
4 a partnership. And in 1972 he changed the
5 company into a general contractor and
6 construction-management company. And from that,
7 we've grown to three offices; a major office in
8 Indianapolis; Columbus, Ohio; Washington, D.C.
9 We work in six states and the District of Columbia.
10 We have 155 current employees, all professionals,
11 either engineers, architects, project managers, or
12 whatever, to supervise our construction. And we're
13 rated in the top 400 contractors in America by
14 Engineering News-Record, along with the top 100
15 construction managers. You might say that that's
16 absolutely fabulous. But I would have to say to
17 you today: After -- since 1928 we should be a little
18 larger in sales than what we are in altered times.
19 The whole subject of diversity and minority
20 participation interferes in our success.

21 However, over those years and with that
22 expansion, we've been able to have what we call
23 "studios" or divisions that do industrial work, such
24 as Anheuser-Busch and DaimlerChrysler. We've
25 been able to do assemblies such as Consec



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1 Fieldhouse in Indianapolis and the new
2 Washington, D.C. Convention Center, which is six
3 city blocks, the largest project in America. We've
4 also been able to be involved in the transportation
5 sector, building one of the new, recent control
6 towers in Columbus, and now the control tower in
7 Indianapolis as well as the terminal expansion
8 there.

9 Housing, which we all know is important -- and
10 those of you who know what Code 6 [phonetic] has
11 been -- we've been the leaders in going out and
12 developing new buildings out of old housing
13 projects and involving the community in the work.
14 In addition to that, needless to say, education is
15 very important in America today, and we're
16 involved in K through 12 and then at the college
17 and university level.

18 What does that have to do with Caesars? We
19 were given an opportunity to participate here.
20 They didn't know who Smoot was. But they made a
21 commitment to you and to others that they would
22 fulfill a role in diversity, and they asked us to
23 participate and help them with that. Because our
24 motto is: Somebody helped us, and we have a
25 responsibility to help someone else. We competed



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1 for the hotel, for the connector, the parking
2 garage, a number of -- millions of dollars' worth of
3 work. And we competed because we knew that they
4 needed participation. But the most important thing
5 is: They gave us an opportunity, an opportunity
6 which we've never had. Because, generally,
7 speaking what happens is, when you go out to
8 compete and make a presentation to someone, the
9 first thing they ask you is, "What have you done
10 like that before?" And we didn't have a 500-room
11 hotel in our portfolio. But we had numerous
12 projects of diverse magnitude; we had much larger
13 projects than that. And they said, "Show us a
14 piece of your work."

15 At the opening, Caesars stated publicly that
16 they went out to achieve minority participation and
17 found the best contractor, the lowest, most
18 responsible contractor, who completed their
19 \$50,000,000 project in excess of their expectation
20 because it was under budget, it was on time, and it
21 opened, and it is of the quality that it is. During
22 that process, their challenge to me is: While
23 you -- we have you at 100 percent, go out and do
24 some more for us. We were able to achieve in
25 Harrison County, with local minority and female



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1 businesses and the adjacencies that you saw in the
2 diagram, an additional 28 percent of participation,
3 which had never been achieved here before.

4 What I say to you is this: I'm very thankful to
5 Caesars because now I have other opportunities
6 and I can add gaming to my list of studios that we
7 do inside of our business. And as a result of this
8 facility here, we had an opportunity and are
9 presently working at Horseshoe in Hammond.
10 We've also had opportunities to bid projects at
11 Belterra. And we are now competing -- or shall we
12 say "completing" -- our information to Blue Chip to
13 see if we can become qualified to do some of their
14 work.

15 So I'm extremely grateful. I thank you for
16 what you did, because you opened, through your
17 vision, an opportunity for someone like me and
18 someone for -- other out -- out there that we can
19 help, and I very much appreciate that and thank
20 you as well as Caesars for having the vision to go
21 the extra mile and think out of the box and
22 recognize that people such as us can participate in
23 new ventures if given a proper opportunity. Thank
24 you very much.

25 MR. MORRIS: Not only have we provided



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1 spectacular employment and not only have we
2 provided great opportunity for members of both the
3 minority and female persuasion, but we've also
4 found a way to share our wealth with our local
5 partners, meaning two local foundations. There is
6 the Harrison County Foundation and the Caesars
7 Floyd County Foundation. Initially, a \$5,000,000
8 gift was made to the Harrison County Foundation,
9 and then from 1998 through today we participate
10 with our revenue sharing. Most recently, projected
11 for 2003, the Harrison County Foundation will be
12 the recipient of \$10.8 million and the Floyd County
13 Foundation of \$3.6 million. And we're particularly
14 excited to note that the Floyd County Foundation
15 was able to make a \$20,000,000 commitment to the
16 YMCA in New Albany, which is -- is -- really, it's
17 seen as a bedrock of the continued growth of New
18 Albany. And we're very, very excited. I sit on the
19 board of that foundation and I take great pride in
20 knowing that we made that significant contribution
21 to that great project.

22 In -- in wrapping up, we recognize that we
23 have a responsibility not only to provide great
24 entertainment product and also provide great
25 employment and great opportunity, but we also



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1 recognize that our entertain -- our entertainment
2 offering also presents some opportunities when we
3 talk about our guests and -- and their participation
4 in that entertainment. Park Place Entertainment,
5 now Caesars Entertainment, has not only complied
6 and participated in every problem-gaming initiative,
7 but we've also created our own program which we
8 call "We Care." We -- we've -- we've worked very
9 hard to make sure that there's high awareness
10 around our property to know about "We Care"
11 collateral. We have brochures distributed
12 throughout the property for the guests, easily
13 available and obtainable for -- for all of our guests
14 to put their hands on. We recognize we have a
15 responsibility to problem gaming, and we're happy
16 to participate and -- and play our part.

17 That concludes my presentation today. I know
18 that there is a period for public comment. I'd be
19 happy to take questions, or I'd be happy to go sit
20 down. Thank you.

21 CHAIRMAN VOWELS: I think what --
22 probably, what we'll do is go ahead and start the
23 public comment.

24 MR. MORRIS: Thank you.

25 CHAIRMAN VOWELS: All right. Thank



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1 you.

2 We've received some requests. David Davis is
3 the first on this piece of paper I have here. Is Mr.
4 Davis here? And we'll limit these to 2 minutes,
5 please.

6 MR. DAVIS: Hello. I'm David Davis. I
7 am here to represent the Elizabeth Volunteer Fire
8 Department and to tell you how Caesars has
9 impacted this volunteer fire department.

10 Ten years ago, this department made an
11 average run of less than 100 runs per year. Back
12 in 1999, after Caesars opened the store for
13 business, Elizabeth made 140 years [sic], with 9
14 percent of the runs being made between Stuckey
15 Road and the Harrison County line, which is only a
16 quarter-mile stretch. And if we are not figuring in
17 any additional runs of wreck calls which involved
18 Caesars employees or patrons in other parts of
19 Elizabeth Volunteer Fire Department's coverage
20 area. In 2003, Elizabeth Volunteer Fire
21 Department made 200 runs, 38 of these runs being
22 made between Stuckey Road and Harrison County
23 line; that is, 19 percent of our runs. A quick
24 breakdown of the runs: 21 motor-vehicle
25 accidents, 12 medical-assist runs to the Caesars



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1 complex, 2 car fires in the parking garage, 2 fires
2 on the Caesars complex, and one Coast Guard drill.
3 This is a large jump for a small volunteer fire
4 department with only a roster of 25 men.

5 Equipment at the fire department includes a
6 2000 International Class A pumper that was bought
7 by revenue, given to the county, a 1974 John Bean
8 pumper that is out of service due to mechanical
9 failure, a 1985 Ford ambulance body which is
10 currently being used for equipment truck, a 1966
11 Ford and a 1989 Ford which is our brush trucks.
12 The department has three tankers: a 1983 1600-
13 gallon tanker; a 1974 1600-gallon; and a 1975
14 International 1800-gallon. With this equipment and
15 number of men and the additional number of runs
16 going -- is going to make it hard for the survival of
17 the fire department.

18 A survey done by a consultant in their report
19 said that the Elizabeth Volunteer Fire Department
20 is in need of operational funds. A budget of
21 150,000 would help the Elizabeth Volunteer Fire
22 Department to have the ability to have the required
23 training and purchase equipment and many other
24 needed things. The Elizabeth Volunteer Fire
25 Department is currently working on a -- working



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1 with a budget of approximately \$50,000. Elizabeth
2 is working on going fire-district, but even after this
3 gets started, it'll be 2 years before we could ever
4 see revenue from it.

5 Caesars is covered by the New Albany Fire
6 Department for fire protection for Caesars'
7 complex. This does not take care of any addi --
8 added incidents on Highway 111, nor anything to do
9 with the golf course which has recently opened.
10 With this ongoing growth, Elizabeth is considering
11 the thought of having a paid department of seven
12 to nine men with a salary of 30,000 and a benefit
13 package of another 30,000. At this, we would need
14 additional funding of \$420,000 to \$540,000
15 annually. At this time, we are not trying -- trying
16 to get anything started for lack of funding.

17 In conclusion, I believe that Caesars could
18 help Elizabeth Volunteer Fire Department much like
19 they have helped Harrison County Hospital and
20 Harrison County Sheriff's Department. Thank you.

21 CHAIRMAN VOWELS: Thank you, sir.
22 Mayor Overton?

23 MAYOR OVERTON: Thank you for
24 allowing me to speak just a few seconds. I've sat
25 here and listened to the presentation today, and



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1 most of it has been Harrison County. I would just
2 like to give a perspective as an adjoining county.

3 I am mayor of the City of New Albany. I came
4 on in 2001, the same as Barry Morris came to this
5 property in 2000 -- January 1 of 2000, I'm sorry --
6 January of 2000. And I would like to just express
7 our partnership that we have and what our
8 community, the City of New Albany, has realized by
9 this partnership.

10 This weekend I have a bluegrass festival going
11 on on our riverfront that is the largest -- this is our
12 fourth annual, and it is the largest outdoor free
13 bluegrass festival in the country. We would not be
14 having this on our riverfront if it was not for a
15 partnership and the contributions from Caesars
16 Indiana.

17 We do also, as you just heard, have a --
18 through our city government, have a -- an
19 agreement with our fire department and Caesars to
20 provide fire protection. We have a paid
21 professional fire department that provides these
22 services to Caesars.

23 But more importantly, as mayor, I'd like to
24 speak to you about the benefit our community has
25 realized through our foundation. The foundation



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1 was created -- set up with an agreement with
2 Caesars and Floyd County. As mayor, you know,
3 I'm very proud to say that over \$2,000,000 has
4 been distributed through our community for
5 501(c)(3)'s. You know, with the decline in the
6 economy that the country is experiencing, they
7 have been able to offer continued services and
8 additional equipment because of the foundation.

9 I'm very proud to say that we have also
10 entered into an agreement amongst ourselves to
11 provide scholarships in our community. This is the
12 second year for the scholarship pro -- program.
13 We have distributed \$100,000 each year for
14 scholarships. This year we have agreed that the
15 scholarships would be renewable for the 4 years.
16 This is an opportunity for kids in our community
17 that they would not realize neither [sic] for college
18 education.

19 There have been other numerous benefits
20 throughout our coun -- community, as I said. But
21 one of the most significant is the \$20,000,000
22 commitment on our riverfront for revitalization --
23 economic revitalization with the YMCA and the
24 natatorium that will create private development,
25 also, in our downtown community.



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1 Our community -- if you live in Harrison
2 County, that's the only way you could find Caesars
3 Indiana through Harrison County. You'd come
4 through the city of New Albany, Floyd County, to
5 come to Caesars. And we would like to take
6 advantage of those opportunities that lie in our
7 community with this \$20,000,000 investment.

8 I've heard a lot about employment and
9 unemployment. The City of New Albany is pleased
10 to have a 3.3 unemployment rate. You will only
11 find 10 communities throughout the community --
12 throughout the state of Indiana that enjoys [sic] a
13 lesser unemployment rate than we do. We have
14 created over 2,000 jobs through economic
15 development that our community has not realized
16 in the last 40 to 50 years. Has Caesars created
17 that? I would say that Caesars has played a big
18 part in that because of their presence here on this
19 property. There's not one thing that I could say
20 that would be anything negative about our
21 relationship, our agreements that we've entered
22 into, or their commitment to our community either.
23 And I thank you.

24 CHAIRMAN VOWELS: Thank you, Mayor.
25 Stan Curtis?



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1 MR. CURTIS: Good afternoon, ladies and
2 gentlemen. I'm a little out of -- out of my wits here
3 because I'm not here about money. I'm a food
4 raiser, not a fund raiser. From Harrison to Floyd,
5 from Crawford to Clark, from Spencer to
6 Washington Counties, over the nearly 5 years,
7 Caesars has been able to provide for a quarter of a
8 million meals to people who are less fortunate in
9 this community.

10 Yes, I -- I live in Kentucky. I'm sorry about
11 that [laughter], but we care about people who are
12 hungry everywhere. And somebody said one time
13 that the impersonal hand of government will never
14 take a place in the per -- of the caring hand of a
15 neighbor. Caesars has been an incredible neighbor
16 for this entire community; not just southern
17 Indiana, but Kentucky as well. And we're very
18 proud to have them as a neighbor. We're very --
19 I -- I don't ask Caesars for money; I ask them for
20 food, and they provide it to me in a lot of creative
21 and compassionate ways. And we're very glad to
22 have Caesars as a neighbor. And I would hope that
23 you will renew their license today so that we can
24 get some food tomorrow. Thank you.

25 CHAIRMAN VOWELS: Marcus Burgher?



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1 MR. BURGHER, IV: Good afternoon. My
2 name's Marcus Burgher, IV. I was a little
3 concerned, Chairman, when you said we had a limit
4 of 2 minutes. Being an attorney, you know, we bill
5 by the hour; and having been able to sit here, I'm
6 really hoping that maybe --

7 COMMISSIONER GETTELFINGER:
8 [interrupts] Excuse me, sir. We listen by the
9 minute [laughter].

10 MR. BURGHER, IV: Just -- today actually
11 is -- I'm an attorney billing by the hour, and I
12 haven't been in my office since yesterday morning
13 at 8:00.

14 I appear here today on behalf of the Crawford
15 County Council. Also with me today is Don Koland
16 [phonetic], who is the attorney for Crawford County
17 Commissioners. Unfortunately, the Crawford
18 County Council couldn't be here today; they're
19 working on their budget, which happens to be less
20 than, actually, what we received from Harrison
21 County in revenue sharing.

22 Back in March of 1999, Crawford County
23 entered into an inter-local agreement with the
24 Commissioners of Harrison County, which was
25 approved by the Council of Harrison County, in



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1 which it would share revenue from the gaming tax
2 and the admissions tax that was received by
3 Harrison County. That agreement provided that 8
4 percent of that money would be paid to Crawford
5 County. As a result of that, Crawford County
6 decided it was important to try to disburse that
7 money to various entities within the county. I
8 presented to each of you previously -- there's a
9 book laying out there that -- that breaks this out in
10 detail -- but in the 5 years that we shared in this
11 revenue agreement, Crawford County has received
12 just under \$6.7 million. That money originally
13 was -- by ordinance passed by the Council, 10
14 percent went to various towns within Crawford
15 County; an additional 40 percent went to the
16 Crawford County's Community School Corporation.
17 That money was used to pay on the debt service.
18 All those monies not being used directly would
19 reflect a tax rate that didn't have an effect on the
20 Crawford County taxpayers because some of the
21 debt on -- that the school had was being used to
22 lower it, which allowed the tax rate eventually to
23 be lowered. The remaining 50 percent went to the
24 county infrastructure; that is, for building of roads
25 and various other county projects.



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1 Since that time, in June of 2002, a new
2 ordinance was passed. These ordinances I have
3 provided to you in the book. But under that
4 ordinance, 50 per -- 50 percent of the money went
5 to the County Highway Department to bituminous.
6 Specifically, what they wanted to do is for -- 15
7 percent of it is for chipping and sealing roads; the
8 rest of it is for larger projects that would become
9 necessary.

10 The Crawford County Community School
11 Corporation now receives 30 percent. That money
12 is directly going toward the debt on the elementary
13 schools that are within the county. Crawford
14 County has a high school of about 700 students,
15 yet they still maintain numerous elementary
16 schools in all of the towns that used to be former
17 high schools. Those schools were recently
18 renovated, and the money from Harrison County
19 revenue sharing is going directly to pay the debt on
20 those schools.

21 An additional 12 percent of the money is now
22 going to various towns within the cou -- in the
23 county of Crawford. Those towns are all the way
24 from the town of Alton, English, Leavenworth,
25 Marengo, and Milltown.



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1 In addition, we felt the necessity of sharing
2 some of the money with the fire departments of
3 Crawford County, and there's 4 percent of that
4 money that's now being disbursed directly to the
5 fire department for purposes of purchasing
6 equipment. In many cases, these are infrared
7 devices that allow people to be seen in situations
8 where there's a smoke area.

9 In addition to that, 2 percent of the money was
10 disbursed to the Crawford County emergency
11 ambulance. That money is actually held in a
12 capital-outlay fund. The purpose of that money is
13 for large purchases not being on the regular
14 operating budget. That money is being specifically
15 used to purchase ambulances as necessary and, if
16 it became necessary, to build buildings in the
17 future and used for that as well.

18 The Crawford County Library is now receiving
19 1 percent. Again, that money is for the purposes
20 of capital outlay. It's not designed to be in their
21 everyday budget.

22 And an additional 1 percent is going to the
23 Crawford County Highway Department for purposes
24 of capital outlay as well. That money is disbursed
25 every 6 months.



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1 If you'll notice when you look in the book, and
2 I -- and listening to the words of Mr. Wallace [sic],
3 I'll be -- be brief; but if you'll look in the book,
4 you'll see year by year what disbursements
5 Crawford County had received and what entity has
6 received that. One thing you will notice, which is
7 not a typographical error, is that there appears --
8 there are years when more money was disbursed
9 than what was received, and there is some
10 accuracy in that. In many cases, Harrison County
11 would make their disbursement; Crawford would
12 have already made disbursements that carried
13 over. In addition to that, when the money was paid
14 in in the beginning, that money was actually put
15 into a CD and interest was earned on that money.
16 Under that arrangement, the interest earned off of
17 CDs was actually being disbursed to, originally, 50
18 percent to the school, 50 percent to the County
19 Highway Department.

20 The Council, in a wise decision, decided that
21 we look at this riverboat money as being something
22 that may not continue on in the future and we need
23 to put some of this aside. So, what they've done
24 is: Any interest that's earned on these monies now
25 goes into a contingency fund that'll be used in



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1 situations where we run into an emergency in the
2 future.

3 I've approached, on behalf of the Council
4 Commissioners of Harris -- of Crawford County as
5 well as the residents, both the Harrison County
6 Commissioners and the Harrison County Council
7 and asked for them to continue with the revenue-
8 sharing agreement if, in fact, the Commission does
9 vote to approve Caesars' license renewal. Our
10 agreement ends this year in November, and it's my
11 understanding, in speaking with both Councils in
12 Harrison County, they intend to continue to share
13 money that they're receiving from the revenue here
14 in Harrison County. Thank you very much.

15 CHAIRMAN VOWELS: Thank you. I
16 recognize about 90 percent of the names in this
17 book, Marc.

18 MR. BURGHER, IV: Yeah, that is correct.
19 We noticed that we did remove your name from the
20 letterhead --

21 CHAIRMAN VOWELS: Yes [laughs].

22 MR. BURGHER, IV: -- of the law office. I
23 felt that that would be --
24 [WHEREUPON, off the record remarks are made.]

25 MR. BURGHER, IV: Thank you.



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1 CHAIRMAN VOWELS: Thank you. Gary
2 Cleveland? Gary Cleveland?

3 MR. CLEVELAND: I've got about a 30-
4 minute speech; is that appropriate?

5 CHAIRMAN VOWELS: That last one
6 lasted 2 minutes, I think, so . . .

7 MR. CLEVELAND: That's about all I'm
8 going to take, actually. J. R. Eckart, president of
9 the county commissioners, pretty much covered it, I
10 guess.

11 Caesars, when they first came in, presented
12 quite a challenge to the ambulance service, as we
13 were very small; two ambulances during the day
14 and one at night, all based in Corydon, Indiana.
15 With the income from Caesars, the County
16 Commissioners and the Council and the hospital
17 worked together to make some changes. We added
18 a new station down in Elizabeth and a new station
19 in the northern part of the county. And by getting
20 that, we recre -- decreased response times that
21 used to be, down in this township, in the Elizabeth
22 area, of 20 minutes; and they've been reduced
23 down to -- last year's average was 6 minutes. And
24 the same dramatic changes happened in the north,
25 from 12 minutes down to 7 minutes. And



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1 throughout the county the response times have
2 been greatly decreased.

3 And I can tell you that I can actually verify
4 that there actually have been moments saved
5 because of funding through the Caesars and the
6 Commissioners and the Council people.

7 Other than that, Caesars has been a -- a great
8 company to work with. Tom Hill, head of security
9 here, also oversees the EMS section, and they're
10 great people to work with. We have no complaints.
11 They've been a great partner. Thank you.

12 CHAIRMAN VOWELS: And then, Walter
13 Schulz. Mr. Schulz?

14 MR. SCHULZ: Mr. Chairman, thank you.
15 Is it possible to change your mind?

16 CHAIRMAN VOWELS: To change my
17 mind? One minute -- he means for one minute . . .

18 MR. SCHULZ: My mind.

19 CHAIRMAN VOWELS: Oh, to change your
20 mind.

21 MR. SCHULZ: I mean, how could you be
22 against something like that? Look at this building.
23 Why, it's fabulous. But, you know, there's a few
24 questions. Caesars did come. And they did
25 conquer. What better testimony could you have



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1 than all the dependents that you've heard on
2 Caesars presented to you in the last 15, 20
3 minutes? What better evidence do you need?

4 I really wonder what would happen if this
5 facility didn't operate. All of southern Indiana
6 would fall apart. I just wonder how we existed
7 before. I really wonder how Indianapolis, Fort
8 Wayne, Lafayette, Terre Haute, how they exist.
9 How they provide services for their people. They
10 must have a miracle up there. They must have
11 awful smart people or something that we don't have
12 here.

13 Every businessman knows the cost of doing
14 business. I think we've ignored that cost. Where
15 does the money come from? I'd like to repeat that
16 about 10 times, but I'm -- you won't let me. Where
17 does the money come from? If you look at some of
18 the statistics on the slides up there -- and these
19 may not be completely accurate, but they're
20 close -- the \$66,000,000 in payroll represents
21 about 3 months of their adjusted gross income.
22 Three months. The 8-point-some-odd million
23 dollars given to New Albany is just a couple weeks
24 from their adjusted gross income.

25 You know, you have to wonder: If this is so



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1 great, are the people in Ohio and Kentucky less
2 intelligent than we are? In the year 19 -- I'm
3 sorry, the year 2003, this year, with all the states,
4 with the problems they have of meeting budgets,
5 there were 19 states that started off this year with
6 major proposals for the expansion of gambling.
7 You know how many have passed? Zero. They've
8 all been defeated except two states, and they will
9 go to referendums and I think they will be
10 defeated. And I say, "Why? What do they know
11 that we don't know?"

12 These foundations, I think, are great. I
13 suggested in the -- our local paper yesterday, I
14 wonder if it should be a requirement for those who
15 choose to receive money from the foundations to
16 sign a statement acknowledging that the money
17 comes from the losses of gamblers and, from that
18 acceptance of the money, endorse and encourage
19 gambling. I think there'd be a few people that'd
20 refuse that. I wonder.

21 This is from our -- yesterday's paper, the
22 business section. "Four tax breaks, local forecast.
23 Louisville excepted to okay incentives for retooling
24 clients." The conventional model for an industry to
25 come in is to be granted tax abatement, sometimes



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1 training, and sometimes rebuilding of
2 infrastructure. When a casino comes into your
3 community it's just 180 degrees opposite. They
4 pay for the roads. They pay for the training. They
5 ask for the -- the privilege of taking money out of
6 our community. 21 mil -- over \$21 million a month
7 is not spent on goods and services.

8 CHAIRMAN VOWELS: Mr. Schulz, if you
9 could wrap it up. I think your 2 minutes passed a
10 little while ago. If you could pass it up -- if you
11 could -- if you can wrap it up now.

12 MR. SCHULZ: Yes, sir. I've got only one
13 thing.

14 CHAIRMAN VOWELS: Okay, sir.

15 MR. SCHULZ: Just one other thing.
16 Gambling has an economic effect on Indiana. I
17 would strongly suggest that, under the powers that
18 you have today, that you are admonished to
19 consider this as a benefit to all of Indiana, that
20 you instigate and somehow fund a completely
21 independent -- independent study that will give you
22 the net effect for gambling in Indiana. Other
23 states have done it and they come up with a
24 negative answer. Thank you.

25 CHAIRMAN VOWELS: Thank you, Mr.



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1 Schulz. All right. That concludes the people that
2 are signed up to talk.

3 Are there any questions of Caesars? We have
4 to process the proposed order for the renewal of
5 the riverboat license if there's -- if there are no
6 questions. We could just move into that

7 Mr. Gifford, if you and, I guess, Mr. Morris
8 could come up so we could go through some of
9 these contingencies on the possibility of the
10 license being renewed?

11 The -- the order of the Indiana Gaming
12 Commission to renew the Riverboat Owner's
13 License held by Caesars; it lists specifically, and I
14 need to know if you would be in agreement with
15 these things: that Caesars is to provide the
16 Commission staff with remote dial-in to Caesars'
17 slot account managing system. Is that something
18 you will do?

19 MR. MORRIS: Yes.

20 CHAIRMAN VOWELS: All right. And
21 Caesars is to post bond in the amount of
22 \$1,000,000 to secure its economic obligation. You
23 will do that; correct?

24 MR. MORRIS: Yes.

25 CHAIRMAN VOWELS: And Caesars is to



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1 continue to maintain adequate insurance pursuant
2 to 68 IAC 2-1-8. You're agreeable with that?

3 MR. MORRIS: Yes.

4 CHAIRMAN VOWELS: Okay. And Caesars
5 is to continue to maintain its commitment to the
6 goals regarding women's business participation set
7 forth in the Statute of -- Indiana Code 4-33-14, et
8 seq. You're agreeable with that?

9 MR. MORRIS: Yes.

10 CHAIRMAN VOWELS: Okay. And Caesars
11 will comply with all the rules and resolutions that
12 are adopted by and under which the Commission
13 operates pending final promulgation of the rules.
14 Are you agreeable with that?

15 MR. MORRIS: Yes.

16 CHAIRMAN VOWELS: And Caesars is to
17 keep the riverboat and pavilion in compliance with
18 all other state and local rules for the law -- lawful
19 operation of gaming, including but not limited to
20 Army Corps of Engineers permitting, United States
21 Coast Guard certification, and such other federal,
22 state and local licensing, permitting, or
23 certification requirements as are necessary for
24 alcoholic-beverage service, food service,
25 construction of the overall public health. Are you



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1 agreeable with that?

2 MR. MORRIS: I am.

3 CHAIRMAN VOWELS: Any questions?

4 COMMISSIONERS: [no response]

5 CHAIRMAN VOWELS: In front of us, then,
6 is the order of the Indiana Gaming Commission
7 renewing Riverboat Owner's License held by RDI,
8 Caesars Riverboat Casino, LLC. The license as
9 proposed is valid from November 16th, 2003, to
10 November 15th, 2004.

11 Mr. Lawrence, is there anything you want to
12 add?

13 MR. LAWRENCE: No, sir.

14 CHAIRMAN VOWELS: All right. Is there
15 a motion in reference to the renewal of this
16 license?

17 COMMISSIONER GETTELFINGER: Mr.
18 Chairman, I move the Caesars Riverboat license be
19 renewed.

20 CHAIRMAN VOWELS: Is there a second?

21 COMMISSIONER MILCAREK: I'll second
22 that motion.

23 CHAIRMAN VOWELS: Is there any further
24 discussion?

25 COMMISSIONERS: [no response]



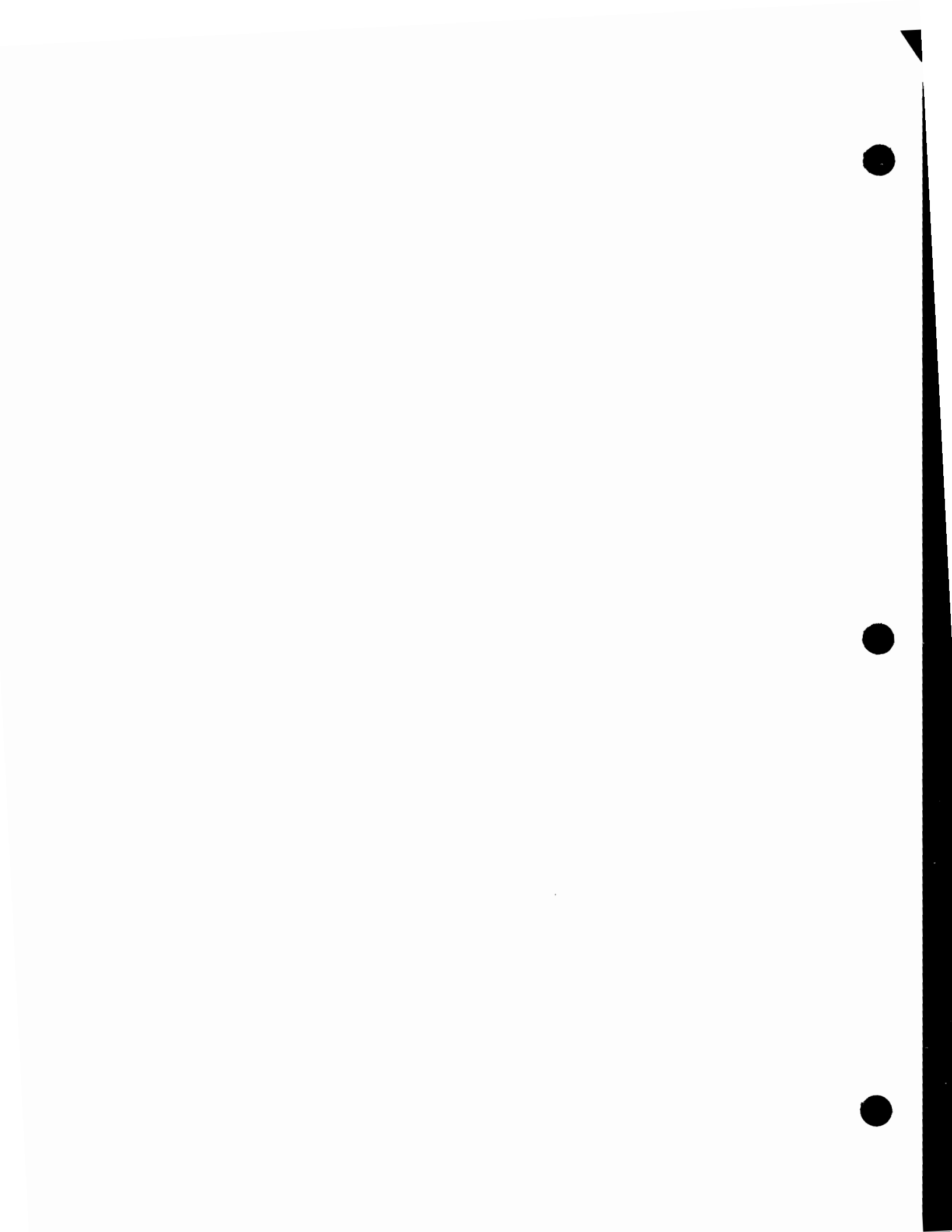
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1 CHAIRMAN VOWELS: All right. Because
2 there are five of us here, we do remember that if
3 anyone dissents or any two dissent, there's a real
4 problem; so, keep that in mind. All those in favor
5 say "Aye."
6 COMMISSIONERS: Aye
7 CHAIRMAN VOWELS: All those opposed?
8 COMMISSIONERS: [no response]
9 CHAIRMAN VOWELS: Show that it is
10 carried by vote.
11 [WHEREUPON, the Riverboat Owner's License
12 for RDI, Caesars Riverboat Casino, LLC is
13 renewed.]
14 [WHEREUPON, members of the public applaud.]
15 CHAIRMAN VOWELS: Mr. Lawrence, is
16 there anything further?
17 MR. LAWRENCE: No, sir.
18 CHAIRMAN VOWELS: All right. I
19 entertain a motion to adjourn.
20 COMMISSIONER ROSE: So moved.
21 CHAIRMAN VOWELS: Is there a second?
22 COMMISSIONER GETTELFINGER:
23 Second.
24 CHAIRMAN VOWELS: All those in favor
25 say "Aye."



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1 COMMISSIONERS: Aye.
2 [WHEREUPON, the Indiana Gaming Commission
3 Hearing/Public Meeting is adjourned at 3:26
4 p.m.]
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C A P T I O N

The Hearing/Public Meeting in the matter
of, on the date, and at the time and place set out
on the title page hereof.

It was requested that the Hearing/Public
Meeting be taken by the reporter and that same be
reduced to typewritten form.



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CERTIFICATE OF REPORTER

STATE OF KENTUCKY AT LARGE:

I, **Jonathan F. Himler**, Notary Public for the State of Kentucky at Large, do hereby certify that the foregoing was reported by stenographic

and mechanical means, which matter was held on the date, and at the time and place set out in the caption hereof and that the foregoing constitutes a true and accurate transcript of same.

I further certify that I am not related to any of the parties, nor am I an employee of or related to any of the attorneys representing the parties, and I have no financial interest in the outcome of this matter.

GIVEN under my hand and Notarial seal this 9TH day of OCTOBER, 2003.

My Commission Expires: Notary Public

SEPTEMBER 16, 2006



